

Offering Circular



# MTR Corporation Limited

(a company incorporated on 26th April 2000 in Hong Kong with company number 714016)

and

# MTR Corporation (C.I.) Limited

(a company organised under the laws of the Cayman Islands on 30th October 2000)

**(Unconditionally and Irrevocably Guaranteed by MTR Corporation Limited)**

**US\$4,000,000,000**

## **Debt Issuance Programme**

On 22nd December 1993, Mass Transit Railway Corporation ("MTRC") entered into a US\$1,000,000,000 Debt Issuance Programme (the "Programme"). The maximum aggregate nominal amount of Notes (as defined below) which may be outstanding under the Programme was increased to US\$2,000,000,000 with effect from 1st June 1999, to US\$3,000,000,000 with effect from 31st October 2006 and to US\$4,000,000,000 with effect from 13th March 2013. On 30th June 2000 MTR Corporation Limited ("MTRCL" or "the Company") replaced MTRC as the issuer of Notes under the Programme. All the assets and liabilities of MTRC vested in MTRCL and MTRCL has adopted all of the accounts of MTRC. MTR Corporation (C.I.) Limited ("MTR Cayman") became an additional issuer of Notes under the Programme with effect from 9th April 2001 pursuant to an Amending and Restating Programme Agreement dated 9th April 2001 made between MTRCL, MTR Cayman and the Dealers named therein (MTRCL and MTR Cayman together being the "Issuers" and each an "Issuer").

This Offering Circular supersedes any previous prospectus, listing particulars or offering circular describing the Programme. Other than the US\$600,000,000 2.500% Fixed Rate Notes due 2026 as set out in a pricing supplement dated 24th October 2016 that have already been agreed to be issued by MTR Cayman under the 2015 programme prior to the date of this Offering Circular, any other Notes issued under the Programme on or after the date of this Offering Circular are subject to the provisions described herein. This does not affect any Notes issued before the date of this Offering Circular.

Under the Programme, MTRCL or MTR Cayman or any other entity that may be appointed as an additional issuer under the Programme, as the case may be, (the "relevant Issuer") may from time to time issue Notes (the "Notes") denominated in any currency agreed upon by the relevant Issuer and the relevant Dealer(s) (as defined herein). The Notes shall have maturities that are one month or greater (subject to such minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank or equivalent body (however called) or any laws or regulations applicable to the relevant currency) and, subject as set out herein, the maximum aggregate principal amount of all Notes from time to time outstanding will not exceed US\$4,000,000,000 (or its equivalent in other currencies). The payment of all amounts payable in respect of Notes to be issued by MTR Cayman or any other entity that may be appointed as an additional issuer under the Programme will be unconditionally and irrevocably guaranteed by MTRCL (the "Guarantor"). The Notes will be offered through one or more of the Dealers specified under the section headed "Summary" in this Offering Circular and any additional Dealers appointed under the Programme from time to time (each a "Dealer" and together the "Dealers") on a continuing basis whether in respect of the Programme generally or a particular issue of Notes.

Application will be made to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for the listing of the Programme by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and in the Securities and Futures Ordinance (Cap.571) of Hong Kong) (together, "Professional Investors") only during the 12-month period from the date of this document on the Hong Kong Stock Exchange. This document is for distribution to Professional Investors only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

**The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuers, or MTRCL (in such capacity as the Guarantor) or quality of disclosure in this document.** Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

The Notes have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, US persons unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available.

Notice of the aggregate principal amount or interest (if any) payable in respect of the issue price of each Tranche (as defined herein) of Notes will be given in a pricing supplement (the "Pricing Supplement") which, with respect to Notes to be listed on the Hong Kong Stock Exchange, will be delivered to the Hong Kong Stock Exchange on or before the date of issue of such Notes. Copies of each Pricing Supplement will be available from the specified office of each of the Paying Agents (as defined herein). The Programme provides that Notes may be listed on such other or further stock exchanges as may be agreed between the relevant Issuer and the relevant Dealer(s), and may also be unlisted. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange or any other stock exchange.

Each Tranche of Notes with a maturity of more than 365 days will initially be represented by a temporary global note (each a "Temporary Global Note"), unless the applicable Pricing Supplement specifies otherwise, and each Tranche with a maturity of 365 days or less will initially be represented by a permanent global note (each a "Permanent Global Note" and together with the Temporary Global Notes, the "Global Notes"), unless the applicable Pricing Supplement specifies otherwise. Each Global Note will be deposited (a) in the case of a Tranche intended to be cleared through Euroclear Bank SA/NV ("Euroclear") or Clearstream Banking, S.A. ("Clearstream"), on the issue date with a common depositary on behalf of Euroclear and Clearstream or (b) in the case of a Tranche intended to be cleared through CMU (as defined herein) or any other clearing system other than Euroclear or Clearstream or delivered outside a clearing system, as stipulated in the applicable Pricing Supplement. Interests in Temporary Global Notes will be exchangeable for interests in Permanent Global Notes or, if specified in the Pricing Supplement, for definitive Notes ("Definitive Notes") in bearer or registered form. In the case of Notes in bearer form, such exchange will occur only after 40 days from the issue date upon certification as to non-US beneficial ownership. Interests in Permanent Global Notes will be exchangeable for Definitive Notes in bearer form ("Definitive Bearer Notes") or for Definitive Notes in registered form ("Definitive Registered Notes").

As at the date of this Offering Circular, MTRCL and MTR Cayman's debt ratings are (i) (P)Aa1 (for senior unsecured debt) and (P)P-1 (for short-term debt) by Moody's Investors Service Hong Kong Limited ("Moody's"); and (ii) AAA (for long term debt) and cnAAA (Greater China credit scale rating) by S&P Global Ratings ("S&P").

Notes issued under the Programme may be rated or unrated. When an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme and (where applicable) such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Offering Circular. This Offering Circular does not describe all of the risks of an investment in the Notes.

*Arranger*

**J.P. Morgan**

*Dealers*

ANZ  
BNP PARIBAS  
Crédit Agricole CIB  
Deutsche Bank  
HSBC  
Mizuho Securities  
MUFG  
Standard Chartered Bank (Hong Kong) Limited  
Westpac Banking Corporation

28th October 2016

Barclays  
BofA Merrill Lynch  
Citigroup  
Goldman Sachs (Asia) L.L.C.  
J.P. Morgan  
Morgan Stanley  
Nomura  
UBS

**IMPORTANT**

**If you are in any doubt about this Offering Circular you should consult your stockbroker, bank manager, solicitor, certified public accountant or other professional adviser.**

*This Offering Circular is to be read in conjunction with all the documents which are deemed to be incorporated herein by reference (see “Documents Incorporated by Reference”).*

*The Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuers and the Guarantor. The Issuers and the Guarantor accept full responsibility for the accuracy of the information contained in the Offering Circular and confirm, having made all reasonable enquiries, that to the best of the knowledge and belief of the Issuers and the Guarantor there are no other facts the omission of which would make any statement herein misleading.*

*Each Tranche (as defined in “Terms and Conditions of the Notes”) will be issued on the terms set out herein under “Terms and Conditions of the Notes” as amended and/or supplemented by the Pricing Supplement specific to each Tranche. The Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche, must be read and construed together with the relevant Pricing Supplement.*

*The distribution of the Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession the Offering Circular comes are required by the Issuers, the Guarantor as well as the Arranger and the Dealers to inform themselves about and to observe any such restrictions. None of the Issuers, the Guarantor, the Arranger, the Dealers, the Trustee (as defined herein) or the Agent (as defined herein) represents that the Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution of offering. In particular, no action has been taken by the Issuers, the Guarantor, the Arranger, the Dealers, the Trustee or the Agent which would permit a public offering of any Notes or distribution of the Offering Circular or any Pricing Supplement in any jurisdiction where action for such purposes is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of the Offering Circular, any Pricing Supplement or any advertisement or other offering materials may be distributed or published in any jurisdiction, except under circumstance that will result in compliance with any applicable laws and regulations.*

*The Issuers and the Guarantor, having made all reasonable enquiries, confirm that the Offering Circular contains all information with respect to the Issuers, the Guarantor and their subsidiaries and the Notes which is material in the context of the issue and offering of the Notes, the statements contained in them relating to the Issuers, the Guarantor and their subsidiaries are in every material respect true and accurate and not misleading, the opinions and intentions expressed in them with regard to the Issuers, the Guarantor and their subsidiaries are honestly held, have been reached after*

*considering all relevant assumptions and are based on reasonable assumptions and there are no other facts in relation to the Issuers, the Guarantor and their subsidiaries or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in them misleading in any material respect and all reasonable enquiries have been made by the Issuers and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements.*

*The Arranger and the Dealers have not separately verified the information contained in the Offering Circular. None of the Arranger, the Dealers, the Agent or the Trustee or any director, officer, employee, agent or affiliate of such person makes any representation, warranty or undertaking, express or implied, or accepts any responsibility as to the accuracy or completeness of the information contained in this Offering Circular or for any other statement made by the Issuers and the Guarantor in connection with either of them or the issue and offering of the Notes. Each Arranger, Dealer and the Trustee accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement.*

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of the Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Offering Circular.*

*No person has been authorised to give any information or to make any representation not contained in or not consistent with the Offering Circular or any other document entered into in relation to the Programme or any other information supplied by the Issuers or the Guarantor in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers or the Guarantor or any of the Arranger or the Dealers.*

*Neither the Offering Circular nor any other information supplied or incorporated by inference in connection with the Programme is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuers, the Guarantor or any of the Arranger or the Dealers or any director, officer, employee, agent or affiliate of such person, that any recipient of the Offering Circular, or of any such information, should purchase any of the Notes. Each investor contemplating purchasing any of the Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the relevant Issuer and the Guarantor (if applicable). Neither the Offering Circular, the Pricing Supplement, nor any other information supplied or incorporated by reference in connection with the Notes constitutes an offer or invitation by or on behalf of the Issuers, the Guarantor or any of the Dealers to any person to subscribe for or purchase any of the Notes.*

*The Arranger and the Dealers expressly do not undertake to review the financial condition or affairs of the Issuers, the Guarantor and their subsidiaries during the life of the Programme. Investors should review, inter alia, the most recent financial statements of the Issuers and the Guarantor when deciding whether or not to subscribe for, or purchase, any of the Notes.*

*Neither the delivery of the Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in the Offering Circular is true subsequent to the date hereof or the date upon which the Offering Circular has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any material adverse change, in the Issuers' or the Guarantor's prospects, financial or trading position since the date thereof or, if later, the date upon which the Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.*

*The distribution of the Offering Circular and the offer or sale of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession the Offering Circular or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of the Offering Circular and the offer or sale of the Notes in the United States, the European Economic Area, the United Kingdom, Hong Kong, the Cayman Islands, The Netherlands, Japan and Singapore, as described in the Offering Circular (see "Subscription and Sale").*

*The Offering Circular does not describe all of the risks and investment considerations (including those relating to each investor's particular circumstances) of an investment in the Notes of a particular issue. Each investor contemplating purchasing any of the Notes should refer to and consider carefully the relevant Pricing Supplement for each particular issue of Notes, which may describe additional risks and investment considerations associated with such Notes. The risks and investment considerations identified in the Offering Circular and the applicable Pricing Supplement are provided as general information only. Investors should consult their own financial and legal advisors as to the risks and investment considerations arising from an investment of an issue of Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.*

*In the Offering Circular, references to "HK\$" and "HK dollars" are to Hong Kong dollars, references to "US\$" and "US dollars" are to United States dollars, references to "RMB" and "Renminbi" are to the currency of the People's Republic of China, references to "Yen" and "¥" are to Japanese Yen, references to "C.I.\$" are to Cayman Islands dollars, references to "sterling" and "£" are to United Kingdom pounds sterling and references to "euro" are to the currency of member states of the European Union that adopted the single currency introduced at the start of the third stage of economic and monetary union in accordance with the Treaty on the Functioning of the European Union as amended from time to time. References to any other currency or composite currency in any applicable Pricing Supplement will be defined therein. References to "Hong Kong" are references to the Hong Kong Special Administrative Region of the People's Republic of China. References to "Macau" are references to the Macau Special Administrative Region of the People's Republic of China. References to the "PRC" are references to the People's Republic of China and, for the purposes of this Offering Circular, excludes Hong Kong, Taiwan and Macau.*

**In connection with the issue of any Tranche, the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or persons acting on behalf of any**

**Stabilising Manager(s) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

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## **Documents Incorporated by Reference**

This Offering Circular should be read and construed in conjunction with the consolidated Annual Report and audited annual accounts of MTRCL and its subsidiaries (the “Group”) for the years ended 31st December 2014 and 31st December 2015, the audited annual accounts of MTR Cayman for the years ended 31st December 2014 and 31st December 2015, and the unaudited interim financial report of the Group for the half year ended 30th June 2016 which are included in this Offering Circular. Such documents shall be incorporated in and form part of this Offering Circular save that any statement contained herein or in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

MTRCL will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the oral or written request of such person, a copy of any or all of the documents which are incorporated herein by reference unless such documents have already been supplied to such person. Written requests for such documents should be directed to MTRCL at its principal office set out at the end of this Offering Circular. In addition, such documents will be available, without charge, from the principal office of the Agent.

## **Supplementary Offering Circular**

The Issuers have given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Offering Circular which is capable of affecting the assessment of any Notes and whose inclusion in this Offering Circular or removal is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuers, and the rights attaching to the Notes, the Issuers shall prepare an amendment or supplement to this Offering Circular or publish a replacement Offering Circular for use in connection with any subsequent offering of the Notes and shall supply to each Dealer and the Trustee such number of copies of such supplement hereto as such Dealer and the Trustee may reasonably request.



## Summary

*This summary must be read as an introduction to this Offering Circular. Any decision to invest in any Notes should be based on a consideration of this Offering Circular as a whole, including the documents incorporated by reference.*

**Issuer** MTRCL or MTR Cayman.

**Guarantor (if MTR Cayman is the relevant Issuer)** MTRCL.

**Description of the Issuers** MTRCL has a 50-year exclusive franchise which commenced on 30th June 2000 to operate the Mass Transit Railway System in Hong Kong. The Rail Merger Ordinance and the new Operating Agreement between MTRCL and the Government of Hong Kong (“Government”) provide that the Company’s franchise to operate the MTR and KCR railways will run for an initial period of 50 years commencing on the Merger Date (2nd December 2007). MTRCL was incorporated in Hong Kong on 26th April 2000 under the Companies Ordinance. By virtue of the Mass Transit Railway Ordinance (Chapter 556 of the Laws of Hong Kong) (the “Mass Transit Railway Ordinance”) (which came into effect on 30th June 2000), with effect from that date, MTRCL assumed all the legal rights and obligations of Mass Transit Railway Corporation. MTRCL was partially privatised on 5th October 2000 by way of an offer for sale of ordinary shares by The Financial Secretary Incorporated (the “FSI”) on behalf of the Government. MTRCL’s shares are listed on the Hong Kong Stock Exchange.

MTR Cayman is an exempted company with limited liability organised under the laws of the Cayman Islands and incorporated pursuant to the Companies Law on 30th October 2000 for an unlimited period and is a wholly-owned subsidiary of MTRCL. MTR Cayman is a special purpose financing vehicle whose sole purpose and activity is the issuing of debt securities, the net proceeds of which are on-lent to MTRCL.

**Risk Factors** There are certain factors which may affect the Issuers’ ability to fulfil their obligations under the Notes issued under the Programme and include risks relating to MTRCL and its business, such as competition in Hong Kong from other transport providers, growth being dependent in part on the award of new railway projects, the Rail Merger with KCRC, and the Government’s powers as a majority

shareholder of the Company and under the Mass Transit Railway Ordinance. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under “Risk Factors” below.

<b>Description</b>	Guaranteed Debt Issuance Programme.
<b>Arranger</b>	J.P. Morgan Securities plc.
<b>Dealers</b>	Australia and New Zealand Banking Group Limited Barclays Bank PLC BNP Paribas Crédit Agricole Corporate and Investment Bank Citigroup Global Markets Limited Deutsche Bank AG, Singapore Branch Goldman Sachs (Asia) L.L.C. The Hongkong and Shanghai Banking Corporation Limited J.P. Morgan Securities plc Merrill Lynch International Mizuho Securities Asia Limited Morgan Stanley & Co. International plc MUFG Securities EMEA plc Nomura International plc Standard Chartered Bank (Hong Kong) Limited UBS AG, Hong Kong Branch Westpac Banking Corporation  The Issuers and the Guarantor may from time to time terminate the appointment of any Dealer under the Programme or appoint additional Dealers either in respect of one or more Tranches or in respect of the whole Programme.
<b>Agent, Principal Paying Agent, Transfer Agent and Registrar</b>	Citibank, N.A.
<b>HK Reference, Lodging, Paying and Transfer Agent</b>	Citibank, N.A., Hong Kong Branch.
<b>Paying and Transfer Agents</b>	Citibank, N.A. and Citibank N.A., Hong Kong Branch
<b>Trustee</b>	The Law Debenture Trust Corporation p.l.c.

<b>Amount</b>	Up to US\$4,000,000,000 (or its equivalent in other currencies calculated at the time of the agreement to issue) outstanding at any time. The Issuers will have the option at any time to increase the aggregate principal amount of the Programme in accordance with the terms of the Programme Agreement.
<b>Distribution</b>	Notes may be distributed by way of private placement on a syndicated or non-syndicated basis.
<b>Currencies</b>	Subject to compliance with all relevant laws, regulations and directives, such currencies as may be agreed upon between the relevant Issuer and the relevant Dealer(s), including, without limitation, Australian dollars, Canadian dollars, Danish kroner, euro, Hong Kong dollars, Japanese Yen, New Zealand dollars, Renminbi, sterling, Swedish kronor, Swiss francs and US dollars (as indicated in the applicable Pricing Supplement).
<b>Redenomination</b>	Notes may, in certain circumstances, be redenominated into euro as provided in Condition 10 under “Terms and Conditions of the Notes” (the “Conditions”).
<b>Maturities</b>	Subject to compliance with all relevant laws, regulations and directives, the Notes will have any maturity that is one month or greater.
<b>Issue Price</b>	Notes may be issued on a fully paid or a partly paid basis and at an issue price which is equal to, less than, or more than their principal amount.
<b>Form of Notes</b>	Each Tranche of Notes with a maturity of more than 365 days will initially be represented by a Temporary Global Note, unless the applicable Pricing Supplement specifies otherwise, and each Tranche with a maturity of 365 days or less will initially be represented by a Permanent Global Note, unless the applicable Pricing Supplement specifies otherwise. The Global Note(s) will be deposited (a) in the case of a Tranche intended to be cleared through Euroclear or Clearstream, on the issue date with a common depository on behalf of Euroclear and Clearstream or (b) in the case of a Tranche intended to be cleared through the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (“CMU”) or any other clearing system other than Euroclear or Clearstream, or delivered outside a clearing system, as stipulated in the applicable Pricing Supplement.

Interests in Temporary Global Notes will be exchangeable for interests in Permanent Global Notes or, if specified in the applicable Pricing Supplement, for Definitive Notes in bearer or registered form. In the case of Notes in bearer form, such exchange will occur only after 40 days from the issue date upon certification as to non-US beneficial ownership. Interests in Permanent Global Notes will be exchangeable for Definitive Bearer Notes or for Definitive Registered Notes. Interest-bearing Definitive Bearer Notes will be issued together with coupons (each a "Coupon") and, where appropriate, one or more talons (each a "Talon") for further Coupons. Definitive Bearer Notes which are repayable in instalments will be issued together with one or more receipts (each a "Receipt") for such instalments. See "Summary of Provisions relating to the Notes while in Global Form".

**Fixed Rate Notes**

Fixed Rate Notes will bear interest at such rate(s) and will be payable in arrear on such date or dates, as may be agreed between the relevant Issuer and the relevant Dealer(s) (as indicated in the applicable Pricing Supplement) and on redemption.

**Floating Rate Notes**

Floating Rate Notes will bear interest (i) calculated on the same basis as the floating amounts under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. and as amended, updated or replaced as at the Issue Date of the first Tranche of the Notes of the relevant Series), or (ii) by reference to a specified Screen or Reference Bank Rate, or (iii) on such other basis as may be agreed between the relevant Issuer and the relevant Dealer(s) (as indicated in the applicable Pricing Supplement). Interest on Floating Rate Notes in respect of each Interest Period, as selected prior to issue by the relevant Issuer and the relevant Dealer(s), will be payable on the first day of the next Interest Period and on maturity.

**Dual Currency Notes**

Payments (whether with respect to principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the relevant Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Pricing Supplement).

**Index-Linked Notes**

Payments (whether with respect to principal or interest and whether at maturity or otherwise) in respect of Index-Linked Notes will be calculated by reference to such index and/or formula as the relevant Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Pricing Supplement).

**Zero Coupon Notes**

Zero Coupon Notes may be offered and sold at a discount to their face amount and will not bear interest except in the case of any late payment as provided in Condition 5.

**Optional Redemption**

The Pricing Supplement relating to each Tranche of Notes will indicate either that the Notes cannot be redeemed prior to their stated maturity (other than redemptions by instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders upon giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the applicable Pricing Supplement, subject to applicable currency regulations.

**Redemption by Instalments**

Notes may be repayable in two or more instalments of such amounts and on such dates as indicated in the applicable Pricing Supplement.

**Denomination of Definitive Notes**

Definitive Notes will be in such denominations as may be agreed between the relevant Issuer and the relevant Dealer(s) and as specified in the relevant Pricing Supplement save that unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the relevant Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 will have a minimum denomination of £100,000 (or its equivalent in other currencies).

**Taxation**

All payments in respect of the Notes will be made without withholding or deduction for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of Hong Kong or the Cayman Islands, or any authority having power to levy tax in Hong Kong or the Cayman Islands, except as provided in Condition 11.

**Guarantee and Status of the Notes**

The Notes, the Coupons and the Receipts and the Guarantee in respect of Notes, Coupons and Receipts issued by the relevant Issuer are direct, unconditional, unsubordinated, general and (subject to Condition 2(b)) unsecured obligations of the relevant Issuer and (where MTR Cayman is the relevant Issuer) the Guarantor ranking *pari passu* in all respects and rateably without preference or priority

(except for any statutory preference or priority applicable in the winding-up of the relevant Issuer and (where MTR Cayman is the relevant Issuer) the Guarantor) with all other outstanding direct, unconditional, unsecured, general and unsubordinated obligations (contingent or otherwise, present and future) of the relevant Issuer and (where MTR Cayman is the relevant Issuer) the Guarantor.

**Negative Pledge**

The Conditions will, unless the applicable Pricing Supplement indicates otherwise, contain a negative pledge provision as described in Condition 2(b).

**Cross Default**

The Conditions will, unless the applicable Pricing Supplement indicates otherwise, contain a cross default provision as described in Condition 12(b).

**Listing and Trading**

The Notes may be listed on the Hong Kong Stock Exchange and/or on such other additional stock exchange(s) or as may be agreed between the relevant Issuer and the relevant Dealer(s) in relation to each Series as indicated in the applicable Pricing Supplement, and all references to listing shall be construed accordingly. Unlisted Notes may also be issued. The Pricing Supplement relating to each Tranche will state whether or not the Notes are to be listed and, if so, the relevant stock exchange(s).

The Programme Agreement provides that, if the maintenance of the listing of any Notes has, in the opinion of the relevant Issuer, become, inter alia, unduly onerous, the relevant Issuer shall be entitled to terminate such listing subject to its using its reasonable endeavours to list or admit to trading the Notes on a stock exchange within or outside the European Union to be agreed between the relevant Issuer, the Guarantor and the relevant Dealer(s) or, as the case may be, the Lead Manager.

Notes listed on Hong Kong Stock Exchange will be traded on Hong Kong Stock Exchange in a board lot size of at least HK\$500,000 (or its equivalent in other currencies).

**Ratings**

Notes issued under the Programme may be rated or unrated. When an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme and (where applicable) such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Governing Law**

The Notes will be governed by, and construed in accordance with, English law. Any matter, claim or dispute arising out of or in connection with the Notes, whether contractual or non-contractual, is to be governed by and construed in accordance with English law.

**Selling Restrictions**

United States, the European Economic Area, United Kingdom, Hong Kong, Cayman Islands, the Netherlands, Japan and Singapore and such other restrictions as may be required in connection with a particular issue of Notes (see “Subscription and Sale”).

## **Risk Factors**

*Each Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and neither Issuer is in a position to express a view on the likelihood of any such contingency occurring.*

*Factors which each Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*Each Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but an Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons and neither of the Issuers represents that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.*

### **Factors that may affect the Issuers' ability to fulfil their obligations under the Notes issued under the Programme**

#### ***Risks relating to MTRCL and its business***

*Competition in Hong Kong from other transport providers may adversely affect MTRCL.*

MTRCL competes with other transport providers, principally franchised bus and public light bus operators, as well as non-franchised bus, tram and ferry operators, and taxis. MTRCL's competitive strengths of speed, reliability and comfort may have been eroded in recent years with:

- (i) the general improvement in bus services, including the use of air-conditioning on all buses;
- (ii) the expanding bus network; and
- (iii) the opening of new highways and expressways, thus resulting in an overall improvement in road traffic conditions.

The lower capital costs of MTRCL's competitors and their greater inherent structural flexibility may enable them to respond to changing passenger demand more quickly than MTRCL can. In the Railway Development Strategy 2000 published in May 2000, the Government confirmed that railways are essential to Hong Kong's continued economic, social and land development and will be given priority in the Government's plans for infrastructure development. Within this framework, the Government also recognised that franchised buses would continue to play an essential role in the public transport system in Hong Kong. As a result, MTRCL does not expect the Government to take any particular direct



measures which, in the short-term, would have the effect of reducing or containing patronage on franchised buses or public light buses for the purpose of increasing MTRCL's patronage. The Government completed its review and update of the Railway Development Strategy 2000 in 2014. For more information, please see pages 93 to 94 under the heading "Potential Future Extensions".

*The growth of MTRCL's railway and property businesses and increase in patronage depend, in part, on the award to the Company of new railway projects, the implementation of those projects and on other factors that MTRCL may not be able to control.*

The growth of MTRCL's railway and property businesses depends, in part, on whether new railway projects are awarded to the Company and whether it can implement them in a timely and effective manner in order to expand capacity and, thereby, accommodate more passengers, and develop more properties. MTRCL's plans for new railway projects are subject to a number of uncertainties, including:

- (i) whether, and on what terms, including the grant of property development rights, certain new railway projects will be awarded to the Company and, in particular, whether such terms will enable the Company to earn a commercial rate of return on its investment in new railway projects;
- (ii) whether there will be a sufficient population in the catchment area for a new railway project and whether that catchment area is encouraged to use the mass transit railway system as a result of government planning of highways and bus routes; and
- (iii) whether MTRCL will be able to obtain adequate financing on acceptable terms to fund the required capital expenditures.

MTRCL cannot assure investors that new railway projects will be awarded to the Company. In addition, although MTRCL has significant experience in the design and construction of railway projects spanning over 30 years, MTRCL cannot assure investors that railway projects undertaken by it will be completed on time and within budget. Please see pages 86 to 94 under the heading "Future Extensions/Projects" for a discussion on MTRCL's current railway projects.

On 17th September 2014, the Government issued its Railway Development Strategy 2014 ("RDS 2014"), which outlined the Government's agenda for railway expansion in Hong Kong up to 2031. Under the RDS 2014, the Government proposed to develop seven new railway projects. MTRCL cannot assure investors that any of these new projects proposed under the RDS 2014 will be implemented by the Government and there is no certainty that any or all of these new railway projects will be awarded to the Company. For more information regarding the Government's proposed projects under RDS 2014, please see pages 93 to 94 under the heading "Potential Future Extensions".

Since the Rail Merger (as defined on page 23) which took effect on 2nd December 2007 (the "Merger Date"), the award of new projects has been subject to the terms set out in the new Operating Agreement (as defined on page 74). The new Operating Agreement provides for three types of new project: natural extensions of the Mass Transit Railway (the "MTR railway"); natural extensions of the

Kowloon-Canton Railway (the “KCR railway”); and ‘separate’ projects. For natural extensions of the MTR railway, the Company will be invited on an exclusive basis to undertake the project under the ownership approach and to submit a proposal. If agreement cannot be reached on the terms of the project, the Government may invite third parties to undertake the project. For natural extensions of the KCR railway, the Government may decide to adopt the ownership or the concession approach. If the Government decides to adopt the ownership approach, MTRCL will have the exclusive right to make proposals in respect of such new projects. If agreement cannot be reached on the terms of the project, the Government may invite third parties or, alternatively, invite the Company to operate the new project under the concession approach. For new ‘separate’ projects, the Government may decide to adopt the ownership or the concession approach. If the Government decides to adopt the ownership approach, it may invite the Company to submit a proposal or award the project through an open tender. If the Government decides to adopt the concession approach, it may invite the Company and/or third parties to operate the new project under the concession approach. Therefore, even after the Rail Merger, MTRCL cannot assure investors that new railway projects will be awarded to it.

Increases in patronage will also be affected by macro-economic factors, such as population, employment growth and visitors arrival growth and distribution and changes in demographics and economic conditions. In addition, increases in patronage will be affected by the amount of road congestion and any expansion of the bus network. Furthermore, because of certain inherent capacity limitations and structural inflexibilities of the Mass Transit Railway, MTRCL may not be able to respond quickly to increases in demand. For example, MTRCL cannot quickly change its routes to cater for new passenger demand in areas in which it does not operate.

*MTRCL’s ability to raise fares to cover MTRCL’s operating costs could be limited by a number of factors.* Since the Rail Merger, the Company’s setting of the majority of its fares has been made in accordance with the Fare Adjustment Mechanism (“FAM”). The FAM requires the Company to adjust its fares according to a pre-determined formula based on changes in the composite consumer price index and wage index, and a productivity factor. Although the composite consumer price index and wage index correlate to the costs of the Company, the FAM is not directly linked to the costs of operating the MTR and KCR railways. There is a risk therefore that although the costs to the Company of operating the railways may increase (for example, as a result of inflation or increased capital expenditure), the Company may not be able to raise its fares as high as the increase in costs. Furthermore, because of the lack of a direct relationship between the FAM and the Company’s cost base, there is also the risk that the FAM could require the Company to decrease its fares by a greater percentage than any decrease in the Company’s costs. In addition, external political and social pressures may require the Company to mitigate the effects of any upward fare increase in accordance with the FAM by offering discounts and concessions to certain passengers. Please see pages 79 to 82 for details relating to the Company’s applications of the FAM.

In accordance with the Operating Agreement, the FAM is subject to review every five years upon request by either the Company or the Government. The first FAM review was completed in April 2013. For further information relating to the fare adjustment review in 2013, please see page 80. In April 2016, the Company agreed to an early joint review of the FAM as requested by Government, thereby

advancing the next scheduled review by one year. As noted above, external political and social pressures may affect the review of the FAM and any amendment to the FAM may affect the Company's ability to adjust its fares in the future.

*If MTRCL is unable to continue expanding its business initiatives outside Hong Kong, its growth prospects could be materially and adversely affected.*

MTRCL has been conducting consulting business and pursuing new investments outside Hong Kong, including in the PRC, Europe and Australia (see pages 103 to 108 for more details). These investments outside Hong Kong are subject to the risks of investing in those specific countries, as well as risks generally associated with doing business in a new country. MTRCL also cannot assure investors that it will be successful in carrying out new projects that are in markets outside Hong Kong and in implementing its business strategies outside Hong Kong, and failure to do so could limit its growth prospects and have a material adverse effect on its future profitability.

In addition, as MTRCL's business continues to expand outside Hong Kong, the Company may be subject to increased foreign currency risks. In particular, the value of, and income generated from, MTRCL's investments outside Hong Kong may be subject to fluctuations in currency exchange rates which may impact on MTRCL's profitability when translated into Hong Kong dollars.

*The Government can exert significant influence on MTRCL, and could cause the Company to make decisions, modify the scope of its activities or impose new obligations on the Company that may not be in the Company's best interest or that of its other shareholders.*

As a majority shareholder the Government is able to appoint MTRCL's entire Board of Directors (the "Board"). Accordingly, the Government is in a position to significantly influence MTRCL's major business decisions and strategies, including the scope of its activities and investment decisions and its dividend policy. Please see page 73 for a description of the Government's beneficial ownership of MTRCL's share capital. MTRCL also competes with Kowloon Motor Bus, New World First Bus and Citybus, each of which has two board members who are appointed by the Government. Each of Kowloon Motor Bus, New World First Bus, Citybus and other transport providers, such as taxi operators and minibus operators, are regulated by the Government. The Government may use its ability to influence MTRCL's business and/or the businesses of the Company's competitors (whether through its shareholding interest, board representation or through regulation) in a manner that may not be in MTRCL's best interest.

A number of provisions in the Operating Agreement (as defined on page 74) are related to prevailing Government policies, including the provisions relating to the amount of land premium payable by MTRCL for the grant of land. The Government may change its policies, intentions, preferences, views, expectations, projections, forecasts and opinions, including as a result of changes in the economic, political and social environment, its projections of population and employment growth. In addition, the Mass Transit Railway Ordinance and its subsidiary legislation may be amended, modified or repealed in accordance with the Hong Kong legislative process. Any amendment, modification or repeal could modify the existing regulatory regime and materially and adversely affect MTRCL's financial condition and results of operations. The Government has agreed with MTRCL under the Operating

Agreement that it will not make any new regulations under the Mass Transit Railway Ordinance without first having consulted the Company and having taken account of all reasonable representations made by the Company.

The Government may also adopt new policies and enact new laws, including in relation to environmental matters, which may result in increased operating and construction costs for MTRCL or otherwise have a material adverse effect on the Company's business, financial condition and results of operations.

*MTRCL requires significant capital for its business and is exposed to the impact of interest rate and foreign currency movements in respect of its borrowings. If the Company is unable to obtain additional capital on acceptable terms when needed, its growth prospects and future profitability may be adversely affected.*

MTRCL incurs substantial capital expenditures each year to maintain, renew and replace its operating assets and infrastructure. MTRCL also incurs substantial capital expenditures when it undertakes new railway projects and investments in the PRC and overseas.

Substantial portions of MTRCL's operating cash flows are used to pay for these capital expenditures. If MTRCL is unable to fund capital expenditures from operating cash flows and external sources, it will be required to reduce its capital expenditures. This would restrict MTRCL's ability to grow and, over time, could reduce the quality and reliability of the service the Company provides.

In addition, MTRCL has borrowed, and expects to continue to borrow, significant amounts at floating interest rates and in foreign currencies. In order to reduce its exposure to movements in interest rates and exchange rates, MTRCL has typically hedged a portion of such exposure by entering into interest rate or cross currency swap arrangements. This helps to reduce, but does not eliminate, the impact of interest rate and foreign currency movements. An increase in interest rates, or fluctuations in exchange rates between the Hong Kong dollar and other currencies, may limit the availability or increase the cost of such swaps or hedging instruments. This may increase MTRCL's borrowing costs or reduce the availability of funding.

*Investments in new projects related to MTRCL's railway operations will increase the Company's overall depreciation charges, which could have a material adverse effect on the Company's financial condition and results of operations. Moreover, any failure to generate the necessary returns on these investments could materially reduce MTRCL's profitability.*

Investments in MTRCL's infrastructure, such as improvements to the Company's existing railway assets, the construction of new railway projects, or the extension of existing railway lines, generally involve substantial capital expenditures. For instance, MTRCL may incur significant capital expenditures in connection with future projects, such as the South Island Line (East) and the Kwun Tong Line Extension. These investments may require long periods of time to generate the necessary returns and may lead to increased depreciation expenses in the future, which could have a material adverse effect on MTRCL's financial condition and results of operations. Moreover, any failure to generate the necessary returns on these investments could materially reduce MTRCL's profitability.

*MTRCL's property business is subject to fluctuations in the Hong Kong and PRC property markets as well as to general risks incidental to the ownership and management of properties.*

MTRCL's property business has in recent years accounted for, and is expected to continue to account for, a substantial portion of the Company's net profit. Most of MTRCL's completed investment properties and investment properties under development are located in Hong Kong. Certain subsidiaries of MTRCL have been awarded property development rights in Shenzhen and entered into a co-operation development agreement to develop properties in Tianjin in the PRC. Some MTRCL's subsidiaries in the PRC are running rental and property management businesses in respect of shopping malls and offices in Beijing.

Historically, the Hong Kong property market has been cyclical with property values affected by the amount of new land made available by the Government, the rate of economic growth in Hong Kong and political and economic developments in Hong Kong and the PRC. Three new stamp duties have been introduced in Hong Kong since late 2012 to try to cool the property market. First, on 26th October 2012, the Financial Secretary of Hong Kong announced that the Government would amend the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) to introduce with effect from 27th October 2012 a buyer's stamp duty ("BSD") on residential properties. The relevant provisions are set out in the Stamp Duty (Amendment) Ordinance (No. 2 of 2014) which was gazetted on 28th February 2014. With effect from 27th October 2012, any residential property acquired by any person (including a company) except a Hong Kong permanent resident will be subject to the BSD. BSD is to be charged at a flat rate of 15% on all residential properties, on top of the existing stamp duty and the special stamp duty, if applicable (see below). Secondly, the Stamp Duty (Amendment) Ordinance (No. 2 of 2014) requires any residential property acquired on or after 27th October 2012, either by an individual or a company (regardless of where it is incorporated), and resold within 36 months be subject to the new rates of Special Stamp Duty ("SSD"). Thirdly, the Stamp Duty (Amendment) (No. 2) Ordinance (No. 14 of 2014), which was gazetted on 25th July 2014, increases the ad valorem stamp duty rates on certain instruments dealing with immovable property and advances the timing for charging of ad valorem stamp duty on non-residential property transactions. Together, these regimes (i.e. introducing new types of stamp duties, increasing ad valorem stamp duty rates and revising timing for settlement of stamp duties) may have a negative impact on Hong Kong's property market.

Furthermore, the Residential Properties (First-hand Sales) Ordinance (Chapter 621 of the Laws of Hong Kong) came into full operation with effect from 29th April 2013. It has imposed further obligations and increased operational costs for MTRCL in relation to the sale of first-hand residential properties.

Economic developments outside Hong Kong, such as a reoccurrence of the previous global credit and liquidity crisis, efforts by the PRC government to control inflation in the PRC, interest rate movements in the United States and the recent sovereign debt crisis in Europe, could also affect the property market in Hong Kong and the PRC.

MTRCL is exposed to the general risks inherent in relation to property development, including that construction may not be completed on schedule or within budget, that development may be affected by governmental regulations, that there may be delays in timing on a change of the parameters regarding

Government land grants, that developed properties may not be leased or sold on profitable terms and that purchasers may default. The terms on which property developers are prepared to bid for development packages will also be affected by the state of the property market at the time of tender. In the event that there is a downturn in the property market in Hong Kong or the PRC, the targeted revenue from property development could be significantly reduced. MTRCL's property business in the PRC could be affected by the PRC government's land policy and property market control measures.

In relation to properties held by MTRCL as investments, since leases of Hong Kong properties are often for a short duration (typically about three years) or contain provisions requiring periodic adjustments of rent within a short period of time (typically about three years), MTRCL's income from these properties may be subject to more frequent adjustments than would be the case in other real estate markets. MTRCL is also subject to the general risks incidental to the ownership of properties including, amongst other things, competition for tenants, changes in market rental levels, inability to collect rent from tenants, inflation, risk of labour movement and the need to renovate, repair and relet space periodically.

*In certain circumstances, the Government has the power to suspend and revoke MTRCL's franchise under the Mass Transit Railway Ordinance.*

Although the power of the Chief Executive in Council (which refers to the Chief Executive of Hong Kong acting after consultation with the Executive Council of Hong Kong) under the Mass Transit Railway Ordinance to suspend or revoke MTRCL's franchise is exercisable only in certain circumstances, the Company cannot assure investors that such power will not be exercised. If MTRCL's franchise were to be suspended or revoked, the Company would not be able to operate its railway business and, accordingly, could not generate revenues from that business.

*Accidents, natural disasters and security incidents could lead to decreased revenues and increased expenditure and reduce MTRCL's operating flexibility.*

MTRCL's operations could be affected by accidents, natural disasters and security incidents resulting in major equipment and power failures, collisions and derailments, which in turn will interrupt or prevent the operation of the mass transit railway and lead to:

- (i) decreased revenues;
- (ii) increased expenditure;
- (iii) prolonged interruptions in, or reductions of, railway operations;
- (iv) a reduction in the Company's operating flexibility;
- (v) increased liabilities for the Company;
- (vi) pressure for greater regulation; and

(vii) in cases which constitute a failure by MTRCL to comply with any provision of the Mass Transit Railway Ordinance or the Operating Agreement, the potential imposition of a financial penalty.

Although MTRCL believes that the insurance it has put in place is adequate and consistent with industry practice, the Company cannot assure investors that such insurance will be sufficient to cover losses or that such insurance will continue to be available on the same terms.

*Any future outbreak of mass communicable diseases like Severe Acute Respiratory Syndrome, avian influenza, swine influenza or other new or contagious diseases may materially and adversely affect MTRCL's business and operations, as well as its financial condition and status.*

Hong Kong, together with the PRC, Singapore, Taiwan, Canada and certain other areas experienced in early 2003 an outbreak of Severe Acute Respiratory Syndrome, or SARS, a new and highly contagious form of atypical pneumonia. At the height of the outbreak of SARS, MTRCL's average weekday patronage on the MTR Lines decreased to a low point of 1.8 million in April 2003, and the Airport Express recorded a significant reduction in its average daily patronage to a low point of 9,200 in May 2003, due to a steep decline in the number of airport passengers. In addition, since the latter half of 2005, several countries in Asia and Europe have reported cases of avian influenza, or bird flu, a disease which was first detected in humans in 1997 in Hong Kong. While there have been no known cases of efficient human-to-human transmission of avian influenza, there can be no assurance that the virus will not mutate, thereby causing a human pandemic in Hong Kong and nearby territories. In 2009, Hong Kong and several countries across the globe reported cases of swine influenza with instances of human-to-human transmission. In 2013, cases of the H7N9 virus, a different strand of avian influenza, were first reported in the PRC, and since then, various cases of the H7N9 virus have been reported in Hong Kong. MTRCL cannot assure investors that there will not be any future outbreak of SARS, avian influenza, swine influenza or any other contagious diseases for which there may be no known cure or vaccine. Any future outbreak of SARS, avian influenza, swine influenza or any other contagious diseases may cause patronage on the railway to again materially decrease. Furthermore, MTRCL's ability to adequately staff and maintain its operations may be significantly disrupted in such circumstances. In addition, any future outbreak of SARS, avian influenza, swine influenza or any other contagious diseases may severely restrict the general level of economic activity in Hong Kong and places where MTRCL operates its business, which may also adversely affect MTRCL's business and prospects. As a result, MTRCL cannot assure investors that any future outbreak of SARS, avian influenza, swine influenza or any other contagious disease would not have a material adverse effect on the Company's financial condition and status.

#### ***Risks relating to the Rail Merger***

After the merger of the MTR railway and the KCR railway and related businesses (the "Rail Merger") (which occurred on the Merger Date) there are certain risks to the Company associated with operation of the KCR railway. These include the following:

*There is only limited recourse contained in the Merger Agreements in respect of defects or problems with the property of the Kowloon-Canton Railway Corporation ("KCRC") which is the subject of the Service Concession ("Concession Property"). The terms of the Rail Merger did not provide for warranties in relation to the condition or durability of Concession Property. As a result, any costs which would need to be incurred to rectify problems with the Concession Property may be a direct cost to the Company.*

*Breach of the Mass Transit Railway Ordinance or the new Operating Agreement with respect to the MTRCL's post-Rail Merger franchise relating to the KCR railway may potentially result in fines and/or, in an extreme case, revocation of the MTRCL's entire franchise.*

Since the partial privatisation of the Company in 2000, a breach of the Mass Transit Railway Ordinance and/or the previous and new Operating Agreements (as defined on page 74) could potentially result in the revocation of the MTRCL's franchise to operate the MTR railway. After the Rail Merger, the Company is required to operate the KCR railway subject to the Mass Transit Railway Ordinance (as amended by the Rail Merger Ordinance (Ordinance No. 11 of 2007) (the "Rail Merger Ordinance")) and the new Operating Agreement. As a result, certain breaches thereof with respect to the KCR railway could potentially result in a revocation of MTRCL's entire franchise (i.e. with respect to the MTR railway as well as the KCR railway). The Company could, however, have the opportunity in certain circumstances, within specified time periods to remedy any such material breach prior to any revocation of the franchise.

*The Company contracted with KCRC without any formal guarantee from the Government. After the Rail Merger, KCRC's only substantial asset is its right to receive payments from the Company with respect to the Service Concession.*

The Rail Merger involved the Company entering into a number of arrangements with KCRC which is wholly-owned by the Government. The Government was not a party to all of the Merger Agreements. The Government did not provide any guarantee in relation to the obligations of KCRC. However, the Government provided that if, on or after the Merger Date, the Government proposes to cease to be the majority shareholder of KCRC, the Government and the Company shall, prior to the Government so ceasing to be the majority shareholder of KCRC, agree arrangements designed to provide adequate comfort to the Company as to KCRC's performance of its obligations to the Company under the Merger Agreements.

*Changes in political views, transport policies, regulator scrutiny and/or public and media attention.*

As a result of the Rail Merger, the Company has grown considerably in terms of size and the revenue which it expects to generate. There is a risk that due to this growth there could be a change in political views towards the Company and it may face increased scrutiny from the Hong Kong transport regulators. There may also be heightened or increased public and/or media attention. However, the Company considers that having effected the Rail Merger it is reiterating and enhancing its commitment to providing a first class transport network for Hong Kong and therefore the concerns of the transport regulators, the public and the media should be alleviated.

### ***Risks relating to Hong Kong and the PRC***

*Economic, political and legal developments in Hong Kong and the PRC could affect MTRCL's business.*

A substantial part of MTRCL's assets are located in Hong Kong and a substantial part of the Company's revenues are derived from Hong Kong. Accordingly, MTRCL's financial condition, results of operations and prospects are subject to a significant degree to the economic, political and legal developments in Hong Kong. Hong Kong became a Special Administrative Region of the People's Republic of China, or PRC, on 1st July 1997 when the PRC resumed the exercise of sovereignty over



Hong Kong. The basic policies of the PRC regarding Hong Kong are embodied in the Basic Law of Hong Kong, which was adopted by the National People's Congress of the PRC on 4th April 1990 and came into effect on 1st July 1997. MTRCL cannot assure investors that economic, political and legal developments in Hong Kong and the PRC will not materially and adversely affect the Company's business and operations. In addition, civil or social unrest in Hong Kong and/or the PRC could affect the general use of public transport, which in turn could affect MTRCL's business in Hong Kong and/or the PRC.

*Any changes to import duties and governmental control over the type of dutiable goods in Hong Kong and the PRC could affect MTRCL's leasing of retail spaces for duty free shops.*

After the Rail Merger, a significant part of MTRCL's revenue is derived from the leasing of retail spaces for duty free shops at three cross-border stations, namely, Lo Wu, Lok Ma Chau and Hung Hom. Any changes to import duties and governmental control over the type of dutiable goods (such as tobacco and liquors) in the two duty zones, Hong Kong and the PRC, can affect the mix of the type of dutiable goods and therefore the gross sales turnover generated from these retail areas and the overall rental income for MTRCL.

*Adverse economic developments in Hong Kong, the PRC or elsewhere could have a material adverse effect on MTRCL's financial condition and results of operations.*

Most of MTRCL's revenues are derived from its business activities in Hong Kong, which are directly affected by the performance of Hong Kong's economy. Hong Kong's economy is in turn affected, directly and indirectly, by the performance of the economies of the PRC and neighbouring Asian countries. As a result, adverse economic developments in Hong Kong, the PRC or elsewhere in the Asian region could have a material adverse effect on MTRCL's financial condition and results of operations. In addition, as MTRCL expands its business into the PRC and other countries, adverse economic developments in the PRC or in the countries in which MTRCL operates will have a direct impact on MTRCL's financial condition and results of operations.

For example, the 1997 Asian financial crisis and the subsequent economic downturn in the region adversely affected MTRCL's financial results. Although the Hong Kong economy improved from the second half of 1999 through 2000, general economic conditions deteriorated significantly in 2001 and remained weak during 2002 and 2003. Moreover, the outbreak of SARS in early 2003 severely decreased the level of economic activity and adversely affected economic growth in Hong Kong by, amongst other things, disrupting consumer spending and adversely affecting tourist arrivals. Any decrease in economic activity in Hong Kong may, amongst other things, reduce patronage on the railway, lower MTRCL's station advertising and kiosk rental income, and decrease MTRCL's property rental and management income as well as profits from MTRCL's property development activities. Although economic conditions have improved since the SARS outbreak in early 2003, MTRCL cannot assure investors that economic conditions in Hong Kong will continue to improve in the future or that the Company's operations would not be materially and adversely affected by a sustained downturn in the Hong Kong economy.

The Hong Kong economy is also affected to a significant extent by economies of the United States, the European Union and the PRC. The economies of the United States and the European Union have been

experiencing volatility in recent years. Moreover, any new outbreak of SARS, avian influenza, swine influenza or any other contagious diseases for which there is no known cure or vaccine might also adversely affect economic growth in the United States and the European Union, as well as the PRC. MTRCL expects the continuing strength of the Hong Kong economy to depend in part on the performance of the economies of the United States, the European Union and the PRC. Any deterioration in economic conditions in the United States, the European Union or the PRC may materially and adversely affect MTRCL's financial condition and results of operations.

*A devaluation of the Hong Kong dollar may increase costs associated with MTRCL's capital expansion and will increase the Hong Kong dollar cost of repaying its indebtedness.*

The Hong Kong dollar has been linked to the US dollar at the rate of approximately HK\$7.80 to US\$1.00 since 17th October 1983. The Government has repeatedly reaffirmed its commitment to, and recently strengthened the mechanism of, this linked exchange rate system. However, in the event this policy was to be changed and there was to be a devaluation of the Hong Kong dollar, this would increase the Hong Kong dollar cost of MTRCL's foreign currency capital expenditures. In addition, the Hong Kong dollar cost of MTRCL's current and future liabilities denominated in foreign currencies would increase. As a substantial part of MTRCL's revenues are denominated in Hong Kong dollars, a devaluation of the Hong Kong dollar may increase capital costs and the related depreciation costs to the Company and increase its Hong Kong dollar interest expense on US dollar denominated indebtedness. This would in turn reduce MTRCL's operating and net profit.

#### ***Risks related to the structure of a particular issue of Notes***

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

#### ***Notes subject to optional redemption by the Issuers.***

An optional redemption feature is likely to limit the market value of Notes. During any period when an Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

An Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### ***Dual Currency Notes.***

An Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (a) the market price of such Notes may be volatile;

- (b) the payment of principal or interest may occur at a different time or in a different currency than expected; and
- (c) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

*Partly-paid Notes.*

An Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

*Variable rate Notes with a multiplier or other leverage factor.*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

*Inverse Floating Rate Notes.*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

*Fixed/Floating Rate Notes.*

Fixed/Floating Rate Notes may bear interest at a rate that an Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. An Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since such Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If such Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If such Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

*Notes issued at a substantial discount or premium.*

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

*Trustee may request indemnity from noteholders.*

At any time after the Notes shall have become immediately due and repayable pursuant to Condition 12 or otherwise, the Trustee may request noteholders to provide an indemnity to its satisfaction before instituting proceedings against the Issuer and/or the Guarantor. Please see Condition 12 of the Terms and Conditions of the Notes for details.

*Perpetual Notes may be issued for which investors have no right to require redemption.*

Any perpetual Notes issued under the Programme are perpetual and have no fixed final maturity date. Holders of perpetual Notes have no right to require the Issuer to redeem perpetual Notes at any time, and an investor who acquires perpetual Notes may only dispose of such perpetual Notes by sale. Holders of perpetual Notes who wish to sell their perpetual Notes may be unable to do so at a price at or above the amount they have paid for them, or at all. Therefore, holders of perpetual Notes should be aware that they may be required to bear the financial risks of an investment in perpetual Notes for an indefinite period of time.

*Index Linked or Variable Redemption Amount Notes.*

If, in the case of a particular Tranche of Notes, the relevant Pricing Supplement specifies that the Notes are Index Linked Notes or Variable Redemption Amount Notes, there is a risk that the investor may lose the value of their entire investment or part of it.

***Risks related to Notes denominated in Renminbi***

There are certain special risks associated with investing in any Notes denominated in Renminbi (“RMB Notes”). The Issuers believe that the factors described below represent the principal risks inherent in investing in RMB Notes issued, but the inability of the Issuers to pay interest, principal or other amounts on or in connection with RMB Notes may occur for other reasons and the Issuers do not represent that the statements below regarding the risks of holding RMB Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

*Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC.*

Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the US dollar and the Hong Kong dollar, despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. Currently, participating Renminbi clearing banks in Singapore, Hong Kong, Taiwan, London Frankfurt, Seoul, Paris and Luxembourg have been permitted to engage in the settlement of Renminbi trade transactions. This represents a current account activity.

On 7th April 2011, the State Administration of Foreign Exchange of the PRC (“SAFE”) promulgated the Circular on Issues Concerning the Capital Account Items in connection with Cross-Border Renminbi (國家外匯管理局綜合司關於規範跨境人民幣資本項目業務操作有關問題的通知) (the “SAFE Circular”), which became effective on 1st May 2011. According to the SAFE Circular, in the event that foreign investors intend to use cross-border Renminbi (including offshore Renminbi and onshore Renminbi held in the capital accounts of non-PRC residents) to make equity and debt contribution to an onshore enterprise or make payment for the transfer of equity interest of an onshore enterprise by a PRC resident, such onshore enterprise shall be required to submit the relevant prior written consent from the Ministry of Commerce of the PRC (“MOFCOM”) to the relevant local branches of SAFE of such onshore enterprise and register for a foreign invested enterprise status. Further, the SAFE Circular clarifies that the foreign debts borrowed, and the external guarantee provided, by an onshore entity (including a financial institution) in RMB shall, in principle, be regulated under the current PRC foreign debt and external guarantee regime.

On 13th October 2011, the People's Bank of China ("PBOC") issued the Measures on Administration of the RMB Settlement in relation to Foreign Direct Investment (外商直接投資人民幣結算業務管理辦法) (the "PBOC RMB FDI Measures"), to commence the PBOC's detailed RMB foreign direct investment ("RMB FDI") administration system, which covers almost all aspects of RMB FDI, including capital injection, payment of purchase price in the acquisition of PRC domestic enterprises, repatriation of dividends and distribution, as well as RMB denominated cross-border loans. Under the PBOC RMB FDI Measures, special approval for RMB FDI and shareholder loans from the PBOC which was previously required by the PBOC Notice (as defined in "PRC Currency Controls") is no longer necessary. In some cases however, post-event filing with the PBOC is still necessary.

On 19th November 2012, SAFE promulgated the Circular on Further Improving and Adjusting the Foreign Exchange Administration Policies on Direct Investment (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知) (the "SAFE Circular on DI"), which became effective on 17th December 2012. According to the SAFE Circular on DI, SAFE has removed or adjusted certain administrative licensing items with regard to foreign exchange administration over direct investments to promote investment, including, but not limited to, the abrogation of SAFE approval for opening of and payment into foreign exchange accounts under direct investment accounts, the abrogation of SAFE approval for reinvestment with legal income generated within the PRC of foreign investors, the simplification of the administration of foreign exchange reinvestments by foreign investment companies, and the abrogation of SAFE approval for purchase and external payment of foreign exchange under direct investment accounts.

On 3rd December 2013, MOFCOM issued the Circular on Relevant Issues with regard to Crossborder RMB Direct Investment (商務部關於跨境人民幣直接投資有關問題的公告) (the "MOFCOM RMB FDI Circular"), which became effective on 1st January 2014. Pursuant to the MOFCOM RMB FDI Circular, the previous Circular on Issues in relation to Cross-border RMB Foreign Direct Investment (商務部關於跨境人民幣直接投資有關問題的通知) promulgated by MOFCOM on 12th October 2011 (the "2011 MOFCOM Circular") ceased to be effective. The MOFCOM RMB FDI Circular further requires that the currently effective PRC laws and regulations governing the foreign investment sector shall be applicable to foreign direct investments made in RMB, which means the preliminary approval by the provincial counterpart of MOFCOM and the consent of MOFCOM for exceptional cases under the 2011 MOFCOM Circular are no longer required. Unlike the 2011 MOFCOM Circular, the MOFCOM RMB FDI Circular has also removed the approval requirement for foreign investors who intend to change the currency of their existing capital contribution from a foreign currency to RMB. The MOFCOM RMB FDI Circular reiterates the position that the proceeds of RMB FDI cannot be invested, either directly or indirectly, in securities or financial derivatives (except for the strategic investment in PRC domestic listed companies) and entrusted loans in the PRC.

The MOFCOM RMB FDI Circular and the PBOC RMB FDI Measures, which are new regulations, will be subject to interpretation and application by the relevant PRC authorities. See "PRC Currency Controls" for further details.

There is no assurance that the PRC government will continue to gradually liberalise the control over cross-border RMB remittances in the future, or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC.

Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules. In the event that funds cannot be repatriated outside the PRC in Renminbi, the Issuer will need to source Renminbi offshore to finance its obligations under the Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

Holders of beneficial interests in the Notes denominated in Renminbi may be required to provide certifications and other information (including Renminbi account information) in order to allow such holder to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Singapore, Hong Kong, Taiwan, Macau, London, Frankfurt, Seoul, Toronto, Sydney, Doha, Tunis, Luxembourg, Kuala Lumpur and Bangkok.

*There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of RMB Notes and the Issuer's ability to source Renminbi outside the PRC to service RMB Notes.*

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited.

Currently, licensed banks in Singapore, Hong Kong and Taiwan may offer limited Renminbi-denominated banking services to Singapore residents, Hong Kong residents, Taiwan residents and specified business customers. The PBOC has now established a Renminbi clearing and settlement system for participating banks in Singapore, Hong Kong, Taiwan, Macau, London, Frankfurt, Seoul, Toronto, Sydney, Doha, Tunis, Luxembourg, Kuala Lumpur and Bangkok. Each of Industrial and Commercial Bank of China, Singapore Branch, Bank of China (Hong Kong) Limited, Bank of China, Taipei Branch, Bank of China, Macau Branch, China Construction Bank (London) Limited, Bank of China, Frankfurt Branch, Bank of Communications, Seoul Branch, Industrial and Commercial Bank of China (Canada), Bank of China (Australia) Limited, Industrial and Commercial Bank of China Limited, Doha Branch, Bank of China, Paris Branch, Industrial and Commercial Bank of China Limited, Luxembourg Branch, Bank of China (Malaysia) Limited and Industrial and Commercial Bank of China (Thailand) Limited (each an "RMB Clearing Bank") has entered into settlement agreements with the PBOC to act as the RMB clearing bank in Singapore, Hong Kong, Taiwan, Macau, London, Frankfurt, Seoul, Toronto, Sydney, Doha, Tunis, Luxembourg, Kuala Lumpur and Bangkok respectively.

However, the current size of Renminbi-denominated financial assets outside the PRC is limited. Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. They are only allowed to square their open positions with the relevant RMB Clearing Bank after consolidating the RMB trade position of banks outside Singapore, Hong Kong, Taiwan, Macau, London, Frankfurt, Seoul, Toronto, Sydney, Doha, Tunis, Luxembourg, Kuala Lumpur and Bangkok that are in the same bank group of the participating banks concerned with their own trade position. The relevant RMB Clearing Bank only has access to onshore liquidity support from the PBOC to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement and for individual customers of up to RMB20,000 per person per day and for the designated business customers relating to the RMB received in providing their services. The relevant RMB Clearing Bank

is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from the offshore market to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or settlement agreements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of the relevant Issuer's RMB Notes. To the extent the relevant Issuer is required to source Renminbi in the offshore market to service its RMB Notes, there is no assurance that the relevant Issuer will be able to source such Renminbi on satisfactory terms, if at all.

*Investment in RMB Notes is subject to exchange rate risks.*

The value of the Renminbi against the US dollar, the Hong Kong dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. If an investor measures its investment returns by reference to a currency other than Renminbi, an investment in the Renminbi Notes entails foreign exchange related risks, including possible significant changes in the value of Renminbi relative to the currency by reference to which an investor measures its investment returns. The Issuers, failing which, in the case of MTR Cayman, the Guarantor, will make all payments of interest and principal with respect to RMB Notes in Renminbi. As a result, the value of these Renminbi payments in foreign currency may vary with the prevailing exchange rates in the marketplace. For example, when an investor buys RMB Notes, such investor may need to convert foreign currency to Renminbi at the exchange rate available at that time. Recently, the PBOC implemented change to the way it calculates the Renminbi's daily mid-point against the US dollar to take into account market-marker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. If the value of Renminbi depreciates against the relevant foreign currency between then and when the relevant Issuer or the Guarantor pay back the principal of RMB Notes in Renminbi at maturity, the value of the investment in the relevant foreign currency will have declined.

*Payments in respect of RMB Notes will only be made to investors in the manner specified in RMB Notes.*

All payments to investors in respect of RMB Notes will be made solely (i) for so long as RMB Notes are represented by a Global Note, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures, or (ii) for so long as RMB Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The relevant Issuer and the Guarantor cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

*Gains on the transfer of the RMB Notes may become subject to income taxes under PRC tax laws.*

Under the PRC Enterprise Income Tax Law and its implementation rules, any gain realised on the transfer of RMB Notes by non-resident enterprise holders may be subject to enterprise income tax if

such gain is regarded as income derived from sources within the PRC. However, there remains uncertainty as to whether the gain realised from the transfer of the RMB Notes would be treated as income derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law and its implementation rules.

Therefore, if non-resident enterprise holders are required to pay PRC income tax on gains on the transfer of the RMB Notes (such enterprise income tax is currently levied at the rate of 10 per cent. of the gross proceeds, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-resident enterprise holders of RMB Notes reside that reduces or exempts the relevant tax), the value of their investment in the RMB Notes may be materially and adversely affected.

***Risks related to Notes generally***

Set out below is a brief description of certain risks relating to the Notes generally:

*Modification, and waivers and substitution.*

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of either of the Issuers, in the circumstances described in Condition 13 of the Terms and Conditions of the Notes.

*Change of law.*

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

*Notes where denominations involve integral multiples.*

In the case of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or integral multiples of the minimum Specified Denomination.



If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

***Risks related to the market generally***

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

*The secondary market generally.*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have an adverse effect on the market value of Notes.

*Exchange rate risks and exchange controls.*

An Issuer will pay principal and interest on the Notes in the Currency specified. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Currency in which the Notes are denominated. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Currency in which the Notes are denominated or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Currency in which the Notes are denominated would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

*Interest rate risks.*

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

*Credit ratings may not reflect all risks.*

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be suspended, reduced or withdrawn by the rating agency at any time.

*U.S. Foreign Account Tax Compliance withholding may affect payments on the Notes.*

While the Notes are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (“FATCA”) will affect the amount of any payment received by the clearing systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Company’s obligations under the Notes are discharged once it has made payment to, or to the order of, the common depository for the clearing systems and the Company has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries.

*United Kingdom referendum to withdraw from the European Union may adversely affect general market conditions.*

On 23rd June 2016, the United Kingdom voted in a national referendum to withdraw from the European Union. It is unclear if or when the United Kingdom will formally serve notice to the European Council of its desire to withdraw, a process that is unprecedented in European Union history. The possible exit of the United Kingdom could result in significant macroeconomic deterioration. In addition, there are increasing concerns that these events could push the United Kingdom, the Eurozone and/or the United States into an economic recession, any of which, were they to occur, would further destabilise the global financial markets. In general, any change in geopolitical, social and economic conditions could result in increased volatility in worldwide financial markets.

## Terms and Conditions of the Notes

*The following are the terms and conditions of Notes to be issued by the relevant Issuer which (subject to completion and as supplemented by the provisions of the relevant Pricing Supplement) will be attached to or incorporated by reference into each Global Note and which will be incorporated by reference or endorsed upon each Definitive Note.*

### Terms and Conditions of the Notes

This Note is one of a Series (as defined below) of Notes constituted by a Trust Deed dated 7th November 2013 (as further amended, supplemented, novated or restated, the “Trust Deed”) and made between the Issuer, the other issuer named therein, the Guarantor (as defined below) and The Law Debenture Trust Corporation p.l.c. (the “Trustee”, which expression shall, wherever the context permits, include all other persons or companies for the time being acting as trustee under the Trust Deed). Unless the context requires otherwise, references herein to the “Notes” shall be references to the Notes of this Series (as defined below) and shall mean:

- (i) in relation to any Notes represented by a Global Note, units of the lowest Specified Denomination in the Specified Currency of the relevant Notes;
- (ii) Definitive Notes; and
- (iii) any Global Note.

Notes issued by MTR Corporation (C.I.) Limited (“MTR Cayman”) or any other entity appointed as an additional issuer under the Programme have been unconditionally and irrevocably guaranteed by MTR Corporation Limited (the “Guarantor”). In the case of Notes issued by MTR Corporation Limited all references in these Conditions to the “Guarantee” or “Guarantor” are not applicable.

The Notes and the Receipts and the Coupons (each as defined below) also have the benefit of an Amended and Restated Agency Agreement dated 28th October 2016 (as further amended, supplemented, restated or novated, the “Agency Agreement”) and made between the Issuer, the other issuer named therein, the Guarantor, Citibank N.A., as issuing agent, a transfer agent and a paying agent (the “Agent” which expression shall include any successor agent), the other paying agents named therein (together with the Agent, the “Paying Agents”, which expression shall include any additional or successor paying agents) and Citibank N.A., Hong Kong Branch as transfer agent (together with the Agent and any additional or other transfer agents in respect of the Notes from time to time appointed, the “Transfer Agents”), Citibank, N.A., as registrar (the “Registrar”), Citibank, N.A., Hong Kong Branch, as Hong Kong reference agent (the “HK Reference Agent”, which expression shall include any successors as HK Reference Agent), Citibank, N.A., Hong Kong Branch as Hong Kong lodging agent (the “HK Lodging Agent” which expression shall include any successor HK lodging agent) and the Trustee.

In connection with the Notes, the Issuer, the other issuer named therein and the Guarantor have executed an amended and restated deed of covenant dated 7th November 2013 (as further amended, supplemented, restated or novated, the “Deed of Covenant”) in favour of certain accountholders of Euroclear Bank SA/NV, (“Euroclear”), Clearstream Banking, S.A. (“Clearstream”) and the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (“CMU”).

Interest-bearing Definitive Bearer Notes will (unless otherwise indicated in the applicable Pricing Supplement) have interest coupons (“Coupons”) and, if indicated in the applicable Pricing Supplement, talons for further Coupons (“Talons”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Notes redeemable in instalments will have receipts (“Receipts”) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes (as defined below) do not have Receipts, Coupons or Talons attached on issue.

As used herein, “Series” means a Tranche (as defined below) together with any further Tranche or Tranches which are (a) expressed to be consolidated and form a single series; and (b) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates, Issue Prices and the date of the first payment of interest, and the expressions “Notes of the relevant Series” and “holders of Notes of the relevant Series” and related expressions shall be construed accordingly. As used herein, “Tranche” means Notes which are identical in all respects (including as to listing).

The Pricing Supplement applicable to any particular Note or Notes is attached hereto or endorsed hereon and supplements these Conditions. References herein to the “applicable Pricing Supplement” shall mean the Pricing Supplement attached hereto or endorsed hereon.

In these Conditions “Noteholder” means (a) the holder of any Definitive Bearer Note, (b) the holder of a co-ownership interest or other interest in Bearer Notes (in global or definitive form) held in collective custody, in proportion to such Notes deposited for such holder’s account, as provided below, or (c) the person in whose name a Registered Note is registered; “Couponholder” means (i) the holder of any Coupon or Talon, or (ii) the holder of a co-ownership interest or other interest in Coupons or Talons held in collective custody, in proportion to such Coupons or Talons deposited for such holder’s account, and “Receiptholder” means the holder of any Receipt. Any reference herein to Euroclear and/or Clearstream and/or CMU shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearance system approved by the Issuer, the Trustee and the Agent.

The Trustee acts for the benefit of the Noteholders, the Receiptholders and the Couponholders, all in accordance with the provisions of the Trust Deed.

Copies of the Trust Deed, the Deed of Covenant, the Agency Agreement (which contains the form of the Pricing Supplement) and the Pricing Supplement applicable to any particular Note or Notes (if listed) are available for inspection free of charge at the specified offices of the Trustee, the Agent and each of the other Paying Agents save that the applicable Pricing Supplement will only be available for

inspection by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Trustee or, as the case may be, the relevant Agent as to its holding of such Notes and its identity.

The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Pricing Supplement, which are binding on them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed or Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated. In the event of inconsistency between the Agency Agreement and the Trust Deed, the Trust Deed will prevail and, in the event of inconsistency between the Agency Agreement or the Trust Deed and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

## **1. Form, Denomination and Title**

The Notes in this Series are in bearer form (“Bearer Notes”, which expression includes Notes which are specified in the applicable Pricing Supplement to be Exchangeable Bearer Notes) or in registered form (“Registered Notes”) as specified in the applicable Pricing Supplement and, in the case of Definitive Notes, serially numbered in the Specified Currency and in the Specified Denominations(s) specified in the applicable Pricing Supplement.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, a Dual Currency Note or an Index-Linked Note or any combination of the foregoing, depending upon the Interest/Payment Basis specified in the applicable Pricing Supplement. It is also a Partly Paid Note and/or an Index-Linked Note (where payment with respect to principal is linked to an Index and/or formula) and/or a Dual Currency Note (where payment with respect to principal may be made in an alternative currency) if, in each case, the applicable Pricing Supplement so indicates and the appropriate provisions of these Conditions will apply accordingly.

Bearer Notes in definitive form are issued with Coupons (and, where appropriate, a Talon) attached, unless they are Zero Coupon Notes in which case references to interest (other than interest due after the Maturity Date), Coupons and Couponholders in these Conditions are not applicable. Any Bearer Note the principal amount of which is redeemable in instalments is issued with one or more Receipts attached. References in these Conditions to Receipts, Coupons and Talons do not apply to any Notes represented by a Global Note or in definitive registered form.

Except as set out below, title to the Bearer Notes and the Receipts and Coupons appertaining thereto will pass by delivery. The Issuer, the Guarantor, the Trustee, the Agent and any other Paying Agent may deem and treat the bearer of any Bearer Note and any Receipt or Coupon appertaining thereto as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any

Global Note, without prejudice to the provisions set out in the next succeeding paragraph. Title to the Registered Notes shall pass by transfer and registration in the register which the Issuer shall procure to be kept by the Registrar in accordance with the Agency Agreement as described in Condition 4(b).

For so long as any of the Notes are represented by a Global Note, each person other than Euroclear and/or Clearstream and/or CMU who is for the time being shown in the records of Euroclear or Clearstream or CMU as the holder of a particular principal amount of Notes (in which regard any certificate or other document issued by Euroclear or Clearstream or CMU as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Trustee, the Registrar, the Transfer Agent, the Agent and any other Paying Agent as the holder of such principal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, the right to which shall be vested, as against the Issuer, the Guarantor, the Trustee, the Agent and any other Paying Agent solely in the bearer of the relevant Global Note (or, in the case of a registered Global Note, in the registered holder thereof) in accordance with and subject to its terms (and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly). Notes which are represented by a Global Note will be transferable only in accordance with rules and procedures for the time being of Euroclear, Clearstream or CMU, as the case may be.

## **2. Status of Notes and Negative Pledge**

- (a) The obligations of the Issuer under the Notes, the Coupons and the Receipts are direct, unconditional, unsubordinated, general and (subject to Condition 2(b)) unsecured obligations of the Issuer ranking *pari passu* in all respects and rateably without preference or priority (except for any statutory preference or priority applicable in the winding-up of the Issuer or otherwise required to be preferred by law) with all other outstanding unsecured and unsubordinated obligations (contingent or otherwise, present and future) of the Issuer.
- (b) So long as any of the Notes remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will create or permit to be outstanding any mortgage, charge, pledge or other security interest (other than a security interest arising by operation of law) (each a “Charge”) other than a Permitted Charge upon the whole or any part of its undertaking or assets, present or future, in order to secure any existing or future Securities issued (or guarantees in respect thereof granted) by it unless in any such case at the same time the relevant Notes are (to the satisfaction of the Trustee) equally and rateably secured so as to rank *pari passu* with such Securities or guarantees or other security is granted in respect of the Notes as the Trustee shall in its absolute discretion deem not materially less beneficial to the Noteholders or as approved by an Extraordinary Resolution of the Noteholders.

For the purposes of this Condition 2(b), the term “Securities” means any indebtedness in the form of or represented by bonds, notes, debentures or other similar securities, or by bills of exchange drawn or accepted for the purpose of raising money, which are, or are at the time of issue or acceptance intended to be, quoted, listed or ordinarily traded on any stock exchange or over-the-counter securities market or traded between financial institutions or institutional investors and the term “Permitted Charge” means:

- (i) any Charge over any assets (or related documents of title) purchased by the Issuer or the Guarantor as security for all or part of the purchase price of such assets and any substitute

security created on those assets in connection with the refinancing (together with interest, fees and other charges attributable to such refinancing) of the indebtedness secured on those assets (but the principal amount secured by any such security may not be increased without the authority of the Trustee in writing); and

- (ii) any Charge over any assets (or related documents of title) purchased by the Issuer or the Guarantor subject to such Charge and any substitute security created on those assets in connection with the refinancing (together with interest, fees and other charges attributable to such refinancing) of the indebtedness secured on those assets.

### **3. The Guarantee**

The payment of principal, premium (if any) and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor in the Trust Deed (the “Guarantee”). The obligations of the Guarantor under the Guarantee are direct, unconditional, unsubordinated and (subject to the provisions of Condition 2(b)) unsecured obligations of the Guarantor and (except for any statutory preference or priority applicable in the winding-up of the Guarantor or otherwise required to be preferred by law) rank equally with all other outstanding unsecured and unsubordinated obligations (contingent or otherwise, present or future) of the Guarantor.

### **4. Exchange of Exchangeable Bearer Notes and Transfers of Registered Notes**

#### ***(a) Exchange of Exchangeable Bearer Notes***

Subject as provided in Condition 4(e), Exchangeable Bearer Notes may be exchanged for the same aggregate principal amount of Registered Notes of a Specified Denomination at the request in writing of the relevant Noteholder and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmatured Receipts, Coupons and Talons relating to it, at the specified office of the Registrar or the Transfer Agent (or, in the case of Notes lodged in CMU, the HK Lodging Agent); provided, however, that where an Exchangeable Bearer Note is surrendered for exchange after the Record Date (as defined in Condition 7(b)(ii)(A)) for any payment of interest, the Coupon in respect of that payment of interest need not be surrendered with it. Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Denomination may not be exchanged for Bearer Notes of another Denomination. Bearer Notes which are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.

#### ***(b) Transfer of Registered Notes***

A Registered Note may be transferred in whole or in part in a Specified Denomination upon the surrender of the Registered Note to be transferred, together with the form of transfer endorsed on it duly completed and executed (and, if applicable, stamped), at the specified office of the Registrar or any Transfer Agent. In the case of a transfer of part only of a Registered Note a new Registered Note in respect of the balance not transferred will be issued to the transferor. A Registered Note may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

***(c) Delivery of Registered Notes***

Each Registered Note to be issued upon exchange of Exchangeable Bearer Notes or transfer of Registered Notes will, within seven business days (being a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Transfer Agent or the Registrar to whom such request for exchange or form of transfer shall have been delivered) of receipt of such request for exchange or form of transfer, be available for delivery at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom such request shall have been made or, at the option of the holder making such request as aforesaid and as specified in the relevant request for exchange or form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the new Registered Note to such address as may be specified in such request for exchange or form of transfer.

***(d) Formalities of Exchange or Transfer of Registered Notes***

Exchange or transfer of Notes as described in paragraphs (a), (b) and (c) above will be effected without charge by or on behalf of the Issuer, the Registrar, the Transfer Agent or, in the case of Exchangeable Bearer Notes lodged in CMU, the HK Lodging Agent, subject to (i) payment (or the giving of such indemnity as the Registrar or the Transfer Agent may require in respect) of any tax, duties or other governmental charges which may be imposed in relation to it, (ii) the Registrar being satisfied with the documents of title and/or identity of the person making the request or application, and (iii) such reasonable regulations as the Issuer may from time to time agree with the Registrar, the Agent, the Transfer Agents, the Trustee and, in the case of Exchangeable Bearer Notes lodged in CMU, the HK Lodging Agent.

***(e) Closed Periods***

No Noteholder may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note to be exchanged for a Registered Note (i) during the period of 15 days ending on the due date for any payment of principal on that Note; (ii) during the period of 15 days prior to any date on which Notes may be drawn for redemption by the Issuer at its option pursuant to Condition 6(c); or (iii) after any such Note has been drawn for redemption in whole or in part. An Exchangeable Bearer Note called for redemption may, however, be exchanged for a Registered Note which is simultaneously surrendered not later than the relevant Record Date.

## **5. Interest**

***(a) Interest on Fixed Rate Notes***

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date which is specified in the applicable Pricing Supplement at the rate(s) per annum equal to the Fixed Rate(s) of Interest specified in the applicable Pricing Supplement to (but excluding) the Fixed Interest Date(s) in each year and to (but excluding) the Maturity Date so specified if it does not fall on a Fixed Interest Date, and such interest will be paid in arrear on the Fixed Interest Date(s) or the Maturity Date so specified (as the case may be). The first payment of interest shall be made on the Fixed Interest Date next following the Interest Commencement Date and, if the first anniversary of the Interest Commencement Date is not a Fixed Interest Date, will amount to the Initial Broken Amount specified in the applicable Pricing Supplement. If the Maturity Date is not a Fixed Interest Date, interest from



(and including) the preceding Fixed Interest Date (or the Interest Commencement Date) to (but excluding) the Maturity Date will amount to the Final Broken Amount specified in the applicable Pricing Supplement.

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

“Day Count Fraction” means, in respect of the calculation of an amount of interest in accordance with this Condition 5(a):

(a) if “Actual/Actual (ICMA)” is specified in the applicable Pricing Supplement:

(i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

- (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (b) if “30/360” is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

**(b) Interest on Floating Rate Notes**

*(i) Interest Payment Dates*

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date specified in the applicable Pricing Supplement, to (but excluding) each interest payment date (each an “Interest Payment Date”) which (except as otherwise specified in these Conditions or the applicable Pricing Supplement) (i) is specified in the applicable Pricing Supplement or (ii) falls the number of months or other period specified as the Interest Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date, and such interest will be paid in arrear on each Interest Payment Date. Unless otherwise specified in the applicable Pricing Supplement, if any Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined below), it shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this Condition 5, “Business Day” means (unless otherwise stated in the applicable Pricing Supplement) a day which is both:

- (A) a day (other than a Saturday or Sunday or other day on which banking institutions are required or authorised by law or executive order to close) on which commercial banks are open for business and foreign exchange markets settle payments in Hong Kong; and
- (B) (1) in relation to any sum payable in a Specified Currency other than euro or Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than Hong Kong) or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real- Time Gross Settlement Express Transfer (TARGET2) System (the “TARGET2 System”) is operating (a “TARGET2 Business Day”) or (3) in relation to any sum payable in Renminbi, a day on which commercial banks in Hong Kong are open for business and settlement of Renminbi payments.

Unless otherwise provided in the applicable Pricing Supplement, the principal financial centre of any country for the purpose of these Conditions shall be the financial centre for the Specified Currency as

provided in the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and amended and updated or replaced as at the Issue Date of the first Tranche of a Series of the Notes (the “ISDA Definitions”).

*(ii) Rate of Interest*

The Rate of Interest payable from time to time in respect of each Series of Floating Rate Notes shall be determined in the manner specified in the applicable Pricing Supplement. The relevant Rate of Interest payable from time to time will be based on the London inter-bank offered rate (“LIBOR”), the Hong Kong inter-bank offered rate (“HIBOR”), the CNH Hong Kong inter-bank offered rate (“CNH HIBOR”), the Euro-zone inter-bank offered rate (“EURIBOR”), the London inter-bank bid rate (“LIBID”) or the London inter-bank mean rate (“LIMEAN”).

*(iii) ISDA Determination*

(A) Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest shall (unless otherwise specified in the Pricing Supplement) be determined on such dates and at such rates as would have been determined by the Issuer if it had entered into an interest rate swap transaction governed by an agreement (regardless of any event of default or termination event thereunder) in the form of the Interest Rate and Currency Exchange Agreement incorporating the ISDA Definitions with the holder of the relevant Note under which:

- (1) the manner in which the Rate of Interest is to be determined is the “Floating Rate Option”;
- (2) the Issuer is the “Floating Rate Payer”;
- (3) the person specified in the applicable Pricing Supplement is the “Calculation Agent”;
- (4) the Interest Commencement Date is the “Effective Date”;
- (5) the aggregate paid up principal amount of the Series is the “Notional Amount”;
- (6) the relevant Interest Period is the “Designated Maturity”;
- (7) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on LIBOR, or HIBOR or CNH HIBOR or EURIBOR for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement; and
- (8) all other terms are as specified in the applicable Pricing Supplement.

For the purpose of this sub-paragraph (iii), (1) “Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity” and “Reset Date” have the meanings given to those terms in the ISDA

Definitions; (2) the definition of “Banking Day” in the ISDA Definitions shall be amended to insert after the words “are open for” in the second line the word “general”; and (3) “Euro-zone” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty on the Functioning of the European Union, as amended (the “Treaty”).

(B) When Condition 5(b)(iii)(A) applies, with respect to each relevant Interest Payment Date:

- (1) the amount of interest determined for such Interest Payment Date shall be the Interest Amount (as defined in Condition 5(b)(vi) below) for the relevant Interest Period for the purposes of these Conditions as though calculated under Condition 5(b)(vi) below; and
- (2) (unless otherwise specified in the Pricing Supplement) the Rate of Interest of such Interest Period shall be the Floating Rate (as defined in the ISDA Definitions) determined by the Calculation Agent specified in the applicable Pricing Supplement (the “Calculation Agent”) in accordance with Condition 5(b)(iii)(A), plus or minus (as indicated in the applicable Pricing Supplement), the applicable Margin (if any).

*(iv) Screen Determination*

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be either:

- (x) where the quotation which appears on the appropriate page of the Screen is a composite quotation or is customarily supplied by one entity only, that quotation; or
- (y) where a number of quotations appear on the appropriate page of the Screen, the arithmetic mean (rounded, if necessary, to the fifth decimal place with 0.000005 being rounded upwards) of those quotations.

(expressed as a percentage rate per annum), for deposits in the Specified Currency for that Interest Period which appears or appear, as the case may be, on the appropriate page of the Screen as at 11:00 a.m. (Brussels time) in the case of EURIBOR or 11:00 a.m. (Hong Kong time) in the case of HIBOR or 11:15 a.m. (Hong Kong time) in the case of CNH HIBOR or 11:00 a.m. (London time) in all other cases on the Interest Determination Date (as defined below) in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent;

- (A) if, in the case of (x) above, no such rate appears or, in the case of (y) above, fewer than two of such offered rates appear at such time or if the offered rate or rates which appears or appear, as the case may be, as at such time do not apply to a period of a duration equal to the relevant Interest Period, the Rate of Interest for such Interest Period shall, subject as provided below, be the arithmetic mean (rounded, if necessary, to the fifth decimal place with 0.000005 being rounded

upwards) of the offered quotations of the Reference Banks for inter-bank deposits in the Specified Currency for that Interest Period (expressed as a percentage rate per annum), of which the Calculation Agent (or, in the case of Notes denominated in HK dollars, the HK Reference Agent, who shall forthwith advise the Calculation Agent) is advised by all Reference Banks (as defined below) as at 11:00 a.m. (Brussels time) in the case of EURIBOR or 11:00 a.m. (Hong Kong time) in the case of HIBOR or 11:15 a.m. (Hong Kong time) in the case of CNH HIBOR or 11:00 a.m. (London time) in all other cases on the Interest Determination Date plus or minus (as specified in the applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent;

- (B) if on any Interest Determination Date to which Condition 5(b)(iv)(A) applies two only of the Reference Banks advise the Calculation Agent (or, as aforesaid, the HK Reference Agent) of such offered quotations, the Rate of Interest for the next Interest Period shall be determined as in Condition 5(b)(iv)(A) on the basis of the rates of those Reference Banks advising such offered quotations;
- (C) if on any Interest Determination Date to which Condition 5(b)(iv)(A) applies one only or none of the Reference Banks advises the Calculation Agent (or, as aforesaid, the HK Reference Agent) of such rates, the Rate of Interest for the next Interest Period shall, subject as provided below, be:
  - (1) the reserve interest rate (the “Reserve Interest Rate”) which shall be the rate per annum which the Calculation Agent determines to be either (x) the arithmetic mean (rounded, if necessary, to the fifth decimal place with 0.000005 being rounded upwards) of the lending rate(s) for the Specified Currency which a bank (which in the case of Notes denominated in Hong Kong dollars shall be The Hongkong and Shanghai Banking Corporation Limited or another bank nominated by the HK Reference Agent after consultation with the Issuer) or banks selected by the Calculation Agent in the principal financial centre of the country of the Specified Currency after consultation with the Issuer (which, if Australian dollars, shall be Sydney and, if euro, shall be such financial centre or centres in the Euro-zone as the Calculation Agent shall select) are quoting on the relevant Interest Determination Date for the next Interest Period to the Reference Banks or those of them (being at least two in number) to which such quotations are, in the opinion of the Calculation Agent, being so made plus or minus (as specified in the applicable Pricing Supplement) the Margin (if any), or (y) in the event that the Calculation Agent can determine no such arithmetic mean, the lowest lending rate for the Specified Currency which a bank (which in the case of Notes denominated in HK dollars shall be The Hongkong and Shanghai Banking Corporation Limited or another bank nominated by the HK Reference Agent after consultation with the Issuer) or banks selected by the Calculation Agent in the principal financial centre of the country of the Specified Currency after consultation with the Issuer (which, if Australian dollars, shall be Sydney and, if euro, shall be such financial centre or centres in the Euro-zone as the Calculation Agent shall select) are quoting on such Interest Determination Date to leading European banks for the next Interest Period plus or minus (as specified in the applicable Pricing Supplement) the Margin (if any); or if the banks selected as aforesaid by the Calculation Agent are not quoting as mentioned above;

- (2) the Rate of Interest in effect for the last preceding Interest Period to which Condition 5(b)(iv)(A) shall have applied (plus or minus, where a different Margin is to be applied to the next Interest Period than that which applied to the last preceding Interest Period, the Margin relating to the next Interest Period in place of the Margin relating to the last preceding Interest Period, all as specified in the applicable Pricing Supplement).
- (D) the expression “the appropriate page of the Screen” means (in the case of all Notes other than Notes determined in HK dollars) such page, whatever its designation, on which LIBOR or EURIBOR (or, if there is only one such rate, that rate for deposits in the Specified Currency of prime banks) are for the time being displayed on the Reuter Monitor Money Rates Service (“Reuters”) or the appropriate Moneyline Telerate Service (“Moneyline Telerate”), as specified in the applicable Pricing Supplement, and in the case of Notes denominated in HK dollars means such page, whatever its designation, on which Hong Kong Interbank offered rates for HK dollar deposits of prime banks are for the time being displayed on Moneyline Telerate or Reuters as specified in the applicable Pricing Supplement;
- (E) unless otherwise specified in the applicable Pricing Supplement, the Reference Banks for all Notes not denominated in HK dollars will be the principal London offices of Citibank N.A., Barclays Bank PLC and JPMorgan Chase Bank N.A. and for Notes denominated in HK dollars will be any three of the banks who usually quote rates on the appropriate page of the Screen as selected by the HK Reference Agent. The Issuer shall procure that, so long as any Floating Rate Note (not denominated in HK dollars) to which Condition 5(b)(iv)(A) is applicable remains outstanding, in the case of any bank being unable or unwilling to continue to act as a Reference Bank, the Issuer shall specify the London office of some other leading bank engaged in the Eurodollar market to act as such in its place;
- (F) the expression “Interest Determination Date” means unless otherwise specified in the applicable Pricing Supplement, (w) other than in the case of Condition 5(b)(iv)(A), with respect to Notes denominated in any Specified Currency other than sterling, euro or Hong Kong dollars, the second Banking Day in London prior to the commencement of the relevant Interest Period and, in the case of Condition 5(b)(iv)(A), the second Banking Day in the principal financial centre of the country of the Specified Currency (which, if Australian dollars, shall be Sydney) prior to the commencement of the relevant Interest Period and (x) with respect to Notes denominated in sterling, the first Banking Day in London of the relevant Interest Period or (y) with respect to Notes denominated in euro, the second TARGET Business Day prior to the commencement of the relevant Interest Period and (z) with respect to Notes denominated in Hong Kong dollars the first Banking Day in Hong Kong of the relevant Interest Period; and
- (G) the expression “Banking Day” means, in respect of any place, any day other than Saturday or Sunday on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in that place or, as the case may be, as indicated in the applicable Pricing Supplement.

*(v) Minimum and/or Maximum Rate of Interest*

If the applicable Pricing Supplement specifies a minimum Rate of Interest for any Interest Period, then in the event that the Rate of Interest for such period determined as aforesaid would be less than such minimum Rate of Interest, the Interest Rate for such period shall be such minimum Rate of Interest. If the applicable Pricing Supplement specifies a maximum Rate of Interest for any Interest Period, then in the event that the Rate of Interest for such period determined as aforesaid would be greater than such maximum Rate of Interest, the Interest Rate for such period shall be such maximum Rate of Interest.

*(vi) Determination of Rate of Interest and Calculation of Interest Amount*

The Calculation Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest (subject to any minimum or maximum Rate of Interest specified in the applicable Pricing Supplement) and calculate the amount of interest (the “Interest Amount”) payable on the Floating Rate Notes for the relevant Interest Period. The Calculation Agent will calculate the Interest Amount by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Floating Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

“Day Count Fraction” means, in respect of the calculation of an amount of interest in accordance with this Condition 5(b):

if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

if “Actual/365 (Fixed)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;

if “Actual/365 (Sterling)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

if “Actual/360” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;

if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

if “30E/360” or “Eurobond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;



“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

if “30E/360 (ISDA)” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

*(vii) Notification of Rate of Interest and Interest Amount*

The Calculation Agent will as soon as possible after their determination but in no event later than the second London Business Day thereafter notify the Agent or cause the Agent to be notified of the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date and the Agent will then promptly notify the Issuer and the Relevant Dealer of the same and will cause the same to be published in accordance with Condition 15. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way

of adjustment) without publication as aforesaid in the event of an extension or shortening of the Interest Period in accordance with the provisions hereof. Each stock exchange on which the relevant Floating Rate Notes are for the time being listed will be promptly notified of any such amendment.

For the purposes of this subparagraph (vii), the expression “London Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

*(viii) Determination or Calculation by Agent or by Trustee*

If for any reason the Calculation Agent does not at any time determine the Rate of Interest or calculate any Interest Amount in accordance with sub-paragraphs (ii), (iii) or (iv), as the case may be, and, in each case, sub-paragraph (vi) above, the Agent may (but shall not be obliged to) determine the Rate of Interest as if it had been named as Calculation Agent in the applicable Pricing Supplement. If for any reason the Agent does not choose to fulfil this role of substitute Calculation Agent, the Trustee shall determine the Rate of Interest to be such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 5(b) but subject always to any minimum or maximum Rate of Interest specified in the applicable Pricing Supplement) it shall deem fair and reasonable in all the circumstances and/or as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Calculation Agent specified in the applicable Pricing Supplement.

*(ix) Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, whether by the Calculation Agent, the Agent or the Trustee, shall (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Calculation Agent, the Agent, the other Paying Agents, the Trustee and all Noteholders, Receiptholders and Couponholders and no liability to the Issuer, the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Calculation Agent, the Agent or, as the case may be, the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

*(c) Index-Linked Notes and Dual Currency Notes*

In the case on Index-Linked Notes or Dual Currency Notes, if the Rate of Interest or amount of interest falls to be determined by reference to an index and/or a formula or, as the case may be, an exchange rate, such Rate of Interest or amount of interest payable shall be determined in the manner specified in the applicable Pricing Supplement.

*(d) Zero Coupon Notes*

When a Zero Coupon Note becomes due and repayable prior to the Maturity Date and is not paid when due, the amount due and repayable shall be the Amortised Face Amount of such Note as determined in accordance with Condition 6(e)(iii). As from the Maturity Date, any overdue principal of such Note shall bear interest at a rate per annum equal to the Accrual Yield set forth in the applicable Pricing Supplement.

***(e) Partly Paid Notes***

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid up principal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

***(f) Accrual of Interest***

Each Note (or in the case of the redemption in part only of a Note, such part to be redeemed) will cease to bear interest (if any) from the due date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the holder of such Note; and (ii) the day on which the Agent has notified the holder thereof (either in accordance with Condition 15 or individually) of receipt of all sums due in respect thereof up to that date.

## **6. Redemption and Purchase**

***(a) At Maturity***

Unless previously redeemed or purchased and cancelled as specified below, Notes will be redeemed by the Issuer at their Final Redemption Amount in the relevant Specified Currency on the Maturity Date specified in the applicable Pricing Supplement (in the case of a Note other than a Floating Rate Note) or on the Interest Payment Date falling in the Redemption Month specified in the applicable Pricing Supplement (in the case of a Floating Rate Note).

***(b) Redemption for Tax Reasons***

The Notes of this Series may be redeemed at a price or prices and on such terms as are indicated in the applicable Pricing Supplement at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee and the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee that the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 11 or the Guarantor satisfies the Trustee that the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of Hong Kong [or the Cayman Islands]<sup>1</sup> or any political subdivision thereof or therein or any authority having power to levy tax therein, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and that such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor (as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Series of Notes or the Guarantee (as the case may be) then due. On the expiry of such notice the Issuer shall be bound to redeem the Notes accordingly. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by

<sup>1</sup> Delete if MTR Corporation Limited is the Issuer.

two directors of the Issuer (or the Guarantor, as the case may be) stating that the obligation to pay additional amounts as referred to above cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence that such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures as required above in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

***(c) Redemption at the Option of the Issuer***

If so specified in the applicable Pricing Supplement, the Issuer may, having (unless otherwise specified in the applicable Pricing Supplement) given not more than 60 nor less than 30 days' notice to the Trustee and the holders of the Notes of this Series in accordance with Condition 15 (which notice shall be irrevocable), repay all or some only of the Notes of this Series then outstanding (as defined in the Trust Deed) on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) indicated in the applicable Pricing Supplement together, if appropriate, with accrued interest. In the event of redemption of some only of such Notes of this Series, such redemption must be for an amount being the Minimum Redemption Amount or a Maximum Redemption Amount, as indicated in the applicable Pricing Supplement. In the case of a partial redemption of Definitive Notes of this Series, the Notes of this Series to be repaid will be selected individually by lot not more than 60 days prior to the date fixed for redemption and a list of the Notes of this Series called for redemption will be published in accordance with Condition 15 not less than 30 days prior to such date. In the case of a partial redemption of Notes which are represented by a Global Note, the relevant Notes will be redeemed in accordance with the rules of Euroclear and/or Clearstream and/or CMU, as the case may be.

***(d) Redemption at the Option of the Noteholders***

If and to the extent specified in the applicable Pricing Supplement, upon the holder of any Note of this Series giving to the Issuer in accordance with Condition 15 not more than 60 nor less than 30 days' notice (or such lesser period if so specified in the Pricing Supplement) (which notice shall be irrevocable) the Issuer shall, upon the expiration of such notice, redeem subject to, and in accordance with, the terms specified in the applicable Pricing Supplement in whole (but not in part) such Note on the Optional Redemption Date and at the Optional Redemption Amount indicated in the applicable Pricing Supplement together, if appropriate, with accrued interest.

***(e) Early Redemption Amounts***

For the purposes of paragraphs (b), (c) and (d) above, Notes will be redeemed at an amount (the "Early Redemption Amount") calculated as follows:

- (i) in the case of Notes with a Final Redemption Amount equal to their principal amount, at the Final Redemption Amount thereof; or
- (ii) in the case of Notes (other than Zero Coupon Notes) with a Final Redemption Amount which is or may be greater or less than their principal amount or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount set out in the applicable Pricing Supplement, or if no such amount or manner is set out in the applicable Pricing Supplement, at their principal amount; or

(iii) in the case of Zero Coupon Notes, at an amount (the “Amortised Face Amount”) equal to:

- (A) the sum of (x) the Reference Price specified in the applicable Pricing Supplement and (y) the product of the Accrual Yield specified in the applicable Pricing Supplement (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable; or
- (B) if the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 12 is not paid or available for payment when due, the amount due and repayable in respect of such Zero Coupon Note shall be the Amortized Face Amount of such Zero Coupon Note calculated as provided above as though the references in subparagraph (A) to the date fixed for redemption or the date upon which the Zero Coupon Note becomes due and repayable were replaced by references to the date (the “Reference Date”) which is the earlier of:
  - (1) the date on which all amounts due in respect of the Note have been paid; and
  - (2) the date on which the full amount of the moneys repayable has been received by the Agent and notice to that effect has been given in accordance with Condition 15.

The calculation of the Amortised Face Amount in accordance with this sub-paragraph (B) will continue to be made, after as well as before judgment, until the Reference Date unless the Reference Date falls on or after the Maturity Date, in which case the amount due and repayable shall be the principal amount of such Note together with interest from (and including) the Maturity Date to (but excluding) the Reference Date at a rate per annum equal to the Accrual Yield.

Where any such calculation is to be made for a period of less than a full year, it shall be made (x) in the case of Notes denominated in US dollars on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed; (y) in the case of Notes denominated in all other currencies on the basis that “Actual/Actual ICMA” shall apply, as calculated in accordance with Condition 5(b)(vi); or (z) as otherwise specified in the applicable Pricing Supplement.

***(f) Instalments***

Any Note which is repayable in instalments will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Pricing Supplement.

***(g) Partly Paid Notes***

If the Notes are Partly Paid Notes, they will be redeemed, whether at maturity, early redemption or otherwise in accordance with the provisions of this Condition 6 as amended or varied by the applicable Pricing Supplement.

***(h) Purchases***

The Issuer and the Guarantor and any Connected Company of the Issuer or the Guarantor may at any time purchase Notes of this Series (provided that, in the case of Definitive Bearer Notes, all unmatured Receipts and Coupons appertaining thereto are surrendered therewith) in the open market or by private treaty at any price. If purchases are made by tender, tenders must be available to all holders of Notes of this Series alike.

## **7. Payments**

***(a) Method of Payment***

Subject as provided below and unless otherwise provided in the Pricing Supplement, payments in a currency other than euro or Renminbi will be made by transfer to an account in the Specified Currency maintained by the payee with, or by a cheque in the Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency; provided that a cheque may not be delivered to an address in, and an amount may not be transferred to an account at a bank located in the United States of America (including the States and the District of Columbia) or its possessions (including Puerto Rico, the US Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) by any office or agency of the Issuer, the Guarantor, the Agent or any Paying Agent. Payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque. Payments in Renminbi will be made by transfer to an account denominated in Renminbi maintained by the payee with a bank in Hong Kong.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10.

***(b) Presentation of Notes, Receipts, Coupons and Talons***

***(i) Bearer Notes***

Payments of principal in respect of Definitive Bearer Notes not held in CMU will (subject as provided below) be made in the Specified Currency against surrender of Definitive Bearer Notes and payments of interest in respect of the Definitive Bearer Notes will (subject as provided below) be made in the Specified Currency against surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States of America and its possessions.

In the case of Definitive Bearer Notes not held in CMU, payments of principal with respect to instalments (if any), other than the final instalment, will (subject as provided below) be made against presentation and surrender of the relevant Receipt. Each Receipt must be presented for payment of the relevant instalment together with the relevant Definitive Bearer Note against which the amount will be payable with respect to that instalment. If any Definitive Bearer Note is redeemed or becomes repayable prior to the stated Maturity Date (in the case of a Note other than a Floating Rate Note) or prior to the Interest Payment Date falling in the Redemption Month (in the case of a Floating Rate Note) in respect thereof, principal will be payable on surrender of such Definitive Bearer Note together

with all unmatured Receipts appertaining thereto. Receipts presented without the Definitive Bearer Note to which they appertain and unmatured Receipts do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in Definitive Bearer form not held in CMU (other than Dual Currency Notes or Index-Linked Notes) should be presented for payment together with all unmatured Coupons appertaining thereto failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the aggregate amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of six years after the Relevant Date (as defined in Condition 14) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 14). Upon any Fixed Rate Bearer Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Bearer Note, Dual Currency Bearer Note or Indexed Bearer Note in definitive form not held in CMU becomes due and repayable, all unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

In the case of Definitive Bearer Notes held in CMU, payment will be made to the person(s) for whose account(s) interests in the relevant Definitive Bearer Note are credited as being held with CMU in accordance with the arrangements, rules and regulations governing the operation of CMU (the "CMU Rules") at the relevant time as notified to the HK Lodging Agent by the CMU in a relevant CMU Instrument Position Report (as defined in the CMU Rules) or any relevant notification by CMU, which notification shall be conclusive evidence of the records of CMU (save in the case of manifest error) and payment made in accordance thereof shall discharge the obligations of the Issuer or, as the case may be, the Guarantor in respect of that payment.

If the due date for redemption of any Definitive Bearer Note is not a Fixed Interest Date or an Interest Payment Date, interest (if any) accrued with respect to such Note from (and including) the preceding Fixed Interest Date or Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Note.

*(ii) Registered Notes*

(A) Payments of principal (which for the purposes of this Condition 7(b)(ii) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes will be made to the persons shown on the Register (i) where in global form, at the close of the business day (being for this purpose, in respect of Notes clearing through Euroclear and Clearstream,

Luxembourg, a day on which Euroclear and Clearstream, Luxembourg are open for business, and in respect of Notes clearing through CMU, a day on which CMU is open for business) before the relevant due date, and (ii) where in definitive form, at the close of business (x) in the case of a currency other than Renminbi, on the fifteenth day before the due date for payment thereof or (y) in the case of Renminbi, on the fifth business day before the due date for payment thereof (the “Record Date”) by mail to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register maintained by the Registrar or, in the case of Renminbi, by transfer to the registered account of the holder (or to the first named of joint holders of such Note).

In this Condition 7(b)(ii), “registered account” means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register on the fifth business day before the due date for payment.

- (B) Interest (which for the purpose of this Condition 7(b)(ii) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes will be paid to the person shown on the Register at the close of business on the Record Date. Payments of interest on each Registered Note (other than Notes denominated in euro or Renminbi) will be made in the currency in which such payments are due by cheque drawn on a bank (being a town clearing branch of a bank in the City of London in the case of sterling) in the principal financial centre of the country of the currency concerned and (in the case of Notes denominated in euro) by euro cheque and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register maintained by the Registrar. Payment of interest on Notes denominated in Renminbi will be made by transfer to the registered account of the holder (or to the first named of joint holders of such Note). Upon application by the holder of a Note other than a Note denominated in Renminbi to the specified office of the Registrar or the Transfer Agent before the Record Date and subject as provided in paragraph (i) above, such payment of interest may be made by transfer to (in the case of Notes denominated in a currency other than euro) an account in the Specified Currency maintained by the payee with a bank in the principal financial centre of the country of that currency or (in the case of Notes denominated in euro) a euro account or any other account to which euro may be transferred.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

None of the Issuer, the Guarantor, the Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.



*(iii) Global Notes*

Payments of principal and interest (if any) in respect of Notes of this Series represented by any Global Note will (subject as provided below) be made in the manner specified above and otherwise in the manner specified in the relevant Global Note (i) in the case of a Global Note lodged with CMU to the person(s) for whose account(s) interests in the relevant Global Note are credited as being held by CMU in accordance with the CMU Rules, or (ii) in the case of a Global Note not lodged with CMU against presentation or surrender, as the case may be, of such Global Note at the specified office of the Agent. A record of each payment made against presentation or surrender of such Global Note, distinguishing between any payment of principal and any payment of interest, will be made in the case of a Global Note not held in CMU, by the Agent or, in the case of a Global Note lodged with CMU, on withdrawal of the Global Note by the HK Lodging Agent and such record shall be prima facie evidence that the payment in question has been made.

If the Global Note is not lodged with CMU, the holder of the relevant Global Note or, if the Global Note is lodged in CMU, the person(s) for whose account(s) interests in such Global Note are credited as being held in CMU in accordance with the CMU Rules as notified to the HK Lodging Agent by CMU in a relevant CMU Instrument Position Report (as defined in the CMU Rules) or any other relevant notification by CMU (which notification, in either case, shall be conclusive evidence of the records of CMU save in the case of manifest error) (or, as provided in the Trust Deed, the Trustee) shall be the only person(s) entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note or, if the Global Note is lodged in CMU, such person(s) for whose account(s) interests in such Global Note are credited as being held in CMU (or the Trustee, as the case may be) with respect to each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream or CMU as the holder of a particular principal amount of Notes must look solely to Euroclear, Clearstream or the HK Lodging Agent, as the case may be, for his share of each payment so made by the Issuer or, if the Guarantee is called, the Guarantor in respect of the relevant Global Note.

*(iv) US Dollar Notes*

Notwithstanding the foregoing, payments in respect of Bearer Notes denominated in US dollars will be made at the specified office of a Paying Agent in the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction) only if:

- (A) the Issuer and the Guarantor have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment at such specified offices outside the United States of the full amount owing in respect of the Notes in the manner provided above when due;
  - (B) payment of the full amount owing in respect of the Notes at such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions;
- and

(C) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

***(c) Payment Business Day***

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Business Day in a place of presentation, the holder thereof shall not be entitled to payment until the next following Payment Business Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, unless otherwise specified in the applicable Pricing Supplement, "Payment Business Day" means any day which is (i) a day (other than a Saturday or Sunday) on which commercial banks are open for business and foreign exchange markets settle payments in the relevant place of presentation, and (ii) a Business Day as defined in Condition 5(b)(i). For the purposes of the definition of "Payment Business Day" in this Condition 7(c), the relevant place of presentation shall be disregarded in respect of any payment in respect of any Global Note in Bearer form.

***(d) Interpretation of Principal and Interest***

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any Additional Amounts which may be payable under Condition 11 in respect of principal or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (v) any premium and any other amounts which may be payable under or in respect of the Notes;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount; and
- (vii) the Optional Redemption Amount(s) (if any) of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any Additional Amounts which may be payable under Condition 11 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

**8. Agent, Paying Agents and HK Reference Agent**

The names of the initial Agent and the other initial Paying Agents and of the HK Reference Agent, the HK Lodging Agents, the Transfer Agents and the Registrar and their initial offices are set out below. The Issuer and the Guarantor are entitled (with the prior approval of the Trustee) to vary or terminate

the appointment of the HK Reference Agent, the HK Lodging Agents, the Registrar or any Paying Agent or Transfer Agent and/or appoint a substitute HK Reference Agent, HK Lodging Agent, Registrar or, as the case may be, additional or other paying agents, transfer agents, Hong Kong lodging agents and/or approve any change in the specified office through which any paying agent acts, provided that:

- (i) so long as the Notes of this Series are listed on any stock exchange, there will at all times be a Paying Agent and a Transfer Agent with a specified office in each location required by the rules and regulations of the relevant listing authority and/or stock exchange;
- (ii) there will at all times be a Paying Agent with a specified office in a city approved by the Trustee in continental Europe;
- (iii) there will at all times be an Agent; and
- (iv) there will at all times be an HK Reference Agent and, whilst any Notes are lodged in CMU, an HK Lodging Agent who will perform their respective obligations under these Conditions and the Agency Agreement.

In addition, with respect to Notes denominated in US dollars the Issuer and the Guarantor shall forthwith appoint a paying agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 7(b).

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Trustee and the Noteholders in accordance with Condition 15.

In acting under the Agency Agreement, the Agent, the Paying Agents, the Transfer Agents, the Registrar, the HK Reference Agent and the HK Lodging Agent act solely as agents of the Issuer and the Guarantor and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of trust with, any Noteholders.

## **9. Exchange of Talons**

On and after the Fixed Interest Date or the Interest Payment Date, as appropriate, on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent or, in the case of Notes lodged in CMU, the HK Lodging Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to, and including, the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 14. Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Fixed Interest Date or the Interest Payment Date (as the case may be) on which the final Coupon comprised in the relative Coupon sheet matures.

## 10. Redenomination

### *(a) Redenomination*

Where redenomination is specified in the applicable Pricing Supplement as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders, on giving prior notice to the Trustee, the Agent, Euroclear, Clearstream and CMU and at least 30 days' prior notice to the Noteholders in accordance with Condition 15, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

- (i) the Notes and the Receipts shall be deemed to be redenominated in euro in the denomination of €0.01 with a principal amount for each Note and Receipt equal to the principal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Trustee, that the then market practice in respect of the redenomination into euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders in accordance with Condition 15, the stock exchange (if any) on which the Notes may be listed and the Paying Agents of such deemed amendments;
- (ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest €0.01;
- (iii) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in denominations of €1,000, €10,000, €100,000 and (but only to the extent of any remaining amounts less than €1,000 or such smaller denominations as the Trustee and the Agent may approve) €0.01 and such other denominations as the Trustee shall determine and notify to the Noteholders in accordance with Condition 15;
- (iv) where definitive Notes have been issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice that replacement euro-denominated Notes, Receipts and Coupons (the "Exchange Notes") are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Trustee may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

(v) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro in accordance with Condition 7;

(vi) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:

(i) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note; and

(ii) in the case of definitive Notes, by applying the Rate of Interest to the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding;

(vii) if the Notes are Floating Rate Notes, the applicable Pricing Supplement will specify any relevant changes to the provisions relating to interest; and

(viii) such other changes shall be made to these Conditions and/or the Trust Deed and/or the Agency Agreement as the Issuer may decide, after consultation with the Trustee, and as may be specified in the notice, to conform them to conventions then applicable to instruments denominated in euro. Any such other changes will not take effect until after they have been notified to the Noteholders in accordance with Condition 15.

**(b) Definitions**

In these Conditions, the following expressions have the following meanings:

“Established Rate” means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into euro established by the Council of the European Union pursuant to Article 140 of the Treaty; and

“Redenomination Date” means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Trustee and the Noteholders pursuant to paragraph (a) above and which falls on or after the date on which the country of the Specified Currency starts to participate in the third stage of European economic and monetary union pursuant to the Treaty and which falls before the date on which the Specified Currency ceases to be a sub-division of the euro.

## **11. Taxation and Withholding**

All payments of principal and/or interest made by the Issuer or, if the Guarantee is called, the Guarantor in respect of the Notes of this Series will be made without withholding or deduction for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of Hong Kong [or the Cayman Islands]<sup>1</sup> or any authority having power to levy tax in Hong Kong [or the Cayman Islands]<sup>1</sup>, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result (after such withholding or deduction) in the receipt by the holders of the Notes of this Series or the Coupons appertaining thereto of the sums which would have been receivable (in the absence of such withholding or deduction) from it in respect of the Notes of this Series or the Coupons appertaining thereto, except that no such additional amounts shall be payable with respect to any Note of this Series or any Coupon appertaining thereto:

- (a) presented for payment by or on behalf of a holder of such a Note who is liable to such tax, duty or charge in respect of such Note or Coupon by reason of having some connection with Hong Kong [or the Cayman Islands]<sup>1</sup> other than the mere holding of such Note or the receipt of principal or interest in respect thereof; or
- (b) presented for payment more than 30 days after the due date therefor except to the extent that the holder of such a Note would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of 30 days; or
- (c) presented for payment for or on behalf of a holder of such a Note who is able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption and does not make such declaration or claim.

## **12. Events of Default**

If any of the following events (“Events of Default”) shall occur and be continuing:

- (a) there is a default for more than seven days in the payment of any principal, interest or other amount due in respect of any Note of this Series; or
- (b) (i) the Issuer or the Guarantor or any Connected Company (as that term is defined in the Trust Deed) of the Issuer or the Guarantor shall default in the payment of any principal of or interest on any obligation for Borrowed Money beyond any period of grace provided in respect thereof, or (ii) the Issuer or any Connected Company of the Issuer or the Guarantor or any Connected Company of the Guarantor shall fail to honour when due and called upon any guarantee of any indebtedness for Borrowed Money, or (iii) indebtedness of the Issuer or any Connected Company

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<sup>1</sup> Delete if MTR Corporation Limited is the Issuer.

of the Issuer or the Guarantor or any Connected Company of the Guarantor for Borrowed Money shall become due and payable prior to its specified maturity by reason of any default or event of default (howsoever described) (other than due to the Government of Hong Kong ceasing after 4th October 2020 to hold directly or indirectly more than half in nominal value of the voting share capital of the Guarantor), in each case in an aggregate principal amount of at least US\$32,000,000 or the equivalent thereof in another currency or currencies, or (iv) a general moratorium shall be declared on the payment of debts of the Issuer or the Guarantor or any Connected Company of the Issuer or the Guarantor; or

- (c) the Issuer or the Guarantor shall default in the performance or observance of any other obligation contained in any Note of this Series or the Trust Deed and (unless the same shall be certified by the Trustee to be, in its opinion, not capable of remedy) such default shall not have been remedied within 30 days after written notice shall have been given to the Issuer or, as the case may be, the Guarantor by the Trustee requiring the same to be remedied; or
- (d) the Guarantor shall dispose of or attempt to dispose of all or the majority of its assets or undertaking required for use in connection with the Railway (except pursuant to or as part of such an amalgamation or reconstruction as is mentioned in (e) below); or
- (e) any competent action shall be taken, any enactment shall be passed, any judgment or order of a court of competent jurisdiction shall be made or any effective resolution shall be passed for the winding up or dissolution of the Issuer or the Guarantor the effect of which would be to dissolve or liquidate the Issuer or the Guarantor or, in the case of the Guarantor, to transfer to a third party all or the majority of its assets or undertaking required for use in connection with the Railway (except where its corporate existence is to be terminated or otherwise affected, or any such transfer made, pursuant to or as part of an amalgamation or reconstruction, details of which have previously been notified to the Trustee, the effect of which is to vest in some other body corporate having, after such vesting, similar or better financial standing to the Guarantor (or the Trustee is satisfied, or advised by an independent merchant or investment bank in Hong Kong, or such other place as the Trustee may deem appropriate, that such vesting will not materially prejudice the interests of the Noteholders) all or the majority of the Guarantor's undertaking, properties and assets, or such of them as are required for use in connection with the Railway, and to impose upon such other body corporate all of the obligations and liabilities of the Guarantor or, as the case may be, such of them as relate to the Railway, including all the obligations and liabilities of the Guarantor under each Note, the Deed of Covenant, and the Trust Deed); or
- (f) any encumbrancer shall take possession or a receiver or other similar officer shall be appointed of the whole or the majority of the assets or undertaking of the Guarantor required for use in connection with the Railway or a distress or execution shall be levied or enforced upon or sued out against the majority of the assets or undertaking of the Guarantor required as aforesaid and shall not be stayed or discharged within 60 days of being levied or enforced; or

- (g) any encumbrancer shall take possession or a receiver or other similar officer shall be appointed of the whole or the majority of the assets or undertaking of the Issuer or a distress or execution shall be levied or enforced upon or sued out against the majority of the assets or undertaking of the Issuer and shall not be stayed or discharged within 60 days of being levied or enforced; or
- (h) a decision is taken by the board of the Guarantor or by any other competent authority of or within Hong Kong to close the Railway for a period exceeding one year; or
- (i) as a result of any action on the part of the Guarantor or the Government of the Hong Kong Special Administrative Region of the People's Republic of China (the "Government of Hong Kong") or as a result of any new law or regulations of Hong Kong, the Government of Hong Kong ceases before 5th October 2020 to hold directly or indirectly more than half in nominal value of the voting share capital of the Guarantor; or
- (j) MTR Cayman ceases to be a subsidiary (as that term is defined in the Trust Deed) of the Guarantor; or
- (k) the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect,

then:

- (i) the Trustee at its discretion may declare the Notes of this Series immediately due and repayable, provided that in the case of any event described in paragraph (b) or paragraph (c) above it shall first certify that in its opinion such event is materially prejudicial to the interests of the holders of Notes of this Series;
- (ii) the Trustee shall, if so directed either in writing by the holders of at least 25% in principal amount of the Notes of this Series or by Extraordinary Resolution of the holders of the Notes of this Series, declare all of the Notes of this Series immediately due and repayable, provided that, except in the case of the event described in paragraph (a) above, the Trustee shall only be so obliged if, taking into account all directions duly received by the Trustee within any period of 30 consecutive days, the Trustee has received directions to declare Notes (of whatever Series) immediately due and repayable from the holders of Notes issued under the Programme with an aggregate principal amount in excess of HK\$200,000,000, and for the purpose of this computation the following holders (and no others) shall be deemed to be giving such directions:
  - (A) in the case of directions received by the Trustee in writing, the holders giving such directions if, and only if, the holders of at least 25% in principal amount of the Notes in the Series of which such Notes form part have given such directions within such period; and
  - (B) in the case of an Extraordinary Resolution being passed at a meeting of the holders of Notes of a particular Series, the holders of all the Notes in that Series (and for this purpose Notes



not denominated in HK dollars shall be converted into HK dollars at the rate which is the mean of the HK Reference Agent's buying and selling rates for the Specified Currency against the HK dollars at or about 11:00 a.m. (Hong Kong time) on the date of the first direction (or equivalent direction) within such period of 30 days), whereupon the relevant Notes shall become so due and repayable at their Early Redemption Amount (as defined in Condition 6(e)) together with accrued interest (if any). If the Notes of this Series become due and repayable pursuant to this Condition 12, they shall continue to bear interest in accordance with the provisions of these Conditions, which will continue to apply.

For the purposes of this Condition, "Borrowed Money" means indebtedness for borrowed money, acceptances and the principal amount of any notes including, for the avoidance of doubt, Notes of any other Series, debentures, bonds, bills of exchange, promissory notes or similar instruments drawn, made, accepted, issued, endorsed or guaranteed by the Issuer and/or the Guarantor for the purpose of raising money but shall exclude bills of exchange drawn under or in respect of letters of credit or contracts for the provision of goods or services for the purpose of effecting payment and not in connection with the raising of money and "Railway" means the Hong Kong mass transit railway operated by the Guarantor pursuant to the Mass Transit Railway Ordinance (Chapter 556 of the Laws of Hong Kong) at the date hereof and any extensions thereto.

At any time after this Series of Notes shall have become immediately due and repayable pursuant to this Condition 12 or otherwise, the Trustee may, at its discretion and without further notice, institute such proceedings as it may think fit against the Issuer and/or the Guarantor, to enforce repayment of the principal of such Notes, together with accrued interest, and to enforce the provisions of the Trust Deed, but it shall not be bound to take any such proceedings unless (1) it shall have been so directed by an Extraordinary Resolution of the holders of this Series of Notes or so requested in writing by persons holding at least 25% in principal amount of this Series of Notes then outstanding (as defined in the Trust Deed) and (2) it shall have been indemnified to its satisfaction.

No holder of a Note shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound in accordance with the Trust Deed so to proceed, fails to do so within a reasonable period and such failure is continuing.

### **13. Meetings, Modification of Conditions, Waiver and Substitution**

#### ***(a) Generally***

The Trust Deed contains provisions for convening meetings of the holders of Notes issued under the Programme for the time being outstanding (as defined in the Trust Deed) (or the holders of Notes of any one or more Series) to consider any matter affecting their interests, including a modification of, or an arrangement in respect of, the Conditions of such Notes, and the provisions of the Trust Deed. A resolution duly passed at any such meeting shall be binding on all the holders of Notes (or, as the case may be, the holders of Notes of the relevant Series) whether present or not. The quorum at any such meeting for passing an Extraordinary Resolution of the holders of Notes (or the holders of Notes of any one or more Series) is two or more persons holding or representing a clear majority in principal amount

of the Notes (or, as the case may be, Notes of the relevant Series) for the time being outstanding (as defined in the Trust Deed), or, at any adjourned meeting, two or more persons being or representing holders of Notes (or, as the case may be, Notes of the relevant Series), whatever the principal amount of the Notes so held or represented, except that, at any meeting the business of which includes the modification of certain material conditions of the Notes or of certain provisions of the Trust Deed (as set out therein), the necessary quorum for passing an Extraordinary Resolution is two or more persons holding or representing not less than three-quarters, or at any such adjourned meeting, not less than one-quarter, of the principal amount of the Notes (or, as the case may be, Notes of the relevant Series) for the time being outstanding (as defined in the Trust Deed).

***(b) Trustee's Discretions***

The Trustee may without the consent of the holders of Notes (or of the holders of any one or more Series of Notes or the relative Receipts, Coupons or Talons appertaining thereto) at any time and from time to time:

- (i) agree to any modification of the provisions of the Agency Agreement, the Trust Deed or the Notes or the relative Receipts or Coupons or Talons, either generally or in relation to any one or more Series of Notes or all Series of Notes or the relative Receipts or Coupons or Talons (except for the modification of certain material conditions of the Notes or of certain provisions of the Trust Deed as set out therein), which, in the opinion of the Trustee, is of a formal, minor or technical nature, is made to correct a manifest error, or is not materially prejudicial to the interests of the holders of Notes or, as the case may be, the holders of Notes of the relevant Series or the relative Receipts or Coupons or Talons; or
- (ii) waive or authorise any breach or proposed breach by the Issuer or the Guarantor of the provisions of the Agency Agreement, Trust Deed or the Notes (either generally or in relation to any one or more Series of Notes or all Series of Notes) or any other act or omission which is or would or might otherwise on its own or together with any other act or omission constitute an Event of Default which, in the opinion of the Trustee, is not materially prejudicial to the interests of the holders of Notes or, as the case may be, the holders of Notes of the relevant Series, or the relative Receipts, Coupons or Talons, or determine that such first mentioned act or omission shall, notwithstanding Condition 12, not be an Event of Default.

Any such modification, waiver, authorisation or determination shall be binding on all the holders of Notes or, as the case may be, the holders of Notes of the relevant Series and, unless the Trustee agrees otherwise, any such modification shall be notified by the Issuer to the holders of Notes or, as the case may be, the holders of Notes of the relevant Series as soon as possible thereafter.

***(c) Substitution***

Subject as provided in the Trust Deed, the Trustee may agree, without the consent of the holders of the Notes or the Notes of any one or more Series, or the holders of any Receipts, Coupons or Talons appertaining thereto, to the substitution of (i) a subsidiary (as defined in the Trust Deed) of the Issuer or the Guarantor in place of the Issuer or any previous substitute as principal debtor under the Notes,

Receipts and Coupons or the Notes, Receipts and Coupons of any one or more Series and the Trust Deed in respect of such Notes, Receipts and Coupons, or (ii) a successor in business to the Issuer or Guarantor in place of the Issuer or Guarantor (as the case may be) or any previous substitute provided that in the case of both (i) and (ii) such substituted Company (the “New Company”) executes a trust deed or some other form of undertaking in form and manner satisfactory to the Trustee, agreeing to be bound by the provisions of the Trust Deed with any consequential amendments which the Trustee may deem appropriate as fully as if the New Company had been named in the Trust Deed in place of the Issuer or the Guarantor (or of the previous substitute), as the case may be.

Any substitution pursuant to this Condition 13 shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 15.

***(d) Liability***

Notwithstanding anything else herein contained, the Agents may refrain without liability from doing anything that would or might in its reasonable opinion be contrary to any law of any state or jurisdiction (including but not limited to the United States of America or any jurisdiction forming a part of it and England & Wales), or any directive or regulation of any agency of any such state or jurisdiction and may without liability do anything which is, in its reasonable opinion, necessary to comply with any such law, directive or regulation.

**14. Prescription**

The right of the holder to receive any payment under this Note shall become void six years (in the case of interest) or twelve years (in the case of principal) after the Relevant Date for such payment.

For the purposes of this Condition 14, the “Relevant Date” in relation to any payment due on a Note means the date on which such payment first becomes due, except that if the full amount of the moneys payable on such date in respect of such Note has not been received by the Agent on or prior to such date, the “Relevant Date” means the date 14 days after the date on which notice is duly given to the holder of this Note in accordance with Condition 15 that such moneys have been so received.

**15. Notices**

- (a) Notices to holders of Registered Notes will be posted to them at their respective addresses in the Register and such notices will be deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of posting.
- (b) Any notice to the holder of any Bearer Note shall be validly given if published in the Financial Times in London and the South China Morning Post in Hong Kong or, if either or both of such newspapers shall cease to be published or timely publication therein shall not be practicable, in another English language newspaper with general circulation in Europe or, as the case may be, Hong Kong or in such other manner as the Issuer, with the approval of the Trustee and subject to the requirements of any relevant stock exchange, shall determine. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different

dates, on the date of the first such publication in both newspapers. Couponholders will be deemed for all purposes to have notice of the contents of any notice to the holders of Bearer Notes in accordance with this Condition 15.

- (c) Until such time as any Definitive Notes are issued, there may, so long as the Global Notes for this Series are held in their entirety on behalf of Euroclear and Clearstream, be substituted for such publication in such newspaper the delivery of the relevant notice to the Trustee, and in the case of a Global Note not held in CMU, Euroclear and Clearstream for communication by them to the holders of the Notes of this Series and in the case of a Global Note held in CMU, to the person(s) for whose account(s) interests in the relevant Global Note are credited as being held by CMU, as notified to the HK Lodging Agent by CMU in a relevant CMU Instrument Position Report or any other relevant notification by CMU (which notification, in either case, shall be conclusive evidence of the records of CMU, save in the case of a manifest error). In the case of a Global Note not held in CMU, any such notice shall be deemed to have been given to the holders of the Notes of this Series on the seventh day after the day on which the said notice was given to the Trustee, Euroclear and Clearstream.
- (d) Notices to be given by any holder of the Notes of this Series shall be in writing and given by lodging the same, together with the relevant Note or Notes, with the Trustee and the Agent. While any of the Notes of this Series are represented by a Global Note, such notice may be given by any holder of a Note of this Series to the Agent via Euroclear and/or Clearstream, as the case may be, in such manner as the Trustee, the Agent and Euroclear and/or Clearstream, as the case may be, may approve for this purpose.

## **16. Further Issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes which are (a) expressed to be consolidated and form a single series with the Notes; and (b) are identical to the Notes in all respects (including as to listing) except for their respective Issue Prices and Issue Dates and the date of first payment of interest on them, and so that the same shall be consolidated and form a single series with the Notes, and references in these Conditions to Notes include (unless the context requires otherwise) any other notes issued pursuant to this Condition and forming a single series with the Notes.

## **17. Replacement of Notes**

Any Note (including for the purposes of this Condition, Coupons and Receipts) which is lost, stolen, mutilated, defaced or destroyed may be replaced (if it is in definitive form) at the specified office of Citibank N.A., London Branch as Agent in London or (if it is in global form) at the office of the Agent in London upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, indemnity, security or otherwise as the Issuer may require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

## **18. Indemnification of Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer or the Guarantor without accounting for any profit resulting therefrom.

## **19. Governing Law**

The Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, the laws of England. Any matter, claim or dispute arising out of or in connection with the Notes, the Receipts and the Coupons, whether contractual or non-contractual, is to be governed by and construed in accordance with English law.

## **20. Jurisdiction**

- (a) For the exclusive benefit of the holder of this Note, the Issuer and the Guarantor irrevocably agree that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Note (including a dispute relating to any non-contractual obligations arising out of or in connection with this Note) and that accordingly any suit, action or proceeding (together in this Condition 20 referred to as “Proceedings”) arising out of or in connection with this Note (including a dispute relating to any non-contractual obligations arising out of or in connection with this Note) may be brought in such courts.
- (b) Nothing contained in this Condition 20 shall limit the right of the holder of this Note to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.
- (c) The Issuer and the Guarantor further irrevocably agree that no immunity (to the extent that it may exist, whether on the grounds of sovereignty or otherwise) from any Proceedings in relation to this Note or from execution of judgment shall be claimed by or on behalf of them or with respect to their respective assets, any such immunity being irrevocably waived by the Issuer and the Guarantor, and the Issuer and the Guarantor irrevocably consent generally in respect of any such Proceedings to the giving of any relief or the issue of any process in connection with any such Proceedings including, without limitation, the making, enforcement or execution against any property whatsoever of any order or judgment which may be made or given in such Proceedings.
- (d) The Issuer and the Guarantor agree that process in connection with Proceedings in the courts of England will be validly served on them if served upon Trusec Limited at 2 Lambs Passage, London EC1Y 8BB (or otherwise at its registered office for the time being, as notified in writing to the Trustee).

## **21. Third Party Rights**

No person shall have any right to enforce any term or condition of this Note or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

## **Use of Proceeds**

The net proceeds from each issue of Notes by MTR Cayman will be applied by it for on-lending to MTRCL. The net proceeds from each issue of Notes by MTRCL and the net proceeds on-lent to it by MTR Cayman under the Programme will be used by MTRCL for general corporate purposes, which may include working capital, refinancing and the repayment of existing debt. MTRCL may temporarily invest funds which are not needed immediately for these purposes in short-term marketable securities. If in respect of any particular issue there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

## **Summary of Provisions relating to the Notes while in Global Form**

Each Tranche of Notes with a maturity of more than 365 days will initially be represented by a Temporary Global Note, unless the applicable Pricing Supplement specifies otherwise, and each Tranche with a maturity of 365 days or less will initially be represented by a Permanent Global Note, unless the applicable Pricing Supplement specifies otherwise. Each Global Note will be deposited (a) in the case of a Tranche intended to be cleared through Euroclear or Clearstream, on its issue date with a common depositary on behalf of Euroclear and Clearstream or (b) in the case of a Tranche intended to be cleared through CMU or another clearing system other than Euroclear or Clearstream or delivered outside a clearing system, as stipulated in the applicable Pricing Supplement. Upon deposit of a Global Note with (i) the common depositary, Euroclear or Clearstream will credit, and (ii) CMU, CMU will credit each subscriber with a principal amount of Notes equal to the principal amount thereof for which it has subscribed and paid.

MTRCL (in its capacity as an Issuer and the Guarantor) and MTR Cayman have executed an amended and restated deed (the “Deed of Covenant”) in favour of certain account holders with Euroclear, Clearstream and CMU in order to facilitate enforcement by individual Noteholders following any default in payment by the relevant Issuer or the Guarantor.

The Temporary Global Notes and the Permanent Global Notes contain provisions which apply to the Notes while they are in global form, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. Provisions which will apply to Global Notes in registered form will be set out in the applicable Pricing Supplement. The following is a summary of certain of those provisions as they relate to Global Notes in bearer form:

### **1. Exchange**

Interests in a Temporary Global Note will be exchangeable in whole or in part for interests in a Permanent Global Note (or, if specified in the applicable Pricing Supplement, Definitive Notes with, where applicable, Receipts, Coupons and Talons attached, subject at all times to the interest being exchanged being a principal amount that is an integral multiple of the minimum Specified Denomination of the Notes) not earlier than the date (the “Exchange Date”) which is 40 days after the date on which the Temporary Global Note is issued, provided that in the case of Notes in bearer form, certification of non-US beneficial ownership has been received.

A Permanent Global Note will be exchangeable, in whole or, in certain circumstances, in part, subject at all times to the interest being exchanged being a principal amount that is an integral multiple of the minimum Specified Denomination of the Notes, for Definitive Notes with, where applicable, Receipts, Coupons and Talons attached, upon 60 days’ written notice expiring at least 30 days after the Exchange Date from Euroclear, Clearstream or CMU (as the case may be) acting on instructions of the holders of interests in the Permanent Global Note.

## **2. Payments**

No payment falling due on or after the Exchange Date will be made on a Temporary Global Note. Payments on any Temporary Global Note during the period up to the Exchange Date will only be made against presentation of certification as to non-US beneficial ownership. All payments in respect of Notes represented by a Global Note not held in CMU will be made against presentation for endorsement, and, if no further payment falls to be made in respect of the Notes, surrender, of that Global Note to or to the order of the Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the relevant Notes. Payments on Global Notes held in CMU shall be made in accordance with the CMU Rules and, on withdrawal of such Global Note from CMU, a record of all payments made in respect of such Note until the date of withdrawal shall be endorsed in the appropriate schedule to such Global Note, which endorsement shall be prima facie evidence that such payments have been made.

All payments in respect of a Global Note in registered form will be made to the person shown on the Register at the close of the business day (being for this purpose, in respect of Notes clearing through Euroclear and Clearstream, Luxembourg, a day on which Euroclear and Clearstream, Luxembourg are open for business, and in respect of Notes clearing through CMU, a day on which CMU is open for business) before the relevant due date. For the purposes of the definition of “Payment Business Day” in Condition 7(c) of the Terms and Conditions of the Notes, the relevant place of presentation shall be disregarded in respect of any payment in respect of any Global Note in Bearer form.

## **3. Notices**

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to Noteholders of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions.

## **4. Purchase and Cancellation**

Cancellation of any Note surrendered for cancellation following its purchase will be effected by reduction in the principal amount of the relevant Global Note.

## **5. Transfer**

Any interest in a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, CMU or other relevant clearing system, as appropriate.



# MTR Corporation Limited

MTRCL was incorporated in Hong Kong on 26th April 2000 under the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (with company number 714016). The principal and registered office of the Company is MTR Headquarters Building, Telford Plaza, Kowloon Bay, Kowloon, Hong Kong.

By virtue of the Mass Transit Railway Ordinance (which came into effect on 30th June 2000 (the “Appointed Day”)), with effect from the Appointed Day, the Company replaced MTRC as the Issuer under the Programme, assuming all the legal rights and obligations of the Issuer.

The Company was partially privatised on 5th October 2000 by way of an offer for sale of 1,000,000,000 ordinary shares of HK\$1 each in the capital of the Company by the FSI on behalf of the Government. The shares are listed on the Hong Kong Stock Exchange and dealings in the shares on the Hong Kong Stock Exchange commenced on 5th October 2000. On 1st November 2000 the FSI completed the sale of an additional 150,000,000 shares pursuant to an over-allotment option granted to the underwriters of the original share offer.

At the time of the partial privatisation, the Government stated that its intention would be to continue to hold not less than 50% of the Company’s ordinary share capital for at least 20 years from 5th October 2000.

In February 2004, the Government invited the Company and KCRC to commence discussions relating to a possible merger of the MTR railway and the KCR railway and related businesses. On 11th April 2006, the Company and the Government entered into a memorandum of understanding (the “Memorandum of Understanding”) with respect to the Rail Merger. Although it was not binding, the Memorandum of Understanding set out the understanding reached between the Company and the Government regarding the structure and key terms of the Rail Merger. The Legislative Council of Hong Kong approved the Rail Merger Ordinance on 8th June 2007 and on 9th August 2007, the principal Rail Merger transaction agreements (the “Merger Agreements”) for the implementation of the Rail Merger were executed. The Merger Agreements were inter-conditional. The Company obtained approval for the Rail Merger from its independent shareholders at an extraordinary general meeting of the Company held on 9th October 2007 and the Rail Merger became effective on the Merger Date. Further details of the Rail Merger are contained in the section headed “The Integrated MTR System” below.

The issued share capital of the Company was HK\$47,068,913,154.26 and the total number of issued ordinary shares was 5,881,210,236 as at 30th June 2016. As at 30th June 2016, 4,434,552,207 shares were held by the FSI in trust on behalf of the Government. The Government’s shareholding in the Company was approximately 75.40% as at 30th June 2016.

The Company has been informed by the Hong Kong Monetary Authority that, as at 30th June 2016, approximately 0.50% of the shares of the Company were held for the account of the Exchange Fund.

The Exchange Fund is a fund established under the Exchange Fund Ordinance (Chapter 66 of the Laws of Hong Kong) under the control of the Financial Secretary. It is used primarily for such purposes as the Financial Secretary thinks fit to affect, either directly or indirectly, the exchange value of the currency of Hong Kong and for other purposes incidental thereto.

For as long as the Government is the beneficial owner of the majority of the voting power of the Company, it will be able to appoint persons to the Board of Directors of the Company. In addition, no other shareholder or shareholders together will be able to appoint persons to the Board of Directors unless the Government fails to vote its shares against the appointment of such persons.

### **The Integrated MTR System**

With effect from the Merger Date, the MTR System and the previous KCR System (as defined below) have operated as a single combined system (the “Integrated MTR System”, as described below).

#### ***The MTR System***

The Company has a 50-year exclusive franchise which commenced on 30th June 2000 (and which may be extended in accordance with the Mass Transit Railway Ordinance and an Operating Agreement entered into by the Company and the Government on 30th June 2000 in respect of the operations of the MTR railway (the “Operating Agreement”)) to operate the MTR railway system (the “MTR System”), through what is currently a 96.8 route kilometre network of tracks. Under the terms of the Rail Merger, the Company’s 50-year franchise was re-granted with effect from 2nd December 2007.

The MTR System comprises seven inter-connecting lines: the Kwun Tong Line, the Tsuen Wan Line, the Island Line, the Tseung Kwan O Line, the Tung Chung Line and the Disneyland Resort Line (which six lines together comprise the “MTR Lines”) and the Airport Express. Construction of the Kwun Tong Line, the Tsuen Wan Line and the Island Line took place between 1975 and 1986 with the railway part of the Eastern Harbour Crossing being constructed by a private consortium between 1986 and 1989. The total cost of construction of the three lines was approximately HK\$26 billion. Construction of the Tung Chung Line and the Airport Express took place between 1995 and 1998. The total construction cost of the Tung Chung Line and the Airport Express was HK\$35.1 billion. Construction of the Tseung Kwan O Line took place between 1999 and 2002 with a total construction cost of approximately HK\$16 billion, and a further extension of the Tseung Kwan O Line to LOHAS Park Station was completed in 2009 with a total construction cost of approximately HK\$0.7 billion. Construction of the Disneyland Resort Line took place between 2002 and 2005 with a total construction cost of approximately HK\$1.7 billion, including a subsequent Government grant of HK\$0.9 billion by way of a dividend waiver. Construction of the extension of the Island Line from Sheung Wan Station to Kennedy Town Station began in 2009 and it commenced service in 2014. The total construction cost of the extension was approximately HK\$18.5 billion.

The Kwun Tong Line, which commenced operations in 1979, currently runs from Yau Ma Tei in mid-Kowloon to east Kowloon at Tiu Keng Leng. There are interchange facilities between this line and the Tsuen Wan Line at Yau Ma Tei Station, Mong Kok Station and Prince Edward Station, and with the Tseung Kwan O Line at Yau Tong Station and Tiu Keng Leng Station. There is also an interchange

facility at Kowloon Tong Station with the East Rail Line. The Kwun Tong Line is 15.8 route kilometres in length, of which 12.5 route kilometres are underground. It has 15 stations, including the interchange stations, and a depot at Kowloon Bay.

On 17th May 2011, the Company entered into a project agreement with the Government for the financing, design, construction and operation of the Kwun Tong Line Extension. The 2.6-kilometre Kwun Tong Line Extension commenced service on 23rd October 2016 and is an extension of the existing Kwun Tong Line from Yau Ma Tei Station to Whampoa Station with one intermediate station at Ho Man Tin. The project cost of the extension was approximately HK\$7.2 billion (before capitalised interest expense).

The Tsuen Wan Line, which commenced operations in 1982, runs from Central on Hong Kong Island to Tsim Sha Tsui in Kowloon and along the major commercial and residential Nathan Road corridor to Tsuen Wan in the New Territories. There are interchange facilities with the Kwun Tong Line at Yau Ma Tei Station, Mong Kok Station and Prince Edward Station, with the Island Line at Central Station and Admiralty Station, with the Tung Chung Line at Central Station and Lai King Station, with the Airport Express at Central Station and with the West Rail Line at Mei Foo Station and East Tsim Sha Tsui Station. It is 16.9 route kilometres in length, of which 13.6 route kilometres are underground. It has 16 stations, including the interchange stations, and a depot at Tsuen Wan.

The Island Line, which commenced operations in 1985, currently runs from Kennedy Town in western Hong Kong Island through Central to the commercial and residential areas of eastern Hong Kong Island ending at Chai Wan. There are interchange facilities with the Tsuen Wan Line at Central Station and Admiralty Station, with the Tseung Kwan O Line at North Point Station and Quarry Bay Station and with the Tung Chung Line and Airport Express at Central Station. The Island Line is currently 16.0 route kilometres in length, of which 13.9 route kilometres are underground. It currently has 17 stations, including the interchange stations, and a depot at Chai Wan.

The Tung Chung Line, which commenced operations in 1998, runs from Central to Tung Chung on Lantau Island. The Tung Chung Line is 31.1 route kilometres in length, of which 9.0 route kilometres are underground. There are interchange facilities with the Tsuen Wan Line at Hong Kong Station and Lai King Station, with the Island Line at Hong Kong Station, with the Airport Express at Hong Kong Station, Kowloon Station and Tsing Yi Station, with the Disneyland Resort Line at Sunny Bay Station and with the West Rail Line at Nam Cheong Station. It has eight stations, including the interchange stations, and a depot at Siu Ho Wan (which is shared with the Airport Express and the Disneyland Resort Line). It was constructed in conjunction with the infrastructure projects associated with the new Hong Kong International Airport and, for most of its length, it either shares its track with, or runs parallel to, the Airport Express.

The Airport Express commenced operations in 1998 as a purpose-built railway serving the new Hong Kong International Airport. It connects the Airport with the Hong Kong, Kowloon, Tsing Yi and AsiaWorld-Expo Stations and is 35.2 route kilometres in length. There are interchange facilities with the Tung Chung Line at Hong Kong Station, Kowloon Station and Tsing Yi Station, and with the Tsuen Wan Line and Island Line at Hong Kong Station. The Airport Express has five stations, including the interchange stations, and a depot at Siu Ho Wan (which is shared with the Tung Chung Line and the Disneyland Resort Line).

The Tseung Kwan O Line commenced operations in 2002 and runs from North Point on Hong Kong Island through the Eastern Harbour Crossing to Po Lam in Tseung Kwan O new town with a branch to the Tseung Kwan O depot and the adjacent LOHAS Park Station, which was opened to the public on 26th July 2009. There are interchange facilities with the Kwun Tong Line at Yau Tong Station and Tiu Keng Leng Station and the Island Line at North Point Station and Quarry Bay Station. The Tseung Kwan O Line is 13.8 route kilometres in length and has eight stations, including the interchange stations, and the depot. The line supports the development of the Tseung Kwan O new town and of the Yau Tong area in Kowloon and provides railway access to the commercial and residential districts on Hong Kong Island and in Kowloon.

The Disneyland Resort Line commenced operations on 1st August 2005 to provide a rail-shuttle service between the Tung Chung Line at Sunny Bay and the Hong Kong Disneyland Theme Park which opened in September 2005. The Disneyland Resort Line is 3.5 route kilometres in length.

### ***The previous KCR System***

The KCR System comprises the KCR railway and its bus services. The first section of the KCR railway opened in 1910. KCRC was established as a statutory corporation pursuant to the Kowloon- Canton Railway Corporation Ordinance (Chapter 372 of the Laws of Hong Kong) on 24th December 1982 for an unlimited duration to operate the Hong Kong section of the KCR railway. KCRC provided three domestic passenger rail services: East Rail (including the Ma On Shan Line and the Lok Ma Chau Spur Line (the “LMCSL”)), West Rail and Light Rail.

The East Rail Line is 52.5 route kilometres in length with 22 stations, including the Ma On Shan Line and LMCSL. The Ma On Shan Line is 11.4 route kilometres in length with an interchange at Tai Wai Station and eight other stations. The LMCSL opened for passenger operations on 15th August 2007 and consists of 4.9 route kilometres of tunnels and 2.4 route kilometres of viaducts. It branches off the East Rail alignment north of Sheung Shui Station, runs in tunnels from Sheung Shui to Chau Tau, and then rises gradually onto viaducts until it reaches Lok Ma Chau Station. In addition, the LMCSL Terminus is linked to Futian Checkpoint station of the Shenzhen Metro Longhua Line by a double-deck passenger bridge. The East Rail Line is connected to West Rail at Hung Hom Station.

Local and cross-boundary passenger services from Hung Hom to Lo Wu and Lok Ma Chau are also operated on the East Rail Line. In addition, the East Rail Line provides access for through trains operated by the Company in cooperation with Mainland railway operators or authorities running to and from six cities in the PRC, namely Dongguan, Guangzhou, Foshan, Zhaoqing, Beijing and Shanghai.

The West Rail Line is a mass transit commuter rail line linking suburban areas along the Kowloon urban area to the north-western corridor of the New Territories, including the Kowloon Southern Link. It is designed to resolve the long-standing transport problems for residents in the north-western New Territories by linking West Kowloon with Tuen Mun in the western New Territories. The West Rail Line has 12 stations and is 35.4 route kilometres in length. The West Rail Line, which was officially inaugurated on 20th December 2003, currently runs from Hung Hom to Tuen Mun. The West Rail Line is connected to the MTR System at three stations, namely the Tsuen Wan Line at Mei Foo Station and

Tsim Sha Tsui Station, and the Tung Chung Line at Nam Cheong Station. The West Rail Line is connected to the East Rail Line at Hung Hom Station. The West Rail Line is connected to Light Rail at Yuen Long, Tin Shui Wai, Siu Hong and Tuen Mun Stations.

The Light Rail system (which is also known as the North-west Railway) commenced operations in September 1988, comprising 36.2 route kilometres of double track with 68 stops. The Light Rail system operates within the areas of Yuen Long, Tin Shui Wai and Tuen Mun in the north-western New Territories. It is a regional mass-transit system utilising vehicles, which are similar to trams on tracks that run parallel to public roads.

KCRC established bus operations in 1986 to provide efficient feeder bus services to the Light Rail system and East Rail. As of 30th June 2016, there were 13 MTR Bus (Transit Service Area Bus) routes and four MTR Feeder Bus (East Rail feeder bus) routes in operation. KCRC entered into a commercial agreement with The Kowloon Motor Bus (1933) Limited in May 1999 to run East Rail feeder bus routes in Tai Po areas.

### ***The Integrated MTR System***

The MTR railway and the KCR railway (the “Integrated Railway”) and Light Rail are subject to a single regulatory regime and its operations are regulated by the Mass Transit Railway Ordinance, the Mass Transit Railway Regulations (Chapter 556A of the Laws of Hong Kong) and the new Operating Agreement. Passengers travelling on the Integrated Railway (other than on Light Rail) are subject to the Mass Transit Railway By-Laws (Chapter 556B of the Laws of Hong Kong). Passengers travelling on Light Rail are subject to the terms of the Mass Transit Railway (North-West Railway) By-Law (Chapter 556H of the Laws of Hong Kong).

There are 89 stations in the Integrated MTR System (excluding Light Rail).

The Map on pages 112 and 113 shows the Integrated Railway operating network and potential extensions.

### ***The Rail Merger***

The Merger Agreements (as defined on page 73), together with the Rail Merger Ordinance, provide the legal framework and specific terms and conditions for the implementation of the Rail Merger and the continued operation of the MTR and KCR railways.

The Rail Merger was principally structured as a service concession (the “Service Concession”). The Service Concession, which was granted by KCRC to the Company under the Service Concession Agreement, provides the necessary legal framework to enable the Company to access, use and operate the assets required to run the KCR railway. The assets which are the subject of the Service Concession include assets such as railway infrastructure, rolling stock, railway systems, station equipment, office facilities and other railway and non-railway related assets.

Together with the grant of the Service Concession, the Company purchased certain other assets from KCRC which were needed to operate KCRC's business after the Rail Merger. These assets included certain properties, shares, business plant and machinery, tools and equipment, business stocks, stores and spares and intellectual property rights. The Company also acquired the economic benefit of the majority of KCRC's property-related interests.

The payments made, or to be made by the Company to KCRC in relation to the Rail Merger were, or are as follows:

- *Initial payments:* (i) HK\$4.25 billion being the upfront fee for the right to operate the Service Concession and the consideration for the purchase of certain assets; and (ii) HK\$7.79 billion payable in consideration for the execution of the Property Package Agreements and the sale of the shares in certain of KCRC's subsidiaries under the Sale and Purchase Agreement, in each case paid on the Merger Date;
- *Fixed annual payments:* HK\$750 million for the Service Concession, payable in arrear on the day immediately preceding each anniversary of the Merger Date; and
- *Variable annual payments:* for the Service Concession on a tiered basis by reference to the amount of revenue from the KCR railway (as determined in accordance with the Service Concession Agreement) for each financial year of the Company. The applicable percentage will vary according to the amount of revenue from the KCR railway for the relevant financial year of the Company. These variable annual payments will be payable in arrear within 60 days after the end of the relevant financial year of the Company. No variable annual payment was payable in respect of the first 36 months following the Merger Date.

### ***Patronage***

The number of passengers carried for each of the years 2011 to 2015 and for the first six months of 2016 is set out in the following table. For the first half of 2016, total patronage for all of the Company's rail and bus passenger services (that is, the Integrated MTR System) increased to 952.1 million or by 0.3% as compared to total patronage on the Integrated MTR System during the same period in the previous year.

The Company's domestic service, which includes the MTR Lines and the KCR Lines (comprising the East Rail (excluding the cross-boundary service), West Rail and Ma On Shan Lines), recorded total patronage of 774.5 million for the first half of 2016. This represents an increase of 0.3% when compared to the same period in 2015.

For the cross-boundary service at Lo Wu and Lok Ma Chau, patronage was 55.4 million for the first half of 2016, representing a decrease of 1.4% compared to the same period in 2015. The decline was due to a fall in visitor arrivals from the Mainland of China.

For the first six months of 2016, patronage on the Airport Express rose by 2.7% as compared to the same period last year, mainly due to a moderate increase in air passenger traffic.

*Passengers per year*

	<b>Integrated MTR System<sup>(2)</sup></b>
	<i>(in millions)</i>
2016 (first six months) <sup>(1)</sup> .....	952.1
2015 .....	1,938.2
2014 .....	1,904.6
2013 .....	1,823.4
2012 .....	1,770.6
2011 .....	1,691.3

Notes:

(1) The total number of passengers for the first six months ended 30th June 2016.

(2) Total patronage from all rail and bus passenger services (including Intercity Service).

***Fares and the Fare Adjustment Mechanism***

Under the previous Operating Agreement, the Company had autonomy to determine its own fares without any requirement to obtain the approval of the Government or any other body. However, the Company had to comply with a specified procedure before changing the level of any fare, which required the Company to consider the level of public acceptance of any proposed change (based on passenger surveys), to consult the Transport Advisory Committee and the Legislative Council Panel on Transport, to notify them within a reasonable period prior to the implementation of a new fare and to make a public announcement of a new fare.

One of the parameters set by the Government in February 2004 in relation to the Rail Merger was the adoption of a more objective and transparent fare adjustment mechanism. The Government set this parameter to address (a) the public concern that the process for adjustment of transport fares should be more objective and transparent, and should allow for reductions as well as increases in fares; (b) the concern of public transport operators that once fares are reduced, public pressure will render fare increases difficult, if not impossible, to implement (even when the economy is improving); and (c) the common concern of public transport operators and the Government that fare adjustments should not be politicised as they are not conducive to efficiency and social harmony.

The Company and the Government agreed upon the FAM for determining future fare adjustments to replace fare autonomy after the Rail Merger. The FAM was incorporated into the new Operating Agreement, which replaced the previous Operating Agreement on the Merger Date. The FAM became effective on the Merger Date and was applied for the first time in 2009.

The FAM provides that any adjustment to specified fares should be linked to changes in the Composite Consumer Price Index and changes in the Nominal Wage Index (Transportation Section), both published by the Census & Statistics Department of the Government, and takes into account a productivity factor.

The FAM is subject to review every five years. The Company and the Government began the first review exercise in 2012 and this was completed in April 2013. In April 2016, the Company agreed to an early joint review of the FAM as requested by Government, thereby advancing the next scheduled review by one year. Following completion of the review exercise in April 2013, the Company agreed with the Government to keep the FAM formula unchanged but to introduce (a) a new methodology to determine the “productivity factor” (denoted as “t” below) and (b) certain fare concessions and promotions.

The FAM formula remains the same but with the introduction of the methodology in calculating “t” as follows:

“Overall fare adjustment rate =  $0.5 * \Delta \text{CCPI} + 0.5 * \Delta \text{wage index} - t$ ”

where:

“ $\Delta \text{CCPI}$ ” means the yearly percentage change in the Composite Consumer Prices Index;

“ $\Delta \text{wage index}$ ” means the yearly percentage change in the Nominal Wage Index (Transportation Section) (the “Transport Wage Index”); and

“t” will have a value:

(a) of zero up to the implementation of the FAM in 2012; and

(b) thereafter, the greater of:

(1)  $0.5 \times \text{CAGR in Productivity in the Reference Period}$  expressed as a percentage and rounded to the nearest one tenth of a percentage (new productivity factor calculation methodology); and

(2) zero,

where:

“CAGR” means compound annual growth rate;

“Productivity” is revenue from the Company’s Hong Kong transport operations divided by the Company’s expenses relating to Hong Kong transport operations, as set out in the Company’s audited financial statements for the first and last financial years of the Reference Period (but subject to adjustments due to changes in accounting standards and segmental reporting between the two relevant financial years); and



“Reference Period” (a) in respect of each of the calendar years 2013 to 2017, is the financial years 2008 to 2012; and (b) in respect of each of the calendar years 2018 to 2022, is the financial years 2012 to 2017. Thereafter, for each successive five calendar years, in respect of each calendar year in such five-year period, the Reference Period is the six financial years immediately preceding that five-year period.

Subject to certain exceptions, the Company is limited to adjusting individual fares which are subject to the FAM; such adjustments to individual fares (except for single journey fares rounded to the nearest HK\$0.50 unit) will be within a range of +/-5 percentage points from the overall fare adjustment rate.

If, in a given year, the overall fare adjustment rate under the FAM is within the range of +/-1.5%, there shall be no fare adjustment and the unadjusted percentage shall be rolled over to the next annual fare review.

The FAM applies to specified fares on all existing and new railway lines on the Integrated Railway, on the Light Rail and on Transit Service Area Buses (other than the Airport Express Line (unless the fare is an Airport workers' fare), Ngong Ping 360, the intercity trains and certain other new lines which are not intended for use by daily commuters for domestic travel). The weighted average adjustment of these specified fares should be equal to the calculated “overall fare adjustment rate” from the above formula. For adjustments to fares of the Airport Express, the Company shall be subject to consultation requirements which are substantially the same as those set out in the previous Operating Agreement.

Under the FAM formula, the overall fare adjustment rate for 2016 is 2.65% and this was applied by the Company in June 2016.

As mentioned above, as part of the FAM review exercise in 2013, the Company agreed with Government to introduce certain fare concessions and promotions. These included the extension of a number of enhanced monthly passes, Monthly Pass Extra, to 30th June 2017 for passengers on certain lines, through which the users enjoy unlimited rides between designated stations within a valid month and a 25% discount off the normal fare for domestic journeys connecting to or from non-designated stations; a re-introduction of the 10% discount for passengers who take every second fare-paying trip on the same day on all MTR services except for the Airport Express, Inter-City Services, First Class Premium on East Rail Line and MTR Feeder Bus, from 26th June to 31st October 2016; an extension of the “MTR City Saver” promotion to 30th June 2017, which allows 40 rides within MTR stations in urban areas within a 30-day period and promotions in the form of “affordability discounts” to fares to ensure that, subject to certain conditions, the rate of fare increase to the average price of fares (taking into account such “affordability discounts”) would not exceed the year-on-year rate of change in the Median Monthly Household Income (the “MMHI”) that is published by the Census and Statistics Department of the Government (where the rate of change is set to be zero if there is a drop in MMHI). In 2016, as the fare adjustment rate of 2.65% was lower than the change in MMHI of 3.33%, the “affordability discounts” were not triggered. In addition, the “Designated Saturday Offer” is expected to be introduced in November 2016. Pursuant to this offer, on the first Saturday of each of the five

months starting November 2016, Adult Octopus holders travelling on the MTR will enjoy concessionary fares equal to Child Octopus fares while concessionary Octopus holders will enjoy a flat fare of HK\$1.0, except for the Airport Express, MTR Feeder Bus, journeys to or from Lo Wu and Lok Ma Chau Stations and East Rail Line First Class Premium. In addition, since 1st July 2016, all MTR Fare Savers across Hong Kong have been offered a HK\$2.0 discount. The Company is obliged to inform the Government before modifying or terminating any of the promotions set out above.

### ***Promotions***

The Company offered a special festive promotion on two specified days of Christmas in 2015, Chinese New Year in 2016 and Easter in 2016 for domestic journeys through which Adult Octopus holders enjoyed travelling on concessionary fares equal to Child Octopus fares while other concessionary Octopus holders paid a flat fare of HK\$1 per domestic journey. The Early Bird Discount promotion, which aims to spread the morning rush hour demand for the Company's network, has been extended for one year to 31st May 2017. Other fare promotions included the "10% Same-Day Second-Trip Discount" from 26th June to 31st October 2016 and free rides for the elderly on Senior Citizen's Day and for the disabled on the International Day of Disabled Persons. In addition, passengers received a HK\$50 MTR Shops cash coupon for each purchase of an "MTR City Saver" in July or August 2016 or any July or August "Monthly Pass Extra". Starting from 23rd October 2016, being the date on which the extension of the Kwun Tong Line from Yau Ma Tei Station to Whampoa commenced operations, the Company offered a promotion through which Adult Octopus holders interchanging between the MTR and three designated Green Minibus routes at Ho Man Tin Station enjoyed a HK\$0.5 fare discount. In April 2016, the Company launched a new "Happy Birthday • Happy Journey" programme where one day of each month is chosen by lucky draw and birthday packs with travel passes and gift coupons are given out to customers whose birthdays fall on the chosen day. In recognition of the 10th anniversary of operation of the Disneyland Resort Line, the Company also offered four sets of souvenir tickets featuring Disney characters for sale in October and November 2015.

### ***Merger Agreements***

The Mass Transit Railway Ordinance and the new Operating Agreement (entered into on the Merger Date) provide that the Company's franchise to operate the MTR and KCR railways will run for an initial period of 50 years commencing on the Merger Date. The franchise period may be extended further in accordance with the Mass Transit Railway Ordinance and the Operating Agreement.

On the Merger Date, the previous Operating Agreement terminated and a new operating agreement (and a new related memorandum on performance requirements) came into force (the "new Operating Agreement"). The new Operating Agreement is based on the previous Operating Agreement but has been amended to take account of, amongst other things, the nature of the combined MTR and KCR railways. The new Operating Agreement contains additional provisions relating to, amongst other things, the FAM, a new regime for the award of new projects, the inclusion of Light Rail, a regime for KCRC's intercity and freight operations, access arrangements (upon suspension, revocation or expiry of the franchise) and certain other amendments agreed with the Government as a result of the Company's five year review of the previous Operating Agreement. The new Operating Agreement was amended in April 2013 with the FAM formula unchanged but to implement a new methodology to

determine the productivity factor (see pages 79 to 82), and was further amended in June 2013 to incorporate certain other amendments agreed with the Government as a result of the five-year review in accordance with the terms of the new Operating Agreement.

On 9th August 2007, the principal Merger Agreements were executed. The Merger Agreements, together with the Rail Merger Ordinance (which, amongst other things, amends the Mass Transit Railway Ordinance and the Kowloon-Canton Railway Corporation Ordinance), implement the terms of the Rail Merger. The Merger Agreements were inter-conditional and came into effect on the Merger Date. The principal Merger Agreements are as follows:

*Merger Framework Agreement*

The Merger Framework Agreement contains provisions for the overall structure and certain specific aspects of the Rail Merger, including in relation to:

- A seamless interchange programme
- Corporate governance of the Company post-Rail Merger
- Payments relating to property enabling works
- Arrangements relating to the establishment of a rolling programme on the level of flat production arising from tenders for railway property development
- Arrangements in relation to the assessment of land premium amounts
- Arrangements in relation to the employees of the Company and KCRC, including provisions preventing the Company from terminating the employment of relevant frontline staff for any reason that relates to the process of integrating the operations of the Company and KCRC
- The implementation of certain fare reductions
- Arrangements in relation to the proposed Shatin to Central Link
- KCRC's continuing responsibility for its existing financing arrangements
- The allocation of liability for any pre-Rail Merger and post-Rail Merger claims by third parties
- The Company's retention of its English name and (pursuant to the Rail Merger Ordinance) the change of its Chinese name to 香港鐵路有限公司

#### *Service Concession Agreement*

The Service Concession Agreement contains provisions in relation to the grant and operation of the service concession (the “Service Concession”), including in relation to:

- The grant of the Service Concession to the Company to access, use and operate certain KCRC property and assets
- The grant of a licence to access and use certain KCRC railway land
- The term of the Service Concession (being an initial period of 50 years from the Merger Date) and redelivery of the KCR System upon expiry or termination of this concession period
- The provision of the services by the Company to the required standards
- The payment of an upfront amount, fixed annual payments and variable annual payments to be made by the Company to KCRC

#### *Sale and Purchase Agreement*

The Sale and Purchase Agreement provides the terms pursuant to which the Company acquired certain assets from KCRC and includes other terms relating to intellectual property, apportionment, receivables, certain provisions relating to employees and sets out the representations and warranties given by KCRC in relation to such assets.

#### *New Operating Agreement*

The new Operating Agreement is based on the previous Operating Agreement but has been amended so that it applies to the Integrated Railway. The principal differences between the new and previous Operating Agreements are set out on pages 82 to 83 above.

#### *KSL Project Management Agreement*

Pursuant to the terms of the KSL Project Management Agreement, the Company has been appointed:

- To manage the performance of KCRC’s principal obligations to the Government in relation to the design and construction of the Kowloon Southern Link (“KSL”) (other than obligations relating to payment)
- To act as the engineer under the various KSL construction contracts
- To act as KCRC’s representative under the various KSL consultancy agreements
- To act as KCRC’s agent in connection with the KSL under certain circumstances

The Company itself will not construct, or be responsible for the costs of, the KSL works. In return for the performance of these services, the Company will receive a project management fee and, if the construction of the KSL is completed ahead of time and under budget, an incentive payment (calculated with reference to the amount by which the final outturn cost of the project is under budget).

#### *West Rail Agency Agreement*

Pursuant to the terms of the West Rail Agency Agreement (and related agreements), the Company has been appointed:

- To act as KCRC's agent, and donee under powers of attorney, to exercise certain rights and perform certain obligations relating to specified development sites along West Rail
- To act as agent for, and donee under powers of attorney from, relevant KCRC subsidiaries to exercise certain rights and perform certain obligations relating to specified development sites along West Rail

In return for the performance of these services, the Company will receive an agency fee of 0.75% of the gross sale proceeds in respect of the unawarded West Rail development sites and 10% of the net profits accrued to the relevant KCRC subsidiaries under the development agreements in respect of the awarded West Rail development sites. The Company will also recover its costs (including internal costs) incurred in respect of the West Rail development sites.

#### *Outsourcing Agreement*

After the Merger Date, for a period of two years, pursuant to the terms of the Outsourcing Agreement, the Company was required to:

- Provide a number of financial and administrative services to KCRC
- Provide certain staff to enable KCRC to operate after the Rail Merger
- Receive an annual fee from KCRC

In November 2009, the Company and KCRC entered into a new outsourcing agreement for the period from 1st January 2010 to 31st December 2011. The scope of the services to be provided by the Company pursuant to the new outsourcing agreement includes services relating to treasury, financial control, information technology, company secretarial, legal and other corporate functions, human resources, office administration and management of claims. In November 2011, the Company and KCRC entered into a further agreement to extend the period for the provision of such services to 31st December 2012 and for each subsequent period of 12 calendar months running from 1st January to 31st December until the provision of such services is terminated in accordance with the terms of that agreement.

### *Property Package Agreements*

The Property Package Agreements comprise each of the documents and arrangements which were required to be executed by the Company and/or the Government and/or KCRC to effect the agreed arrangements in respect of the properties which were the subject of the Rail Merger.

### *Other Merger Documents and Agreements*

There were a number of other ancillary agreements and arrangements which were agreed between the Company, KCRC and/or the Government to effect the terms of the Rail Merger and provide the legal framework for the operation of the MTR and KCR railways and related businesses after the Rail Merger.

## **Future Extensions/Projects**

### *South Island Line (East)*

On 21st January 2003, the Government invited the Company to proceed with the planning for a rail service for the Western and Southern districts of Hong Kong Island. Two lines were envisaged, the West Island Line and the South Island Line (East) (“SIL(E)”). The West Island Line commenced service in 2014 and became fully operational in March 2015.

In December 2007, the Government asked the Company to proceed with preliminary planning and design of the SIL(E), which will run from Admiralty to South Horizons, with three intermediate stations at Ocean Park, Wong Chuk Hang, where there will also be a railway depot, and Lei Tung.

On 17th May 2011, the Company entered into a project agreement with the Government for the financing, design, construction and operation of the SIL(E). Construction commenced immediately thereafter. The project will be financed by the “Rail plus Property” funding model, under which property development rights for a site at Wong Chuk Hang were granted to the Company. As at 30th June 2016, the project was 96.8% complete. Train test running for the whole line is underway. The Company is targeting to open the SIL(E) at the end of 2016, although the remaining tight construction timetable puts this at risk. The project cost estimate for SIL(E) is approximately HK\$16.9 billion (before capitalised interest).

### *Shatin to Central Link*

The ten station 17-km Shatin to Central Link (“SCL”) connects existing railway lines to form an East West Corridor and a North South Corridor with six interchange stations. The lines will provide much vital links across Hong Kong. On 11th March 2008, the Executive Council of Hong Kong decided that the Company should be asked to proceed with the further planning and design of the SCL. The Government has decided to adopt the concession approach, whereby the Government will provide funding for the capital cost of the SCL and will entrust the design and construction of the project to the Company. On 24th November 2008, the Company entered into an entrustment agreement with the Government to provide for the design of and site investigation and procurement activities in relation to the SCL (the “SCL Preliminary Entrustment Agreement”). Pursuant to the SCL Preliminary Entrustment Agreement, the Company is responsible to carry out the design, site investigation and

procurement activities while the Government is responsible to fund directly the total cost of such activities. Detailed design commenced in January 2010 and the scheme in relation to the SCL was gazetted on 26th November 2010. On 17th May 2011, the Company entered into an entrustment agreement with the Government for the design and construction of the advance works for the SCL (the “SCL Advance Works Entrustment Agreement”). Pursuant to the SCL Advance Works Entrustment Agreement, the Company is responsible to carry out or procure the carrying out of the agreed works while the Government is responsible to bear and pay to the Company all the work costs. In August 2015, the Company notified the Government that the Company estimated that the cost for the works carried out under the SCL Advance Works Entrustment Agreement will exceed the original estimate of HK\$7,350 million by HK\$1,274 million (including contingency). In February 2016, the Company notified the Government that the estimated exceedance will be adjusted to HK\$1,267 million (including contingency).

On 29th May 2012, the Company entered into an entrustment agreement with the Government for the construction and commissioning of the SCL (the “SCL Entrustment Agreement”). Pursuant to the SCL Entrustment Agreement, the Government is responsible to bear all the work costs specified in the SCL Entrustment Agreement including costs to contractors and costs to the Company (“Interface Works Costs”) except for certain costs of modification, upgrade or expansions of certain assets (including rolling stock, signalling, radio and main control systems) for which the Company is responsible under the existing service concession agreement with KCRC. The Company will contribute an amount in respect of the costs relating to such modifications, upgrades or expansions. This will predominantly be covered by the reduction in future maintenance capital expenditure which the Company would have otherwise incurred. The Company is responsible to carry out or procure the carrying out of the works specified in the SCL Preliminary Entrustment Agreement, the SCL Advance Works Entrustment Agreement and the SCL Entrustment Agreement (together, the “SCL Agreements”) for a total project management fee of HK\$7,893 million. As at 30th June 2016 and up to 9th August 2016, being the date of the Company’s interim report for the period ended 30th June 2016 (the “Interim Report”), the Company has received payments of the project management fee from the Government in accordance with the original agreed payment schedule. Construction of the SCL started in 2012. The Shatin to Central Link is being built in two phases, with the first originally due for completion in 2018 and the second in 2020. Overall progress on the project was about 59% complete as at 30th June 2016, with the East West Corridor and North South Corridor being 74.1% and 34.8% complete respectively.

In May 2014, the Company notified the Government of the delays to the completion of the East West Corridor and North South Corridor. The programme for delivery of the Shatin to Central Link has been impacted by a number of key external events. Firstly, on the East West Corridor, the time taken in confirming actions to be undertaken relating to archaeological finds at the To Kwa Wan Station site has led to an 11-month delay in this corridor, with the estimated completion now in 2019. Secondly, on the North South Corridor, the anticipated late hand-over of certain critical work sites for construction of the new Exhibition Station due to infrastructure works by other parties, including as a result of the discovery of an unforeseen large metal object on the seabed in the vicinity, together with the additional works incorporated into the underground structure of Exhibition Station to allow flexibility for future construction works above the station, have already caused a six month delay in that corridor. These issues mean that the estimated completion of the project as a whole is now in 2021. Any further delay

in site hand-over will result in an equivalent additional delay to the completion of the North South Corridor.

Taking into account the continuing difficulties and challenges, including those described above, the Company considers it is likely that the cost estimate for the SCL will need to be revised upwards significantly to include the additional HK\$4,100 million that was previously reported as a result of the archaeological finds in the To Kwa Wan Station area, the late hand-over of construction sites at Exhibition Station, the previously unbudgeted foundation works for top-side development at Exhibition Station and other factors such as lower availability of labour in Hong Kong's construction sector. The Company has advised Government that it will therefore conduct a detailed review of the project estimate cost for the project as a whole. Given the complexity of the project works, the continuing uncertainties associated with some of the issues highlighted above and the fact that the North South Corridor is currently 34.8% complete, this review will only be completed in the second half of 2017 after which the Company will formally report the findings to Government.

The Government has the right to claim against the Company if the Company breaches the SCL Agreements, and, under each SCL Agreement, to be indemnified by the Company in relation to losses suffered by the Government as a result of any negligence of the Company in performing its obligations under the relevant SCL Agreement. Under the SCL Entrustment Agreement, the Company's total aggregate liability to the Government arising out of or in connection with the SCL Agreements (other than for death or personal injury) is subject to a cap equal to the fees that the Company receives under the SCL Agreements. Up to the date of the Company's Interim Report, no claim has been received from the Government.

Given (i) the SCL Agreements, provide that the Government shall bear and finance the full amount of the relevant costs to the extent described above; and (ii) the Company has not received any notification from the Government of any claim by the Government against the Company in relation to any SCL Agreement (as of 30th June 2016 and up to the date of the Interim Report), the Company is not able to measure with sufficient reliability the amount of the Company's obligation or liability (if any) arising from the matters described above.

During the half year ended 30th June 2016, a project management fee of HK\$450 million (2015: HK\$407 million) was recognised in the consolidated profit and loss account of the Company. Additionally, during the half year ended 30th June 2016, the SCL Advance Works Costs and the Interface Works Costs, both of which are payable by the Government to the Company, were HK\$649 million (2015: HK\$603 million). As at 30th June 2016, the amount of the SCL Advance Works Costs and the Interface Works Costs which remained to be paid to the Company by the Government was HK\$889 million (31st December 2015: HK\$984 million).

#### ***Guangzhou – Shenzhen – Hong Kong Express Rail Link***

On 22nd April 2008, the Chief Executive in Council decided that the Company should be asked to proceed with the further planning and design of the Hong Kong section of the Guangzhou- Shenzhen- Hong Kong Express Rail Link (the "Express Rail Link" or "XRL") on the understanding that the



Company would be invited to undertake the operation of the Hong Kong section of the XRL under the concession approach. The 26-kilometre Express Rail Link will provide high speed cross-boundary rail services connecting Hong Kong to Shenzhen, Guangzhou and the high speed rail network in the PRC. On 24th November 2008, the Government and the Company entered into an entrustment agreement for the design of and site investigation and procurement activities in relation to the XRL (the “XRL Preliminary Entrustment Agreement”). Pursuant to the XRL Preliminary Entrustment Agreement, the Government is obligated to pay the Company the Company’s in-house design costs and certain on-costs, preliminary costs and staff costs.

In 2009, the Government decided that the Company should be asked to proceed with the construction, testing and commissioning of the XRL on the understanding that the Company would subsequently be invited to undertake the operation of the XRL under the service concession approach. On 26th January 2010, the Government and the Company entered into another entrustment agreement for the construction, and commissioning of the XRL (the “XRL Entrustment Agreement”). Pursuant to the XRL Entrustment Agreement, the Company is responsible for carrying out or procuring the carrying out of the agreed activities for the planning, design, construction, testing and commissioning of the XRL and the Government, as owner of XRL, is responsible for bearing and financing the full amount of the total cost of such activities (the “Entrustment Cost”) and for paying to the Company HK\$4,590 million in accordance with an agreed payment schedule (the “Project Management Fee”). As at 30th June 2016 and up to the date of the Company’s Interim Report, the Company has received payments from the Government in accordance with the originally agreed payment schedule.

The Government has the right to claim against the Company if the Company breaches the XRL Entrustment Agreement and, under the XRL Entrustment Agreement, to be indemnified by the Company in relation to losses suffered by the Government as a result of any negligence of the Company in performing its obligations under the XRL Entrustment Agreement or breach by the Company of the XRL Entrustment Agreement. Under the XRL Entrustment Agreement, the Company’s total aggregate liability to the Government arising out of or in connection with the XRL Preliminary Entrustment Agreement and the XRL Entrustment Agreement (other than for death or personal injury) is subject to a cap equal to the Project Management Fee and other fees that the Company receives under the XRL Entrustment Agreement and certain fees received by the Company under the XRL Preliminary Entrustment Agreement. As at 30th June 2016 and up to the date of the Company’s Interim Report, no claim has been received by the Company from the Government.

In April 2014, the Company announced that the construction period for the XRL project needed to be extended, with the target opening of the line for passenger service revised to the end of 2017. In July 2014, the Company provided to the Government a project cost estimate for the XRL project of HK\$71.52 billion, inclusive of future insurance and project management costs.

The Company’s Committee of Independent Non-executive Directors (the “IBC”) has issued two reports in relation to the XRL. The first report (issued in July 2014) included the IBC’s findings, conclusions and recommendations in its review of the background of and reasons for the revised schedule for the XRL project. The second report (issued in October 2014) advised on the manner in which the Company

can deliver the XRL project in a transparent and timely manner and in accordance with the Company's responsibilities under the XRL Preliminary Entrustment Agreement and the XRL Entrustment Agreement.

The IBC's second report included a report prepared by independent experts (the "Expert Report"). The Expert Report noted that, among other things:

- applying a top-down benchmarking analysis, the likelihood of the current XRL project schedule being met is 69%, leaving a 31% risk of delay beyond 2017;
- applying a top-down assessment of the current estimate of HK\$71.52 billion for the XRL project, the independent experts indicated that further cost increases are likely; and
- the independent experts recommended that the current estimate for the XRL project outturn cost submitted to Government for review of HK\$71.52 billion needs to be re-evaluated in the light of the independent experts' verification exercise.

The Government separately engaged an independent expert panel (headed by Justice Hartmann, a Non-Permanent Judge of the Court of Final Appeal in Hong Kong) to review the delay relating to the XRL project. The report of the independent expert panel (the "IEP Report") was published in January 2015. The IEP Report put forward several recommendations aimed at improving the systems, processes and practices for implementing and monitoring the Hong Kong section of the XRL project as well as future new railway projects. The Company has engaged two independent experts who advised the IBC to review the IEP Report and the Company will assist the Government to implement recommendations from the IEP Report as appropriate.

In March 2015, the Company announced that it was conducting a further review of the project cost estimate and the revised timetable for the XRL project. In June 2015, the Company reported to the Government that the Company estimated:

1. the XRL project being completed in the third quarter of 2018 (including a contingency period of six months) (the "Revised Timetable"); and
2. the total project cost to be HK\$85.3 billion (including contingency cost), based on the Revised Timetable.

The Company advised the Government that these revised estimates were based on a number of assumptions including timely funding arrangements and require the cooperation of various parties and certain approvals of the Government.

On 30th June 2015, the Company announced that it had reported the above to the Government and that the Board had authorised the Chairman and Chief Executive Officer of the Company to engage with the Government with a view to enabling the XRL project to commence operations in accordance with the Revised Timetable and to report further to the Board in due course on the outcome thereof.

Since 30th June 2015, the Government and its consultants have reviewed and discussed with the Company the revised estimates. With adjustments being made to certain elements of the Company's estimated project cost of 30th June 2015, the Government and the Company reached an agreement that the estimated project cost be reduced to HK\$84.42 billion (the "Revised Cost Estimate").

On 30th November 2015, the Government and the Company entered into an agreement (the "XRL Agreement") relating to the further funding and completion of the XRL. The XRL Agreement contains an integrated package of terms and provided that:

- (i) the Government will bear and finance the project cost up to HK\$84.42 billion (which includes the original budgeted cost of HK\$65 billion plus the agreed increase in the estimated project cost of HK\$19.42 billion (the portion of the entrustment cost (up to HK\$84.42 billion) that exceeded HK\$65 billion being the "Current Cost Overrun"));
- (ii) the Company would, if the project exceeded HK\$84.42 billion, bear and finance the portion of the project cost which exceeded that sum (if any) (the "Further Cost Overrun") except for certain agreed excluded costs (namely, additional costs arising from changes in law, force majeure events or any suspension of construction contracts specified in the XRL Agreement);
- (iii) 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 in each tranche) (the "Special Dividend"). The first tranche would be paid in cash within a reasonable period after the XRL Agreement becomes fully unconditional and effective (payment of the first tranche was made on 13th July 2016) and the second tranche would be paid in cash approximately 12 months thereafter (which is expected to be in the second half of 2017). There would be no scrip alternative;
- (iv) the Government reserved the right to refer to arbitration the question of the Company's liability for the Current Cost Overrun (if any) under the XRL Preliminary Entrustment Agreement and XRL Entrustment Agreement ("Entrustment Agreements") (including any question the Government may have regarding the validity of the liability cap under the Entrustment Agreements (the "Liability Cap")). The Entrustment Agreements contained dispute resolution mechanisms which included the right to refer a dispute to arbitration. Under the XRL Entrustment Agreement, the Liability Cap is equal to the Project Management Cost and any other fees that the Company receives under XRL Entrustment Agreement and certain fees received by the Company under the Preliminary Entrustment Agreement. Accordingly, the Liability Cap increased from up to HK\$4.94 billion to up to HK\$6.69 billion due to the increase of the Project Management Cost in accordance with the XRL Agreement (as it will be equal to the increased Project Management Cost under the XRL Entrustment Agreement of HK\$6.34 billion plus the additional fees referred to above). If the arbitrator does not determine that the Liability Cap is invalid and determines that, but for the Liability Cap, the Company's liability under the Entrustment Agreements for the Current Cost Overrun would exceed the Liability Cap, the Company shall:
  - bear such amount as is awarded to the Government up to the Liability Cap;

- seek the approval of its independent shareholders, at another general meeting (at which the FSI, the Government and their close associates and associates and the Exchange Fund will be required to abstain from voting), for the Company to bear the excess liability; and
  - if the approval of the independent shareholders (referred to immediately above) is obtained, pay the excess liability to the Government. If such approval is not obtained, the Company will not make such payment to the Government.
- (v) certain amendments were made to the XRL Entrustment Agreement to reflect the arrangements contained in the XRL Agreement, including an increase in Project Management Fee payable to the Company under the XRL Entrustment Agreement to an aggregate of HK\$6.34 billion (which reflects the estimate of the Company's expected internal costs in performing its obligations under the XRL Entrustment Agreement in relation to the XRL project) and to reflect the revised construction programme;
- (vi) the arrangements under the XRL Agreement (including the payment of the proposed Special Dividend) were conditional on:
- independent shareholder approval (which was sought at the general meeting of the Company held on 1st February 2016); and
  - HKSAR Legislative Council approval in respect of the HKSAR Government's additional funding obligations, being granted prior to the back stop date (being 30th September 2016 or earlier, if a termination of the XRL Entrustment Agreement is commenced prior to that date) and would become effective if such conditions are satisfied.

The XRL Agreement (and the Special Dividend) was approved by the Company's independent shareholders at the general meeting held on 1st February 2016 and became unconditional upon approval by the HKSAR Legislative Council on 11th March 2016 of the Government's additional funding obligations.

The Company has not made any provision in its accounts in respect of:

- (i) any possible liability of the Company for any Further Cost Overrun (if any), given the Company does not currently believe there is any need to revise further the XRL construction programme or the Revised Cost Estimate of HK\$84.42 billion;
- (ii) any possible liability of the Company that may be determined in accordance with any arbitration that may take place (as more particularly described in paragraph (iv) above) given that: (a) the Company has not received any notification from the Government of any claim by the Government against the Company or of any referral by the Government to arbitration (which, as a result of the XRL Agreement, cannot take place until after commencement of commercial operations on the

XRL) (as of 30th June 2016 and up to the date of the Interim Report); (b) the Company has the benefit of the Liability Cap; and (c) as a result of the XRL Agreement, the Company will not make any payment to the Government in excess of the Liability Cap pursuant to a determination of the arbitrator without the approval of its independent shareholders; and

(iii) any possible insufficiency of the Project Management Fee to enable the Company to recover fully its internal costs incurred in performing its obligations in relation to the XRL project, given that the Company estimates that the increased Project Management Fee under XRL Agreement should be sufficient to cover such costs (based on current known circumstances),

and, where applicable, because the Company is not able to measure with sufficient reliability the amount of the Company's obligation or liability (if any).

During the half year ended 30th June 2016, Project Management Fee of HK\$378 million (2015: HK\$373 million) was recognised in the consolidated profit and loss account of the Company.

As at 30th June 2016, the XRL project was 81.5% complete.

#### ***Potential Future Extensions***

On 17th September 2014, the Government issued its RDS 2014 (as defined on page 17). The RDS 2014 proposed the following seven new railway projects in Hong Kong:

- The Northern Link and Kwu Tung Station will be a new 10.7 kilometre railway line formed by linking the Kam Sheung Road Station on the West Rail Line to a new station at Kwu Tung on the Lok Ma Chau Spur Line. The Northern Link will improve the east-west connectivity in the northern New Territories, divert passenger flow from the East Rail Line, help connect new development areas in the northern New Territories and enhance cross-boundary movements.
- The Hung Shui Kiu Station will be a new station on the West Rail Line located between Tin Shui Wai Station and Siu Hong Station. It will provide railway service for the Hung Shui Kiu New Development Area.
- The Tung Chung West Extension will extend the existing Tung Chung Line by 1.5 kilometres to a new station in Tung Chung West. This new station will provide railway access to existing residents in the Yat Tung Estate and other potential developments nearby.
- The Tuen Mun South Extension will extend the existing West Rail Line by 2.4 kilometres to connect Tuen Mun Station to the new Tuen Mun South Station. This will improve connectivity for residents in Tuen Mun South who presently have to travel to Tuen Mun Station in order to access the railway system.
- A new East Kowloon Line will aim to connect Diamond Hill Station on the existing Kwun Tong Line (and the future Shatin to Central Link) and Po Lam Station on the existing Tseung Kwan O

Line. This 7.8 kilometre line will run along the north Kwun Tong area and will help serve the densely populated areas in Choi Wan, Shun Tin, Sau Mau Ping and Po Tat.

- The South Island Line (West) will be a 7.4 kilometre line that connects the South Island Line (East) with the Island Line, serving the western and southern parts of the Hong Kong Island. It will extend railway coverage to new catchment areas in Aberdeen, Wah Fu, Cyberport and Pok Fu Lam. This new railway line will address the growing transport demand in the western part of the Southern District, improving the overall accessibility and transport capacity as well as relieving pressure on the road network in the Pok Fu Lam area.
- The North Island Line will span approximately 5 kilometres along the northern shore of Hong Kong Island. It will be an extension of the Tung Chung Line and the Tseung Kwan O Line, with stations at Tamar, Exhibition and Causeway North. This new railway line will alleviate the passenger flow on the Island Line and improve east-west rail connectivity, and will help serve the harbourfront areas from Central to Causeway Bay.

The Government's Policy Agenda, issued in January 2016, stated that the Government would continue to take forward detailed planning for the Tuen Mun South Extension, the Northern Link (and Kwu Tung Station), and the East Kowloon Line. In the first quarter of 2016, the Government invited the Company to submit project proposals for these three projects and technical studies for these future lines are now underway to support the project proposals. The Company will continue to support the Government in the delivery of new railways to the community.

### **Financial results for the six months ended 30th June 2016 compared to the six months ended 30th June 2015**

Total revenue for the six months ended 30th June 2016 was HK\$21,307 million, an increase of 5.4% from the same period in 2015.

Revenue from Hong Kong transport operations increased by 5.8% from HK\$8,147 million for the six months ended 30th June 2015 to HK\$8,617 million for the same period in 2016 mainly due to adjustments in fares under the FAM which were partly offset by fare concessions.

Revenue from Hong Kong Station commercial businesses increased by 4.5% to HK\$2,695 million mainly due to positive rental reversions of station shops and increase in base rents in accordance with lease contracts of duty free shops.

Revenue from Hong Kong property rental and management businesses in the first half of 2016 was HK\$2,359 million, 4.6% higher than the comparable period in 2015 due to positive rental reversions.

Revenue from the PRC and international subsidiaries increased by 5.6% to HK\$6,526 million, which was mainly due to higher franchise income from Stockholm Metro, increase in patronage of Shenzhen Metro Longhua Line and incremental contributions from new operation, London Crossrail.

Revenue from other businesses grew by 5.9% to HK\$1,110 million, mainly due to more revenue from project management services to the Government as well as higher revenue from Ngong Ping 360.

Total operating expenses before depreciation, amortisation and variable annual payment increased by 5.3% from HK\$11,864 million to HK\$12,497 million when compared with the same period in 2015. Operating profit before Hong Kong property developments, depreciation, amortisation and variable annual payment increased by 5.6% to HK\$8,810 million, with operating profit margin maintaining at the same level as during the same period in 2015, being 41.3%. Excluding PRC and international subsidiaries, the operating profit margin increased to 57.2%.

Hong Kong property development profit was HK\$219 million, mainly derived from sundry sources such as the sharing in kind of the kindergarten at the Hemera property development, which was HK\$2,592 million lower than the same period last year, when substantial property development profit was recognised from the Hemera property development.

Depreciation and amortisation charges increased by 6.8% to HK\$2,008 million, while the variable annual payment to KCRC increased by 10.3% to HK\$867 million as the incremental revenue was charged under the highest progressive rate of 35%. Operating profit before interest and finance charges was therefore 27.5% lower than the same period last year at HK\$6,154 million.

Net interest and finance charges decreased by 9.2% to HK\$268 million. Investment property revaluation gain amounted to HK\$48 million, down from HK\$1,362 million for the same period in 2015.

Profit sharing from Octopus Holdings Limited increased by 23.9% to HK\$145 million. The share of results from other associates generated a profit of HK\$152 million as compared to a profit of HK\$49 million for the same period in 2015, mainly due to improvements in the results of Hangzhou MTR Corporation Limited and Beijing MTR Corporation Limited as a result of patronage growth in 2016.

Income tax expenses amounted to HK\$1,037 million as compared with HK\$1,446 million for the same period last year.

After deducting income tax of HK\$1,037 million and profits shared by non-controlling interests of HK\$73 million, the Group's profit attributable to equity shareholders for the six months ended 30th June 2016 was HK\$5,121 million, a decrease of 37.5% compared with HK\$8,189 million for the same period last year. Earnings per share decreased from HK\$1.40 to HK\$0.87. Earnings per share based on the underlying business profit decreased from HK\$1.17 to HK\$0.86.

The Board has declared an interim ordinary dividend of HK\$0.25 per share, with a scrip dividend option offered.

## **Financial results for the year ended 31st December 2015 compared to the year ended 31st December 2014**

Total revenue for the year ended 31st December 2015 was HK\$41,701 million, a 3.8% increase from HK\$40,156 million in 2014.

Revenue from Hong Kong transport operations in 2015 increased by 4.3% to HK\$16,916 million as a result of higher patronage numbers and adjustment to fares which were partly offset by fare concessions.

Revenue from Hong Kong station commercial businesses increased by 8.4% to HK\$5,380 million in 2015 which was driven mainly by higher rental income from station shops.

Revenue from Hong Kong property rental and management businesses also increased by 8.2% to HK\$4,533 million in 2015 as our shopping malls achieved average 12% favourable rental reversion in 2015.

Revenue from the PRC and international subsidiaries decreased by 0.4% to HK\$12,572 million, mainly due to exchange rate movements.

Revenue from other businesses increased 6.8% from HK\$2,153 million in 2014 to HK\$2,300 million in 2015 mainly due to an increase in revenue from project management services to the Government, which was partly offset by a decrease in revenue in the Ngong Ping cable car service in 2015 due to a decline in visitor numbers as a result of fewer operating days necessitated by rope maintenance work and a drop in inbound tourism in Hong Kong in 2015.

Total operating expenses before depreciation, amortisation and variable annual payment increased by 3.4% from HK\$24,733 million in 2014 to HK\$25,581 million in 2015. Operating profit before Hong Kong property development, depreciation, amortisation and variable annual payment amounted to HK\$16,120 million, an increase of 4.5% from HK\$15,423 million in 2014. Operating profit margin improved from 38.4% in 2014 to 38.7% in 2015. Excluding PRC and international subsidiaries, the operating profit margin slightly increased by 0.2 percentage point to 53.3%.

Hong Kong property development profit in 2015 was HK\$2,891 million, comprising mainly of the booking of profits from Hemera and surplus from the sale of inventory units. Compared to 2014 when substantial property development profits were recognised from The Austin and Grand Austin, Hong Kong property development profit in 2015 decreased by HK\$1,325 million.

Operating profit before depreciation, amortisation and variable annual payment was HK\$19,011 million in 2015, a decrease of 3.2% from HK\$19,639 million in 2014.

Depreciation and amortisation charges increased 10.4% from HK\$3,485 million in 2014 to HK\$3,849 million in 2015. The variable annual payment to KCRC was HK\$1,649 million, increasing by 12.0% compared to 2014 as a result of a larger portion of relevant revenue was at the highest progressive rate of 35%. Operating profit before interest and finance charges decreased by 8.0% to HK\$13,513 million.



Net interest and finance charges increased by 9.9% to HK\$599 million due to lower interest income on reduced cash balances.

The investment property revaluation gain amounted to HK\$2,100 million in 2015, down from HK\$4,035 million in 2014.

Share of profits from associates increased significantly by 198.3% to HK\$361 million mainly resulting from an increase in share of profits from Octopus Holdings Limited and improvements in the results of Beijing MTR Corporation Limited and Hangzhou MTR Corporation Limited.

After deducting income tax of HK\$2,237 million and profits shared by non-controlling interests of HK\$144 million, the Group's profit attributable to equity shareholders decreased from HK\$15,606 million in 2014 to HK\$12,994 million in 2015 with earnings per share decreasing from HK\$2.69 in 2014 to HK\$2.22 in 2015. Earnings per share based on the underlying business profit decreased from HK\$1.99 to HK\$1.87.

The Company proposed a 2015 final ordinary dividend of HK\$0.81 per share with a scrip dividend option offered (except for shareholders with registered addresses in the United States of America or any of its territories or possessions), giving a full year ordinary dividend of HK\$1.06 per share and an increase of 1.0% over 2014. The 2015 final ordinary dividend amounted to HK\$4,763 million was paid in July 2016. In addition, in respect of the XRL Agreement, the first tranche of the special dividend of HK\$2.20 per share was paid to shareholders of the Company on 13th July 2016 and the second tranche, also of HK\$2.20 per share, is expected to be paid in the second half of 2017.

## **Financing**

As at 30th June 2016, 50.5% of the Group's outstanding debt bore interest at fixed rates with the remaining 49.5% at floating rates. As at 30th June 2016, 100% of the Group's outstanding debt was denominated in or hedged into HK dollars, or where the debt is denominated in foreign currency, naturally hedged by assets or cash flows from overseas businesses.

As at 30th June 2016, the Group had available undrawn committed banking facilities of HK\$31,933 million (US\$4,116 million equivalent<sup>(1)</sup>) and uncommitted debt issuance and short-term banking facilities of HK\$16,010 million (US\$2,063 million equivalent<sup>(1)</sup>). Outstanding borrowings as at 30th June 2016 were HK\$26,640 million (US\$3,433 million equivalent<sup>(1)</sup>).

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Notes:

<sup>(1)</sup> US\$ equivalent was translated at a rate of HK\$7.7588 = US\$1, being the prevailing spot rate at 30th June 2016

The projections for repayment of loans outstanding as at 30th June 2016 are shown in the following table in millions of HK\$ and the US\$ equivalent.

	<b>As at 30th June 2016</b>	
	<i>(HK\$ million)</i>	<i>(US\$ million equivalent)</i>
<b>Borrowings</b>		
Repayable within one year . . . . .	8,617	1,111
Repayable between one and two years . . . . .	885	114
Repayable between two and five years . . . . .	6,581	848
Repayable beyond five years . . . . .	10,557	1,360
<b>Total . . . . .</b>	<b>26,640</b>	<b>3,433</b>

Notes:

- (1) The aging schedule analysis is based on the outstanding principal amounts.
- (2) The HK\$ amounts were translated into US\$ amounts at a rate of HK\$7.7588 = US\$1, being the prevailing spot rates at 30th June 2016.  
(Source: Bloomberg)

The Group's major payments for the year ended 31st December 2015 included capital expenditures of HK\$21,670 million mainly for the construction of Hong Kong railway extension projects, property development projects and purchase of assets for Hong Kong transport and related operations, fixed and variable annual payments of HK\$2,222 million, net interest and finance charges payment of HK\$577 million, net loan drawdown (including bank overdraft) of HK\$154 million and cash dividends of HK\$5,905 million. These payments were mainly financed by the net cash inflow from operating activities of HK\$14,773 million, cash received from Hong Kong and PRC property developments of HK\$8,234 million. Including the mark-to-market and hedge accounting effects, the carrying amount of total debt outstanding decreased from HK\$20,112 million as at 31st December 2014 to HK\$19,890 million as at 31st December 2015. Including obligations under the service concession and loan from holders of non-controlling interests, the components of debt (measured by net debt-to-equity ratio) increased from 7.6% at 2014 year end to 11.3% at 2015 year end.

The Group's major payments for the six months ended 30th June 2016 included capital expenditure of HK\$5,257 million mainly for the construction of Hong Kong railway extension projects, property development projects and purchase of assets for Hong Kong transport and related operations, variable annual payment of HK\$1,649 million, net interest and finance charges payment of HK\$167 million, net loan drawdown (including bank overdraft) of HK\$6,154 million and cash investment of HK\$1,191 million into Beijing MTR Corporation Limited. These payments were mainly financed by the net cash inflow from operating activities of HK\$9,407 million and cash received from Hong Kong and PRC property developments of HK\$5,062 million. Including obligations under the service concession and loan from holders of non-controlling interests, the components of debt (measured by net debt-to-equity ratio) decreased from 11.3% at 2015 year end to 8.6% at 30th June 2016. If the HK\$4.40 per share Special Dividend payable totalling approximately HK\$25,884 million had been paid on 30th June 2016, the Group's net debt-to-equity ratio as at 30th June 2016 would have increased from 8.6% to 26.4%.

## **Property Development and Management**

### ***General***

Property development and management 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 property developments. The Company has become one of the largest property management companies in Hong Kong, with 96,066 residential units and over 764,000 square metres of office and shopping space under its management as at 30th June 2016.

In conjunction with its railway construction activities, the Company has been involved in the development of residential and commercial properties above and adjacent to MTR stations and depots under agreements with various property developers. Profits that the Company has received from these development ventures have been used by the Company to supplement associated railway returns, thereby contributing to an improved rate of return on the investment of constructing new railway lines.

The Company has an established track record for the planning, designing and project management of railway property developments. The Company's formula for property development is based on minimising direct risk in the development of the properties, thereby reducing the Company's exposure to the property market and its related risks.

The Government has granted the Company the development right over the land used for property developments based on a land premium assessed at full market value without regard to the presence of the railway on the sites being valued. 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 specifications and as agreed with the developers. Typically, the developers are responsible for all development costs (including Government land premium, construction and enabling work costs, marketing and sales expenses, professional fees, finance charges and other expenses), and have to bear all development risks. The Company derives benefit from 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, the sharing of assets in kind, or through up-front payments from the developers.

### ***Property development related to Tsing Yi Station***

A planning application for Tsing Yi Town Lot No. 135 adjacent to Tsing Yi Station, which was previously used as a public transport interchange and a lorry park, was submitted to the Town Planning Board in July 2006 and approved in September 2006 to facilitate the inclusion of retail use of about 10,500 square metres floor area in the site. Payment of the land premium has been made and the site was handed over to the Company. The scheme will further enhance the integration with different modes of transport. The conversion works commenced in 2014, with target completion by end of 2017.

### ***Property developments related to the Tseung Kwan O Line***

The Company has the right to undertake property development at four locations along the Tseung Kwan O Line. The Company divided the developments at Tiu Keng Leng, Tseung Kwan O, Hang Hau

and Area 86 into 18 development packages. As at 31st July 2016, 8 of the 18 development packages have been completed.

Tenders for three further development packages have been awarded since the second half of 2015. Package 8 of LOHAS Park was awarded to Albany Investments Limited, a subsidiary of Cheung Kong Property Holdings Limited in October 2015, Package 9 of LOHAS Park was awarded to Ever Merits Investments Limited, a subsidiary of Wheelock and Company Limited in December 2015 and Package 10 of LOHAS Park was awarded to City Century Development Limited, a subsidiary of Nan Fung Group Holdings Limited in March 2016. The total gross floor area which can be developed from these three packages is approximately 277,320 square metres.

***Property developments related to the East Rail Line, Ma On Shan Line and Kowloon Southern Link***

As part of the Rail Merger, the Company acquired a property package that comprised property development rights, investment properties and property management rights. The property development rights acquired comprise eight sites totalling about 1.2 million square metres gross floor area. The developments at Ho Tung Lau, Wu Kai Sha, Tai Wai Maintenance Centre and Che Kung Temple were completed in 2008, 2009, 2011 and 2012 respectively. The development at Site C & Site D of Austin Station were completed in 2014.

The tender for the development site at Tin Wing Stop (Light Rail) was awarded on 9th February 2015 to Best Vision Development Limited, a wholly owned subsidiary of Sun Hung Kai Properties Limited. Railway migration works to facilitate property development at this site are ongoing.

***Property developments related to the West Rail Line***

As a result of the Rail Merger, the Company took on the role as agent for KCRC and the relevant subsidiaries of KCRC in respect of a number of West Rail property projects. The Company receives agency fees for this role. The Company, as agent for KCRC and the relevant subsidiaries of KCRC, tendered and awarded the Tsuen Wan West Station TW7 property development site to Queensway Investments Limited (a subsidiary of Cheung Kong Property Holdings Limited) in September 2008, the Nam Cheong Station property development site to Joinyfield Limited (a subsidiary of Sun Hung Kai Properties Limited) in October 2011, the Tsuen Wan West Station TW5 Cityside property development site to Denny Investment Limited (a member company of Chinachem Group) in January 2012, the Tsuen Wan West Station TW5 Bayside property development site to Jubilee Year Investments Limited (a subsidiary of Cheung Kong Property Holdings Limited) in August 2012, the Long Ping Station (North) property development site to United Best Hong Kong Limited (a consortium formed by K.Wah International Holdings Limited and Sino Land Company Limited) in October 2012, the Tsuen Wan West Station TW6 property development site to Ultimate Vantage Limited (a consortium formed by New World Development Company Limited and Vanke Property (Overseas) Limited) in January 2013, the Long Ping Station (South) property development site to Loi Fu Investment Company Limited (a member company of Chinachem Group) in June 2013 and the Yuen Long Station property development site to Success Keep Limited (a subsidiary of Sun Hung Kai Properties Limited) in August 2015.

Acting as agent for the relevant subsidiary of KCRC, the Company launched in March 2016 the pre-sale of The Spectra at the Long Ping Station (North) site. As at 30th June 2016, about 42% of 912 units have been sold.

***Property developments related to South Island Line (East) and Kwun Tong Line Extension***

Both the Wong Chuk Hang Depot site along the South Island Line (East) and the Ho Man Tin site along the Kwun Tong Line Extension, with a developable gross floor area of 404,500 square metres and 128,400 square metres respectively, were added to the Company's property development rights portfolio in May 2011. The master layout plan for the Wong Chuk Hang Depot site was approved by the Town Planning Board in February 2013.

***Property developments in the PRC***

In August 2011, MTRCL's wholly-owned subsidiaries, MTR Corporation (Shenzhen) Limited and MTR Property (Shenzhen) Company Limited, won the bid for a residential and commercial property development (Tiara) at Shenzhen Metro Longhua Line Depot Site Lot 1 in Shenzhen. The project company, MTR Property Development (Shenzhen) Company Limited, is in the process of developing the site. The total developable gross floor area of the site is approximately 206,167 square metres, including a retail centre of about 10,000 square metres. Construction of the development continues to make good progress. Following very successful pre-sales of Tiara, the Company has been preparing for the handover of the completed units, with the first batch comprising units sold in the low rise buildings on top of the depot podium to be handed over by the end of 2016 and the remaining units, which comprise the vast majority, to be handed over by the middle of 2017.

In August 2013, MTRCL announced that Tianjin TJ-Metro MTR Construction Company Limited, a joint venture company owned by its wholly-owned subsidiary as to 49% and Tianjin Metro (Group) Company Limited as to 51%, had been awarded the land use rights for a mixed use site at Beiyunhe Station atop Tianjin Metro Line 6 in the Hebei District of Tianjin at a price of RMB2.075 billion. The total developable gross floor area of the site is approximately 278,650 square metres, of which approximately 60,000 square metres will be used as office space. The joint venture company will be responsible for all of the development and construction costs and will develop the site for residential and commercial use. The Beiyunhe Station development project is currently faced with a number of obstacles, including softening market demand in Tianjin, especially for offices, as well as a significant increase in the estimated construction cost due to a more complex basement construction. Tianjin TJ-Metro MTR Construction Company Limited and Tianjin Metro (Group) Company Limited are in discussions with the relevant government bodies to resolve these challenges and possible solutions may necessitate changes to design schemes and the general layout plan of the project.

**Other Activities in Hong Kong**

***Octopus Holdings Limited***

Octopus Holdings Limited is a non-controlled subsidiary of the Company and is the direct holding company of various Octopus group companies. The Company currently owns 57.4% of the issued share capital of Octopus Holdings Limited, which in turn owns 100% of the issued share capital of Octopus

Cards Limited, with the remaining 42.6% of the issued share capital of Octopus Holdings Limited owned by KCRC, KMB Public Bus Services Holdings Limited, Citybus Limited and New World First Bus Services Limited. Although the Company holds 57.4% of the issued shares of Octopus Holdings Limited, the Company's voting rights at board meetings of Octopus Holdings Limited are limited to 49% and none of the shareholders of Octopus Holdings Limited is able to control the board of directors of Octopus Holdings Limited unilaterally.

#### ***Octopus Cards Limited***

Octopus Cards Limited is a non-controlled, indirect subsidiary of the Company.

On 20th April 2000, Octopus Cards Limited was authorised by the Hong Kong Monetary Authority ("HKMA") as a deposit-taking company to issue contactless multi-purpose stored value cards called "Octopus cards". As an authorised institution under the Banking Ordinance ("BO") (Chapter 155 of the Laws of Hong Kong), Octopus Cards Limited is required to meet certain criteria under the BO (e.g. maintaining a certain minimum capital adequacy ratio and liquidity ratio). Currently, the goods and services to be supplied on the production of the Octopus cards or products can be divided into "core" uses (principally, uses of the Octopus cards or products to pay for transport-related services provided by the shareholders of Octopus Holdings Limited and other transport-related uses which have received prior approval of the HKMA) and "non-core" uses (principally, non-transport related uses which are intended to increase the convenience for holders of the Octopus cards and products).

On 21st October 2005, the Company and the other shareholders of Octopus Cards Limited entered into a number of agreements to adjust the arrangements relating to Octopus Cards Limited (the "Adjustments"), in order to spin off the non-payment businesses of Octopus Cards Limited into new, separate subsidiaries independent of the payment business of Octopus Cards Limited that is regulated by the HKMA.

To effect the Adjustments, a new holding company, Octopus Holdings Limited, was interposed between Octopus Cards Limited and its former shareholders to hold the entire issued share capital of each of the new companies set up in connection with the non-payment businesses of Octopus Cards Limited as well as Octopus Cards Limited. The economic substance of the relationship between the former shareholders of Octopus Cards Limited has not changed as a result of the Adjustments, other than the fact that their interests in Octopus Cards Limited have become indirect instead of direct.

#### ***Other Activities***

The Company derives revenue from advertising space in its stations and trains, from the provision of tunnel and station space to support reticulation of the telecommunication network to fixed and mobile network operators, from the leasing of retail space in its stations and car parking facilities at certain MTR stations, from the wholesaling of managed bandwidth and related services to local and international carriers.

The Airport Express provides various passenger services including "In-town Check-in" services, baggage handling services, complimentary shuttle bus services and park-and-ride promotion schemes.

The Company continues to renovate MTR stations and refine tenant mix so as to bring additional revenue growth.

## **China & International Business**

### *China Projects*

#### *Shenzhen*

On 18th March 2009, MTR Corporation (Shenzhen) Limited (“MTR Shenzhen”), a wholly-owned subsidiary of the Company, formally signed a Concession Agreement with the Shenzhen Municipal People’s Government (“Shenzhen Government”) under which MTR Shenzhen has the right to construct Phase 2 of Line 4 of the Shenzhen metro system, as well as to lease the facilities of Phase 1 of Line 4 so as to operate the whole of Line 4 for a term of 30 years. Line 4 is a 20.5 kilometre double-track urban railway with 15 stations, and connects Futian Checkpoint, at the boundary between Hong Kong and Shenzhen, with Longhua New Town in Shenzhen. Phase 1 of Line 4 is an approximately 4.5 kilometre section between Futian Checkpoint and Children’s Palace with a total of 5 stations. MTR Shenzhen took over the operation of Phase 1 on 1st July 2010 and Phase 2 of Line 4 commenced service on 16th June 2011. The entire Line 4 of the Shenzhen metro system is currently operated by MTR Shenzhen for a term of 30 years from 16th June 2011, after which the lease of Phase 1 of Line 4 will terminate and ownership of Phase 2 of Line 4 will revert to the Shenzhen Government.

In January 2014, the Company signed a Strategic Cooperation Framework Agreement with the Longhua New District Administration Commission for the North Extension of Shenzhen Metro Longhua Line. Under the framework agreement, MTR will offer advice and technical support for the construction of the North Extension. The project feasibility study report was completed in the first half of 2015.

#### *Beijing*

On 6th February 2005, MTR Beijing Line 4 Investment Company Limited (“MTR Beijing”), a wholly-owned subsidiary of the Company, initialled a draft contract with two partners to form a co-operative joint venture for a Public-Private Partnership for the construction and operation of the Beijing Metro Line 4, a 28-kilometre underground metro line which is the main north-south traffic line of Beijing City. The two joint venture partners are Beijing Infrastructure Investment Co. Ltd. (“BIIC”), an entity wholly-owned by the Beijing Municipal People’s Government (“Beijing Government”), and Beijing Capital Group (“BCG”), an entity controlled by the Beijing Government. Following the approval of the Concession Agreement by the National Development and Reform Commission of the PRC in September 2005, the establishment of the Public-Private Partnership was completed with its business licence received on 16th January 2006. On 12th April 2006, Beijing MTR Corporation Limited (“BMCL”), the joint venture company formed by the Company, BIIC and BCG, officially signed the Concession Agreement for the Beijing Metro Line 4 with the Beijing Government. The Beijing Metro Line 4 commenced its services to the public on 28th September 2009.

The Concession Agreement has a term of 30 years, after which ownership of the Beijing Metro Line 4 will revert to the Beijing Government. The Company, through MTR Beijing, and BCG each owns 49% of BMCL, with BIIC holding the remaining 2%.

On 30th December 2009, BMCL signed the Concession Agreement with Beijing Metro Daxing Line Investment Company Limited, a wholly-owned subsidiary of the Beijing Government for the operation and maintenance of the Daxing Line of the Beijing Metro Network. The concession covers a period of 10 years and is renewable for further terms of 10 years each until the expiry of the concession period for the Beijing Metro Line 4. The 22-kilometre, 11-station Daxing Line is an extension of the Beijing Metro Line 4 from Gongyixiqiao Station, extending southward to Tiangongyuan Station. The line commenced service on 30th December 2010.

The civil construction of the Beijing Metro Line 14 (“BJL14”), which started in 2010, is being undertaken by the Beijing Infrastructure Investment Corporation Limited. Under a Public-Private-Partnership (“PPP”) arrangement, BMCL is responsible for the electrical and mechanical systems as well as the rolling stock. This part takes up about 30% of the project’s capital cost and amounts to about RMB15 billion. As part of the Concession Agreement, BMCL will operate the line for a term of 30 years.

In May 2013, Phase 1 of the BJL14 opened as scheduled. The 12.4-km section of the new line has seven stations, running from Zhangguozhuang Station to Xiju Station in the south-western part of Beijing. Phase 2 of BJL14 opened as scheduled in December 2014. The route length of this section is 14.8 kilometres and runs from the Shangezhuang Station to Jintailu Station with 10 stations commenced service. Phase 3 of BJL14 with route length of over 16.6 kilometres and 9 stations opened in December 2015. The service performance of Phase 1,2 and 3 have been satisfactory since the line opening, with an average weekday patronage of about 537,000 in the first half of 2016. The new line is expected to go into full operations after 2017, by then the 37-station BJL14 will stretch from Zhangguozhuang Station in the southern Fentai District to Shangezhuang Station in the eastern Chaoyang District.

On 26th November 2014, a Letter of Intent was signed by BMCL for initialling a Concession Agreement for the construction and operation of Beijing Metro Line 16 (“BJL16”). The Concession Agreement was initialled on 8th February 2015 and entered into on 28th November 2015. The line will run 50 kilometres from Beianhe Station to Wanping Town Station, encompassing 29 stations. Under the approximately RMB47.4 billion PPP project arrangement, BMCL would be responsible for the provision of E&M systems as well as rolling stock, which takes up about 30% or approximately RMB15 billion of the project’s capital cost. BMCL would also undertake the operations and maintenance of BJL16 for a term of 30 years. Civil construction works, for which the Beijing Government is responsible, have begun, and Phase 1 is targeted to open by the end of 2016, with full line operation to commence after 2017.

#### *Hangzhou*

On 4th March 2010, MTR Hangzhou Line 1 Investment Company Limited, a wholly-owned subsidiary of the Company, together with a subsidiary of Hangzhou Metro Group Company Limited, entered into a Concession Agreement with the Hangzhou Municipal Government for a PPP for the investment, construction and operations of the Hangzhou Metro Line 1 for a term of 25 years. The Concession Agreement was approved by the relevant authorities in the PRC in August 2012.



The civil construction of the metro system of Part A was undertaken by Hangzhou Metro Group Company Limited. The investment in and construction of Part B, which mainly covered the electrical and mechanical system and operation of the entire metro line was undertaken by a cooperative joint venture which is 49% owned by the Company and 51% owned by a subsidiary of Hangzhou Metro Group Company Limited. MOFCOM approval for the establishment of the cooperative joint venture, Hangzhou MTR Corporation Limited, was obtained on 20th August 2012. The 48-kilometre Hangzhou Metro Line 1 consists of a 41-kilometre underground section and 7 kilometres of at-grade and elevated sections, with a total of 31 stations running from the south to the north of Hangzhou city and to Xiasha, Linping and Jiangnan. Hangzhou Metro Line 1 is the first among eight planned lines for Hangzhou city. The line commenced service in November 2012. In November 2015, a 5.7-kilometre 3-station extension of Hangzhou Metro Line 1 commenced passenger service. The extended Hangzhou Metro Line 1 now has 34 stations spanning 54 kilometres. Hangzhou MTR Corporation Limited was granted the operation and maintenance concession of this extension.

The Company submitted two rounds of tender for Hangzhou Metro Line 5, another PPP project in Hangzhou, on 16th May 2016 and 12th August 2016 respectively. The tender is for a 49% interest in the project, with Hangzhou Metro Group Company Limited retaining the remaining 51%. On 21st September 2016, Hangzhou Metro Group Company Limited announced that due to the insufficient number of bids received, the project will be re-tendered. It is expected that the re-tendering process will be completed by the 4th quarter of 2016.

#### *Chongqing*

On 27th July 2015, the Company entered into a memorandum of understanding (the “MOU”) with the Chongqing Municipal Government and the parties have begun preliminary discussions for rail and property development in the municipality. Pursuant to the MOU, the Chongqing Municipal Government held rounds of discussions with the Company on development of new or existing lines and new investment will only be made if a sustainable business case can be concluded.

#### ***International Projects***

##### *London*

The Company’s 50:50 joint venture (London Overground Rail Operations Ltd (“LOROL”)) with DB Regio UK Limited, a subsidiary of Deutsche Bahn AG, was awarded the London Overground concession on 2nd July 2007. Under this concession, LOROL operates existing lines in Greater London for seven years from 11th November 2007, with a two-year extension to November 2016 granted by Transport for London (“TfL”). The cost based operating concession, which is overseen by TfL, will receive an amount of over £900 million over the lifetime of the contract (including the two-year extension mentioned above), which includes an expected profit margin for LOROL. In light of the expiry of the concession in November 2016, the Company has bid for the new concession. The bid was unsuccessful and as a result, LOROL is assisting TfL to ensure a smooth handover to the new operator.

London Overground is an orbital route around London and was an important link for the 2012 Olympic Games. The East London Line was closed at the start of the concession whilst it underwent an

extensive extension and upgrade programme. This line was re-opened in May 2010 after the extensive upgrade was completed. In December 2012, the southern extension of the East London Line to Clapham completed the orbital route around London.

In June 2014, Rail for London (“RfL”) announced its intention that the West Anglia service will be incorporated into the current London Overground concession. LOROL started to assume operational responsibility for the West Anglia service from May 2015. The expanded route network of LOROL measures 167 kilometres of track and 111 stations (of which 81 stations will be managed by LOROL).

In July 2014, MTR Corporation (Crossrail) Limited, a wholly owned subsidiary of the Company, signed a concession agreement with TfL to operate the London Crossrail train service for an eight-year period with a two-year extension option. The cost based operating concession, which is overseen by TfL, will receive an amount of £1.4 billion over the eight-year lifetime of the concession agreement (excluding the two-year extension option).

Crossrail is a new 118 km railway that will serve 40 stations, which will link the suburban elements of the Great Eastern and Great Western mainlines with a new tunnel section through central London. The Crossrail concession comprises of stages of openings before it reaches its full operations in 2019. MTR Corporation (Crossrail) Limited (“MTR Crossrail”) has started operating train services on a section of 14 stations (of which 11 stations are managed by MTR Crossrail) between Liverpool Street Station and Shenfield from 31st May 2015, and the configuration will increase to 40 stations (of which 28 stations will be managed by MTR Crossrail) in total with 118 kilometres of route length by 2019.

Furthermore, the Company is partnering with FirstGroup in a bid for the South Western Rail franchise, which provides commuter, inter-urban, regional and long-distance services to passengers in South-west London and Southern counties of England. The Company is participating as a minority 30% shareholder and the tender was submitted in September 2016.

#### *Stockholm*

On 20th January 2009, the Group was awarded the concession rights to operate Sweden’s Stockholm Metro for eight years beginning 2nd November 2009. On 8th September 2015, the concession was extended by the Swedish authority for another six years from November 2018 to November 2023. Stockholm Metro links the Swedish capital’s central areas with surrounding suburbs. Average weekday patronage was approximately 1.2 million in the first half of 2016 on three lines measuring a total of 110 kilometres and served by a network of 100 stations. The concession includes train and station operations as well as rolling stock maintenance (which is undertaken by a 50:50 joint venture between MTR Stockholm AB and Mantena AS, a Norwegian train maintenance company). During the contract period, the signalling system including a new traffic control centre on one of the lines will be replaced and new train cars will be introduced together with a new train maintenance depot. Inclusive of all operating and staff costs, the concession is estimated to be worth HK\$20 billion over the initial eight-year period, which includes a projected profit for MTRCL.

In December 2015, the Stockholm County Council awarded the Group the concession rights to operate and maintain the Stockholm Commuter Rail Systems (Stockholms Pendeltåg) for ten years, with an

option to extend for four more years. Stockholms Pendeltåg serves the greater Stockholm area, with 53 stations and a total route length of 241 kilometres. Following the resolution of a previous legal challenge from one of the failed bidders in the tender process, the concession is expected to commence in December 2016.

In addition, on 15th February 2016, the Group acquired the remaining 50% interest in Tunnelbanan Teknik Stockholm AB (“TBT”), a 50:50 joint venture established initially between the Group and Mantena AS, being the seller of the 50% interest in TBT, at a consideration of SEK195 million (approximately HK\$180 million). The consideration will be paid in annual instalments from 2016 to 2024, of which SEK33 million (approximately HK\$30 million) was paid in March 2016. TBT became a wholly owned subsidiary of the Group subsequent to the completion of the acquisition and was renamed MTR Tech AB. This acquisition will bring rolling stock maintenance for the metro network in Stockholm fully under the management of the Group.

#### *Sweden MTR Express*

MTR Express AB is the inter-city service between Stockholm, the capital city, and Gothenburg, the second largest city in Sweden. MTR Express service is operated by MTR Express AB which is a wholly-owned subsidiary of the Company. Six new trains were ordered and initial services commenced in March 2015, with full services starting in August 2015. The service is based on an open-access model of the track between Stockholm and Gothenburg, that MTR Express AB will be granted for the usage of the track on a fixed amount of fee. MTR Express AB would have fare autonomy and at the same time have full cost responsibility.

#### *Melbourne*

On 31st August 2009, Metro Trains Melbourne Pty Ltd (“MTM”), a joint venture company which is 60% owned by the Company, 20% owned by UGL Rail and 20% owned by John Holland, was awarded the franchise to operate and maintain the Melbourne train system for an initial period of eight years starting on 30th November 2009, with an option to extend for three to seven years. In light of the expiry of the concession in November 2017, preparation work for negotiation for an extension with the Government of the State of Victoria is underway. The Melbourne metropolitan train network spans 16 lines and has grown through route expansion to 218 stations and covers 390 kilometres. The patronage on MTM was approximately 118.8 million in the first six months of 2016.

MTM also continues to participate in relevant works as tasked by the government in its role as the current Melbourne Metro franchise operator.

#### *Sydney*

On 16th September 2014, the New South Wales Government in Australia formally awarded to the Northwest Rapid Transit (NRT) consortium the Operations, Trains and Systems contract for the Sydney Metro Northwest (SMNW). The SMNW project is a PPP contract that includes design, construction, financing, operation and maintenance of a new 36-kilometre high capacity rapid transit rail line between Chatswood and Rouse Hill. MTR’s equity contribution to the SMNW project is approximately AU\$62.6 million.

The Company's partners in the consortium include John Holland, UGL Rail Services, Leighton Contractors and Plenary Group. The design and construction part of the contract is targeting for completion in 2019, and covers the installation of tracks, signalling and mechanical and electrical systems; procurement of new generation rapid transit trains; and building eight new railway stations, associated car parking facilities and a stabling and maintenance depot. Upon completion, the operation and maintenance part of NRT will be taken over by Metro Trains Sydney, of which MTR owns 60% interest, for 15 years with services scheduled to start in the first half of 2019.

Separately, the Sydney Metro City and Southwest project (SMCSW), a 29-kilometre extension from Chatswood Station of SMNW through a new Sydney Harbour crossing to Bankstown, is expected to commence construction in 2017 and full-line operation in 2024. The Company, being a member of the consortium of the SMNW project, is considering potential participation in the SMCSW project.

### ***Consultancy***

Since 1998, the Company has been involved in consultancy contracts in Hong Kong as well as in various overseas cities. For example, in Hong Kong, the Airport Authority has contracted the Company to maintain the automated people mover at the Hong Kong International Airport since 2002. The contract was extended for a further seven-year period ending in 2020. In Macao, the Company is providing management and technical support service for the Macao Light Rapid Transit project to the Government of the Macao Special Administrative Region since October 2015.

### **Board and Management**

The management of the Company's business is vested in the Board. The Board has delegated the day-to-day management of the Company's business to the Executive Committee but the Board has reserved certain powers to itself. The members of the Executive Committee are senior full-time employees of the Company.

On 7th July 2015 and pursuant to Article 117 of the Articles of Association, the FSI appointed Professor Frederick Ma Si-hang, a Member of the Board, as the Chairman of the Company with effect from 1st January 2016. On 30th November 2015, Professor Ma was re-designated as a non-executive Director of the Company from an independent non-executive Director of the Company. Dr Raymond Ch'ien Kuo-fung retired from the position of the Chairman and as a member of the Board when his tenure ended on 31st December 2015.

The present members of the Board and the present members of the Executive Committee are as follows:

#### ***Members of the Board***

Professor Frederick Ma Si-hang (non-executive Chairman)

Lincoln Leong Kwok-kuen (Chief Executive Officer)

Pamela Chan Wong Shui (independent non-executive Director)

Dr Dorothy Chan Yuen Tak-fai (independent non-executive Director)

Vincent Cheng Hoi-chuen (independent non-executive Director)

Anthony Chow Wing-kin (independent non-executive Director)

Dr Eddy Fong Ching (independent non-executive Director)

James Kwan Yuk-choi (independent non-executive Director)

Lau Ping-cheung, Kaizer (independent non-executive Director)

Lucia Li Li Ka-lai (independent non-executive Director)

Alasdair George Morrison (independent non-executive Director)

Ng Leung-sing (independent non-executive Director)

Abraham Shek Lai-him (independent non-executive Director)

Benjamin Tang Kwok-bun (independent non-executive Director)

Dr Allan Wong Chi-yun (independent non-executive Director)

Professor Chan Ka-keung, Ceajer, Secretary for Financial Services and the Treasury, Government  
(non-executive Director)

Secretary for Transport and Housing, Government (being Professor Anthony Cheung Bing-leung)  
(non-executive Director)

Permanent Secretary for Development (Works), Government (being Hon Chi-keung) (non-executive  
Director)

Commissioner for Transport, Government (being Ingrid Yeung Ho Poi-yan) (non-executive Director)

Pursuant to Section 8 of the Mass Transit Railway Ordinance, the Chief Executive of Hong Kong has the power to appoint up to three persons as “additional directors” of the Company. The offices of the Secretary for Transport and Housing (currently occupied by Professor Anthony Cheung Bing-leung), the Permanent Secretary for Development (Works) (currently occupied by Hon Chi-keung) and the Commissioner for Transport (currently occupied by Ingrid Yeung Ho Poi-yan) have been appointed as “additional directors”.

*Members of the Executive Committee*

The Executive Committee comprises all Members of the Executive Directorate:

Lincoln Leong Kwok-kuen, Chief Executive Officer

Jacob Kam Chak-pui, Managing Director – Operations and Mainland Business

Margaret Cheng Wai-ching, Human Resources Director

Morris Cheung Siu-wa, President of MTR Academy

Peter Ronald Ewen, Engineering Director

Herbert Hui Leung-wah, Finance Director

Adi Lau Tin-shing, Operations Director

Gillian Elizabeth Meller, Legal and European Business Director

Linda So Ka-pik, Corporate Affairs Director

David Tang Chi-fai, Property Director

Philco Wong Nai-keung, Projects Director



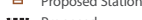
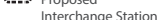


Jeny Yeung Mei-chun, Commercial Director

## **Employees**

Together with its controlled subsidiaries, the Company employs 17,411 persons in Hong Kong and 8,672 persons outside of Hong Kong as of the end of June 2016. The Company consults staff when formulating major policies that may affect them through a well-established staff consultation mechanism, comprising Joint Consultative Committees (“JCCs”) and a Staff Consultative Council (“SCC”). JCCs, first established in 1980, are chaired by respective department/section heads and meet periodically to discuss departmental/sectional issues such as improving work methods. Chaired by the Company’s Human Resources Director, the SCC is a single Company-wide body which provides an effective channel between management and staff to discuss matters of mutual concern, including pay and benefits and other matters of Company-wide interest. Currently, there are over 40 JCCs and more than 800 staff representatives directly elected by staff. There are 48 SCC Councillors and Deputy Councillors who are elected amongst the JCC staff representatives.

# Hong Kong Operating Network with Future Extensions

## Legend

-  Station
-  Interchange Station
-  Proposed Station
-  Proposed Interchange Station
-  Shenzhen Metro Network
-  \* Racing days only

## Existing Network

-  Airport Express
-  Disneyland Resort Line
-  East Rail Line
-  Island Line
-  Kwun Tong Line
-  Light Rail
-  Ma On Shan Line
-  Tseung Kwan O Line
-  Tsuen Wan Line
-  Tung Chung Line
-  West Rail Line

## Potential Future Extensions under Railway Development Strategy 2014

-  Northern Link and Kwu Tung Station
-  Tuen Mun South Extension
-  East Kowloon Line
-  Tung Chung West Extension and Possible Tung Chung East Station
-  Hung Shui Kiu Station
-  South Island Line (West)
-  North Island Line

## Projects in Progress

-  Guangzhou-Shenzhen-Hong Kong Express Rail Link
-  South Island Line (East)
-  Shatin to Central Link (Phase I)
-  Shatin to Central Link (Phase II)

## Properties Owned / Developed / Managed by the Corporation

- 01 Telford Gardens / Telford Plaza I and II
- 02 World-wide House
- 03 Admiralty Centre
- 04 Argyle Centre
- 05 Luk Yeung Sun Chuen / Luk Yeung Galleria
- 06 New Kwai Fong Gardens
- 07 Sun Kwai Hing Gardens
- 08 Fairmont House
- 09 Kornhill / Kornhill Gardens
- 10 Fortress Metro Tower
- 11 Hongway Garden / Infinitus Plaza
- 12 Perfect Mount Gardens
- 13 New Jade Garden
- 14 Southorn Garden
- 15 Heng Fa Chuen / Heng Fa Villa / Paradise Mall
- 16 Park Towers
- 17 Felicity Garden
- 18 Tierra Verde / Maritime Square
- 19 Tung Chung Crescent / Citygate / Novotel Citygate / Seaview Crescent / Coastal Skyline / Caribbean Coast
- 20 Central Park / Island Harbourview / Park Avenue / Harbour Green / Bank of China Centre / HSBC Centre / Olympian City One / Olympian City Two
- 21 The Waterfront / Sorrento / The Harbourside / The Arch / Elements / The Cullinan / The Harbourview Place / W Hong Kong / International Commerce Centre / The Ritz-Carlton, Hong Kong
- 22 One International Finance Centre / Two International Finance Centre / IFC Mall / Four Seasons Hotel / Four Seasons Place
- 23 Central Heights / The Grandiose / The Wings / PopCorn 1 / PopCorn 2 / Crowne Plaza Hong Kong Kowloon East / Holiday Inn Express Hong Kong Kowloon East / Vegas Suites
- 24 Residence Oasis / The Lane
- 25 No.8 Clear Water Bay Road / Choi Hung Park & Ride
- 26 Metro Town

- 27 Royal Ascot / Plaza Ascot
- 28 Ocean Walk
- 29 Sun Tuen Mun Centre / Sun Tuen Mun Shopping Centre
- 30 Hanford Garden / Hanford Plaza
- 31 Citylink Plaza
- 32 MTR Hung Hom Building / Hung Hom Station Carpark
- 33 Trackside Villas
- 34 The Capitol / Le Prestige / Hemera
- 35 The Palazzo
- 36 Lake Silver
- 37 Festival City
- 38 The Riverpark
- 39 Century Gateway
- 42 The Austin / Grand Austin
- 45 City Point

## Property Developments Under Construction / Planning

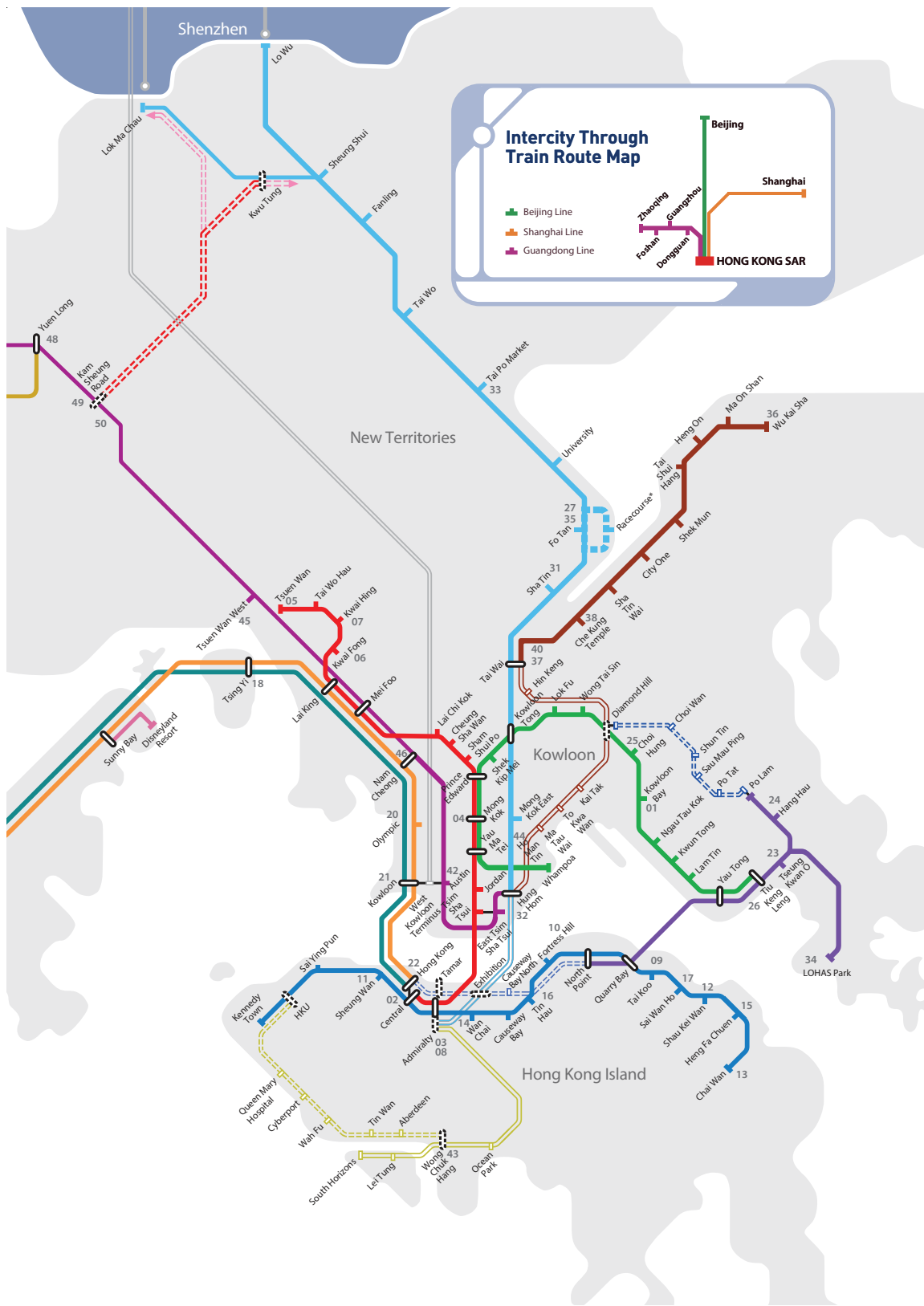
- 34 LOHAS Park Packages
- 40 Tai Wai Station
- 41 Tin Wing Stop
- 43 Wong Chuk Hang Station
- 44 Ho Man Tin Station

## West Rail Line Property Developments (As Agent for the Relevant Subsidiaries of KCRC)

- 39 Century Gateway
- 45 Tsuen Wan West Station (TW5) Bayside / Tsuen Wan West Station (TW5) Cityside / Tsuen Wan West Station (TW6) / City Point
- 46 Nam Cheong Station
- 47 The Spectra / Long Ping Station (South)
- 48 Yuen Long Station
- 49 Kam Sheung Road Station
- 50 Pat Heung Maintenance Centre







# **MTR Corporation (C.I.) Limited**

## **General Information**

MTR Cayman is an exempted company with limited liability organised under the laws of the Cayman Islands and incorporated pursuant to the Companies Law (Chapter 22 of the Laws of the Cayman Islands) (with company number CR-105435) on 30th October 2000 for an unlimited period and is a wholly-owned subsidiary of MTRCL. MTR Cayman is a special purpose financing vehicle whose sole purpose and activity is the issuing of debt securities, the net proceeds of which are on-lent to MTRCL. MTR Cayman does not sell any products or provide any services.

MTR Cayman's registered office in the Cayman Islands is c/o Maples Corporate Services Limited, P.O. Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. MTR Cayman's principal place of business in Hong Kong is MTR Headquarters Building, Telford Plaza, Kowloon Bay, Kowloon, Hong Kong.

## **Board and Management**

The management of MTR Cayman is vested in its Board of Directors, which comprises:

### ***Board of Directors***

Herbert Hui Leung-wah, Director, Joint Chief Executive Officer, Finance Director and Chief Financial Officer

Gillian Elizabeth Meller, Director, Joint Chief Executive Officer and Company Secretary

Kwan Wai-hung, Director, Financial Controller and Treasurer

None of the members of the Board has any shares, options or other beneficial interests in the shares of MTR Cayman.

Both Ms Gillian Elizabeth Meller and Mr Herbert Hui Leung-wah are members of the Executive Committee of MTRCL. Mr Kwan Wai-hung is Treasurer of MTRCL. The business address of each of the members of the Board and the Company Secretary of MTR Cayman is MTR Headquarters Building, Telford Plaza, Kowloon Bay, Kowloon, Hong Kong.

## **Capitalisation and Indebtedness**

MTR Cayman has an authorised share capital of US\$50,000, comprising 50,000 shares of US\$1 par value each. Its issued share capital as at 31st December 2015 was US\$1,000, consisting of 1,000 shares of US\$1 each. MTR Cayman had outstanding borrowings of HK\$13 billion as at 31st December 2015. All the borrowings were the subject of an unconditional and irrevocable guarantee by MTRCL and were unsecured. As at 31st December 2015 there were no contingent liabilities and guarantees. MTR Cayman has issued notes with an aggregate amount of HK\$2,671 million for the period between 1st January 2016 to 30th June 2016 and there has been no issue of notes between 1st July 2016 and 30th September 2016. The proceeds from such issue were on lent to MTRCL.

Save as mentioned above, MTR Cayman has undertaken no business activities since the date of its incorporation, other than those incidental to its incorporation and establishment as a subsidiary of MTRCL. Save as mentioned above, there has been no material change to the capitalisation and indebtedness or contingent liabilities and guarantees of MTR Cayman since 31st December 2015.

## Capitalisation and Indebtedness

### MTR Corporation Limited

The following table shows the consolidated capitalisation and indebtedness of MTRCL and its subsidiaries (the “Group”) derived from the unaudited interim consolidated financial statements as at 30th June 2016:

	As at 30th June 2016 <i>(HK\$ million)</i>
<b>Short-Term Debt, including current portion of long-term debt</b>	
Overdraft .....	—
Loans in Hong Kong dollars, current portion .....	2,106
Loans in other currencies, current portion <sup>(1)</sup> .....	255
Debt Issuance Programme Notes due in 12 months .....	6,256
<b>Total short-term debt<sup>(2)(5)</sup> .....</b>	<b>8,617</b>
<b>Long-Term Debt, less current portion</b>	
Loans in Hong Kong dollars .....	3,500
Loans in other currencies <sup>(1)</sup> .....	3,065
Debt Issuance Programme Notes due over 12 months .....	11,458
<b>Total long-term debt<sup>(2)(5)</sup> .....</b>	<b>18,023</b>
Sub-total .....	26,640
Unamortised discount/premium/finance charges outstanding .....	(159)
Adjustment due to fair value change of financial instruments <sup>(6)</sup> .....	(341)
<b>Total carrying amount of debt .....</b>	<b>26,140</b>
<b>Equity</b>	
Share Capital 5,881,210,236 ordinary shares issued and fully paid .....	47,069
Shares held for Share Incentive Scheme .....	(222)
Fixed Assets Revaluation Reserve .....	2,982
Hedging Reserve .....	(83)
Employee Share-based Capital Reserve .....	151
Exchange Reserve .....	(442)
Retained Profits <sup>(7)</sup> .....	95,621
Total equity attributable to equity shareholders of the Company .....	145,076
Non-controlling interests .....	163
<b>Equity .....</b>	<b>145,239</b>
<b>Total Capitalisation and Indebtedness .....</b>	<b>171,379</b>

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Notes:

- (1) Major foreign currency debts were translated at the corresponding exchange rates for the foreign exchange contracts or currency swaps entered into by MTRCL, or the spot rate prevailing on 30th June 2016. The weighted averages of the foreign exchange contracts and currency swaps and the spot rates prevailing on 30th June 2016 were: HK\$7.7582 = US\$1; HK\$6.9421 = AU\$1; HK\$1.1677 = RMB1; and HK\$0.079148 = JPY1.
- (2) Total short-term and long-term debts of MTRCL are unsecured. All borrowings by MTR Cayman are subject to an unconditional and irrevocable guarantee by MTRCL.
- (3) The consolidated capitalisation and indebtedness table of the Group does not include the capital of an associate, Octopus Holdings Limited and its subsidiaries (“OHL Group”), as MTRCL does not have effective control over the boards of the OHL Group.
- (4) There were no material hire purchase agreements, contingent liabilities or guarantees outstanding as at 30th June 2016.
- (5) During the period between 1st July 2016 and 30th September 2016, MTRCL made a net loan drawdown of approximately HK\$6,325 million.
- (6) Being the change in fair value of derivative financial instruments recognised in accordance with the Hong Kong Accounting Standard 39 “Financial Instruments: Recognition and Measurement”.
- (7) An interim ordinary dividend of HK\$0.25 per share, which amounted to HK\$1,470 million, was declared on 9th August 2016 to be paid on or about 13th October 2016. A scrip dividend option is offered to all shareholders except for shareholder with registered addresses in the United States of America or any of its territories or possessions.
- (8) On 24th October 2016, MTR Cayman entered into a subscription agreement to issue a 10 year US\$600 million fixed rate notes (coupon rate of 2.5%) due in 2026, which are guaranteed by MTRCL. The issue of such notes is expected to complete on 2nd November 2016.
- (9) Save as disclosed in paragraphs (5) and (8) above, there has been no material change to the capitalisation and indebtedness of MTRCL since 30th June 2016.

## Form of Pricing Supplement

*Set out below is the Form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.*

[This document is for distribution to professional investors only (as defined in Chapter 37 of the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the “SEHK”) and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong)(together, “Professional Investors”). **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

**The SEHK has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme and the Notes on the SEHK is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer [and the Guarantor] or quality of disclosure in this document.** Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this document.

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on the SEHK for the purpose of giving information with regard to the Issuer [and the Guarantor]. The Issuer [and the Guarantor] accept(s) full responsibility for the accuracy of the information contained in this document and confirm(s), having made all reasonable enquiries, that to the best of [its] [their] knowledge and belief there are no other facts the omission of which would make any statement herein misleading.]\*

*[LOGO, if document is printed]*

**[MTR CORPORATION LIMITED/MTR CORPORATION (C.I.) LIMITED (as Issuer)]**

**[MTR Corporation Limited (as Guarantor)]**

**US\$4,000,000,000 Debt Issuance Programme**

SERIES NO: [     ]

TRANCHE NO: [     ]

[Brief Description and Principal Amount of Notes]

Issue Price: [     ] per cent.

[Dealer(s)]

The date of the Pricing Supplement is [     ]

\* Applicable for Notes to be listed on the SEHK only.

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 28th October 2016 [and the supplemental Offering Circular dated [●]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular dated [●].

*The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Offering Circular dated [original date] [and the supplemental Offering Circular dated [●]] which are incorporated by reference in the Offering Circular dated [●]. This Pricing Supplement constitutes the final terms of the Notes described herein and must be read in conjunction with the Offering Circular dated [●], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Pricing Supplement.]*

1. Issuer: [MTR Corporation Limited/MTR Corporation (C.I.) Limited]
2. [Guarantor: MTR Corporation Limited]
3. (i) Series Number: [●]  
(ii) Tranche Number: [●]  
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).
4. Specified Currency or Currencies: [●]
5. Aggregate Nominal Amount: [●]  
(i) Series: [●]  
[(ii) Tranche: [●]]
6. Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
7. (a) Specified Denominations: [●]  
*(in the case of Registered Notes, this means the minimum integral amount in which transfers can be made)* *(N.B. For Bearer Notes with a Specified Denomination and higher integral multiples above the minimum denomination, consider including language substantially to the following effect (however, appropriate amendments shall be made for different currencies):*  
*“[US\$200,000] and integral multiples of [US\$1,000] in excess thereof, up to and including [US\$399,000]. No definitive notes will be issued with a denomination above [US\$399,000].”*

*(N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the [US\$200,000] minimum denomination is not required.)*

- (b) Calculation Amount<sup>1</sup>:   
*(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: These must be a common factor in the case of two or more Specified Denominations.)*
8. (i) Issue Date:   
(ii) Interest Commencement Date: *[Specify/Issue Date/Not Applicable]*
9. Maturity Date: *[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]<sup>2</sup>*
10. Interest Basis:  per cent. Fixed Rate]  
*[Specify reference rate] +/-  per cent. Floating Rate]*  
[Zero Coupon]  
[Index Linked Interest]  
[Other (specify)]  
(further particulars specified below)
11. Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]  
[Dual Currency]  
[Partly Paid]  
[Instalment]  
[Other (specify)]
12. Change of Interest or Redemption/Payment Basis: *[specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*
13. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
14. (i) Status of the Notes: Senior  
(ii) [Status of the Guarantee: Senior]  
[(iii)] [Date of Board approval for issuance of Notes obtained:  [and , respectively]  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*
15. Method of distribution: [Syndicated/Non-syndicated]

<sup>1</sup> Note that for Notes which are lodged in CMU, the Calculation Amount will be based on the Specified Denomination. For Notes which are not lodged in CMU, the Calculation Amount will be based on the Aggregate Nominal Amount.

<sup>2</sup> Note that for Hong Kong dollar and Renminbi denominated Fixed Rate Notes where the Fixed Interest Dates are subject to modification it will be necessary to use the second option here.

## PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

### 16. Fixed Rate Note Provisions

- [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Fixed Rate[(s)] of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Fixed Interest Date(s): [●] in each year [adjusted in accordance with *[specify Business Day Convention and any applicable relevant Financial Centre(s) for the definition of "Business Day"]*/not adjusted]<sup>3</sup>
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount<sup>4</sup>  
(Applicable to Notes in Definitive Form)
- (iv) Broken Amount(s): *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s)]* per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] [Not Applicable]
- (v) Day Count Fraction *(if different from that specified in Condition 5(a))*: [●]  
*(Day count fraction should be Actual/Actual-ICMA for all fixed rate issues other than those denominated in US dollars or Hong Kong dollars, unless otherwise requested)*
- (vi) Determination Dates: [●] in each year
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]

### 17. Floating Rate Note Provisions

- [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Period(s): [●]
- (ii) Interest Payment Dates: [●]
- (iii) First Interest Payment Date: [●]
- (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]

<sup>3</sup> (i) Note that for certain Hong Kong dollar and Renminbi denominated Fixed Rate Notes the Fixed Interest Dates are subject to modification and the following words should be added: "provided that if any Fixed Interest Date falls on a day which is not a Business Day, the Fixed Interest Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Fixed Interest Date shall be brought forward to the immediately preceding Business Day. For these purposes, "Business Day" means a day on which commercial banks are open for business and foreign exchange markets settle payments in Hong Kong and [●] [on which commercial banks in Hong Kong are open for business and settlement of Renminbi payments]."

(ii) Note that for US dollar denominated Fixed Rate Notes, the Modified Following Business Day Convention is not applicable and condition 7(c) of the Terms and Conditions will apply.

<sup>4</sup> For Hong Kong dollar and Renminbi denominated Fixed Rate Notes where the Fixed Interest Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Specified Denomination by the Day Count Fraction and rounding the resultant figure to the nearest [[HK\$0.01, HK\$0.005 being rounded upwards]/[RMB0.01, RMB0.005 being rounded upwards]]. For the purposes of this paragraph and the Day Count Fraction referred to herein, "Calculation Date" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Fixed Interest Date and each successive period beginning on (and including) a Fixed Interest Date and ending on (but excluding) the next succeeding Fixed Interest Date."



- (v) Relevant Financial Centre(s) (Condition 5(b)(i)(B)): [●]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Page/other (*give details*)]
- (vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): [●]
- (viii) Screen Determination (Condition 5(b)(iv)):
  - Relevant Time: [●]
  - Interest Determination Date: [●]
  - Primary Source for Floating Rate: [●]
  - Reference Banks (if Primary Source is “Reference Banks”): [●]
  - Relevant Financial Centre: [The financial centre most closely connected to the Benchmark – *specify if not London*]
  - Benchmark: [LIBOR, LIBID, LIMEAN, EURIBOR, HIBOR, CNH HIBOR or other benchmark]
  - Representative Amount: [*Specify if screen or Reference Bank quotations are to be given in respect of a transaction of a specified nominal amount*]
  - Effective Date: [*Specify if quotations are not to be obtained with effect from the commencement of the Interest Accrual Period*]
  - Specified Duration: [*Specify period for quotation if not duration of Interest Accrual Period*]
- (ix) ISDA Determination:
  - Floating Rate Option: [●]
  - Designated Maturity: [●]
  - Reset Date: [●]
- (x) Margin(s): [+/-][●] per cent. per annum
- (xi) Minimum Rate of Interest: [●] per cent. per annum
- (xii) Maximum Rate of Interest: [●] per cent. per annum
- (xiii) Day Count Fraction (if different from that specified in Condition 5(b)(vi)): [●]
- (xiv) Rate Multiplier: [●]
- (xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [●]

**18. Zero Coupon Note Provisions**

[Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Accrual Yield (Condition 6(e)(iii)): [●] per cent. per annum
- (ii) Reference Price (Condition 6(e)(iii)): [●]
- (iii) Day Count Fraction: [●]
- (iv) Any other formula/basis of determining amount payable: [●]

- 19. Index-Linked Interest Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*  
*[give or annex details]*
- (i) Index/Formula/other variable: [●]
  - (ii) Calculation Agent responsible for calculating the interest due: [●]
  - (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: [●]
  - (iv) Determination Date(s): [●]
  - (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [●]
  - (vi) Interest Period(s): [●]
  - (vii) Interest Payment Dates: [●]
  - (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
  - (ix) Relevant Financial Centre(s): [●]
  - (x) Minimum Rate of Interest: [●] per cent. per annum
  - (xi) Maximum Rate of Interest: [●] per cent. per annum
  - (xii) Day Count Fraction: [●]

- 20. Dual Currency Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*  
*[give details]*
- (i) Rate of Exchange/Method of calculating Rate of Exchange: [●]
  - (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [●]
  - (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
  - (iv) Person at whose option Currency(ies) is/are payable: [●]
  - (v) Day Count Fraction: [●]

## PROVISIONS RELATING TO REDEMPTION

- 21. Call Option** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]

- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
  - (iii) If redeemable in part:
    - (a) Minimum Redemption Amount: [●]
    - (b) Maximum Redemption Amount: [●]
  - (iv) Notice period (If other than as set out in the Conditions): <sup>5</sup> [●]
- 22. Put Option** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]
  - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
  - (iii) Option Exercise Date(s): [●]
  - (iv) Description of any other Noteholders' option: [●]
  - (v) Notice period:<sup>5</sup> [●]
- 23. Final Redemption Amount of each Note** [[●] per Calculation Amount/[●]]  
 In cases where the Final Redemption Amount is Index- Linked or other variable-linked:
- (i) Index/Formula/variable: *[give or annex details]*
  - (ii) Calculation Agent responsible for calculating the Final Redemption Amount: [●]
  - (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [●]
  - (iv) Determination Date(s): [●]
  - (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [●]
  - (vi) Minimum Final Redemption Amount: [●]
  - (vii) Maximum Final Redemption Amount: [●]

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<sup>5</sup> (N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or the Trustee.)

**24. Early Redemption Amount**

- (i) Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): [●] per Calculation Amount
- (ii) Redemption for taxation reasons permitted on days other than Interest Payment Dates (Condition 6(b)): [Yes/No]
- (iii) Unmatured Coupons to become void upon early redemption (Bearer Notes only) (Condition 7(b)): [Yes/No/Not Applicable]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

**25. Form of Notes:**

[Bearer Notes/Exchangeable Bearer Notes/Registered Notes]  
[Delete as appropriate]  
[Temporary Global Note exchangeable for a permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/in the limited circumstances specified in the permanent Global Note]  
[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]  
[Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/in the limited circumstances specified in the permanent Global Note]  
[Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Global Note]  
N.B. If the Specified Denomination of the Notes in paragraph 7 includes language substantially to the following effect: "[US\$200,000] and integral multiples of [US\$1,000] in excess thereof up to and including [US\$399,000]", the exchange upon notice option should not be expressed to be applicable.

- 26. Business Day Jurisdiction(s) (Condition 7(c) or other special provisions relating to Payment Dates): [Not Applicable/give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 16(ii), 17(iv) and 19(ix) relate]
- 27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
- 28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]

29. Details relating to Instalment [Not Applicable/*give details*]  
Notes: amount of each instalment, date  
on which each payment is to be made:  
(i) Instalment Amount(s): [●]  
(ii) Instalment Date(s): [●]  
(iii) Minimum Instalment Amount: [●]  
(iv) Maximum Instalment Amount: [●]
30. Redenomination, renominatisation and [Not Applicable/The provisions [in Condition [●] apply]  
reconventioning provisions:
31. Consolidation provisions: [Not Applicable/The provisions [in Condition [●] apply]
32. Use of proceeds: [As per Offering Circular/[●]]
33. Other terms:<sup>6</sup> [Not Applicable/*give details*]

## DISTRIBUTION

34. (i) If syndicated, names and [Note Applicable/*give names, addresses and underwriting  
commitments*]  
addresses of Managers and  
underwriting commitments:  
  
*(Include names and addresses of entities agreeing to underwrite  
the issue on a firm commitment basis and names and addresses  
of the entities agreeing to place the issue without a firm  
commitment or on a “best efforts” basis if such entities are not  
the same as the Managers.)*
- (ii) Date of Subscription Agreement: [●]  
(iii) Stabilising Manager(s) (if any): [Not Applicable/*give name*]
35. If non-syndicated, name and address of [Not Applicable/*give name and address*]  
Dealer:
36. Total commission and concession: [●] per cent. of the Aggregate Nominal Amount
37. US Selling Restrictions: [Reg S. Category 2/TEFRA C/TEFRA D/TEFRA not  
applicable]
38. Additional selling restrictions: [●]

<sup>6</sup> If full terms and conditions are to be used, please add the following here: The full text of the Conditions which apply to the Notes [and which will be endorsed on the Notes in definitive form] are set out in [the Annex hereto], which Conditions replace in their entirety those appearing in the Offering Circular for the purposes of these Notes and such Conditions will prevail over any other provision to the contrary. The first set of bracketed words is to be deleted where there is a permanent global Note instead of Notes in definitive form. The full Conditions should be attached to and form part of the Final Terms.

## GENERAL AND OPERATIONAL INFORMATION

39. Listing: [Hong Kong/specify other/None]

40. Rating: [●]

41. ISIN Code: [●]

42. Common Code: [●]

43. CMU Instrument No.: [●]

[If using CMU insert the following: CMU acts as a central custodian and clearing agent for Hong Kong dollar denominated debt instruments. The Global Notes will be lodged with CMU and deposited with The Hongkong and Shanghai Banking Corporation Limited as sub-custodian for CMU upon settlement. Thereafter transfers of interests in the Notes are made by computer book entry without the need for physical delivery of definitive notes. Euroclear and Clearstream both maintain accounts with CMU, and members of these clearing systems can hold interests in instruments lodged with CMU through this mechanism. Transfers of interests in the Global Notes will be made in accordance with CMU Rules. Investors should be aware that transfers of interests between members of Euroclear or Clearstream on the one hand, and CMU on the other hand, may be subject to a one day delay for clearance.]  
[Specify whether CMU DvP facility will be utilised.]

44. Any clearing system(s) other than Euroclear Bank SA/NV, Clearstream Banking, S.A. and the Central Moneymarkets Unit Service and the relevant identification number(s): [Not Applicable/give name(s) and number(s) and address(es)]

45. Delivery: Delivery [against/free of] payment

46. Names and addresses of additional Paying Agent(s) (if any): [●]

47. Other Terms: [●]

48. Net Proceeds: [●]

**LISTING APPLICATION** *[Only include for listed notes]*

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the US\$4,000,000,000 Debt Issuance Programme of MTR Corporation Limited and MTR Corporation (C.I.) Limited.

**RESPONSIBILITY**

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By:

Duly authorised

[Signed on behalf of the Guarantor:

By:

Duly authorised]

## PRC Currency Controls

*The following is a general description of certain currency controls in the PRC and is based on the law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, and does not constitute legal advice. It does not purport to be a complete analysis of all applicable currency controls in the PRC relating to the Notes. Prospective holders of Notes who are in any doubt as to PRC currency controls are advised to consult their own professional advisers.*

The Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to controls imposed under PRC law.

### **Current Account Items**

Under PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. Since July 2009, the PRC has commenced a scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. On 17th June 2010, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Program of Renminbi Settlement of Cross-Border Trades (Yin Fa (2010) No. 186), pursuant to which (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts was expanded to cover 20 provinces including Beijing, Shanghai, Tianjin, Chongqing, Guangdong, Jiangsu, Zhejiang, Liaoning, Shandong and Sichuan, (iii) the restriction on designated offshore districts was lifted, and (iv) any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports of goods, provided that the relevant provincial government has submitted to PBOC and five other PRC authorities (the “Six Authorities”) a list of key enterprises subject to supervision and the Six Authorities have verified and signed off such list (the “Supervision List”). On 12th June 2012, the PBOC issued a notice stating that the Six Authorities had jointly verified and announced a Supervision List and as a result any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports.

On 5th July 2013, the PBOC promulgated the “Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures” (the “2013 PBOC Circular”) with the intent to improve the efficiency of cross border Renminbi settlement and facilitate the use of RMB for the settlement of cross border transactions under current accounts or capital accounts. In particular, the 2013 PBOC Circular simplifies the procedures for cross border Renminbi trade settlement under current account items. For example, PRC banks may conduct settlement for PRC enterprises upon the PRC enterprises presenting the payment instruction, with certain exceptions. PRC banks may also



allow PRC enterprises to make/receive payments under current account items prior to the relevant PRC bank's verification of underlying transactions (noting that verification of underlying transactions is usually a precondition for cross border remittance).

On 1st November 2014, the PBOC promulgated the "Circular on Matters concerning Centralized Cross-Border Renminbi Fund Operation Conducted by Multinational Enterprise Groups" (the "2014 PBOC Circular"). The 2014 PBOC Circular introduces a cash pooling arrangement for qualified multinational enterprise group companies, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group.

On 5th September 2015, the PBOC promulgated the "Circular on Further Facilitating the Cross-Border Bi-directional Renminbi Cash Pooling Business by Multinational Enterprise Groups" (the "2015 PBOC Circular") which, among others, lowers the eligibility requirements for multinational enterprise groups and increases the cap for net cash inflow. The 2015 PBOC Circular also provides that enterprises in the Free Trade Pilot Zone ("FTZ") may establish an additional cash pool in the local scheme in the FTZ, but each onshore company within the group may only elect to participate in one cash pool.

The regulations referred to above will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these regulations and impose conditions for settlement of current account items.

### **Capital Account Items**

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities.

Prior to October 2011, capital account items of foreign invested entities were generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) were generally required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or any other relevant PRC parties were also generally required to make capital item payments, including proceeds from liquidation, transfer of shares, reduction of capital in a foreign currency. That said, the relevant PRC authorities might approve a foreign entity to make a capital contribution or a shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise might also be required to complete registration and verification process with the relevant PRC authorities before such Renminbi remittances.

On 25th February 2011, MOFCOM promulgated the Notice of MOFCOM on relevant issues in relation to administration on foreign investment ("MOFCOM Notice"). The MOFCOM Notice states that if a foreign investor intends to make investments in the PRC (whether by way of establishing a new

enterprise, increasing the registered capital of an existing enterprise, acquiring an onshore enterprise or providing loan facilities) with Renminbi that it has generated from cross-border trade settlement or that it has lawfully obtained outside the PRC, MOFCOM's prior written consent is required.

On 7th April 2011, SAFE promulgated the SAFE Circular (as defined on page 28), which became effective on 1st May 2011. According to the SAFE Circular, in the event that foreign investors intend to use cross-border Renminbi (including offshore Renminbi and onshore Renminbi held in the capital accounts of the non-PRC residents) to make equity and debt contribution to an onshore enterprise or make payment for the transfer of equity interest of an onshore enterprise by a PRC resident, such onshore enterprise shall be required to submit the relevant MOFCOM's prior written consent to the relevant local branches of SAFE of such onshore enterprise and register for foreign invested enterprise status. Further, the SAFE Circular also sets out that the foreign debts in cross-border Renminbi sustained by onshore institutions (including financial institutions) shall still be subject to the current PRC laws and regulation on foreign debts supervision.

On 3rd June 2011, PBOC issued the Notice on Clarifying Issues Relating to Cross-border RMB Transactions ("PBOC Notice") which provides that the pilot programme of foreign direct investment in RMB will be launched on a case by case basis, and approval by the PBOC is required for foreign direct investment in RMB. For industries under restrictions or strictly regulated by the PRC government, foreign direct investment in RMB is prohibited.

On 13th October 2011, PBOC issued the PBOC RMB FDI Measures (as defined on page 29), pursuant to which, PBOC special approval for RMB FDI and shareholder loans, which is required by the PBOC Notice, is no longer necessary. The PBOC RMB FDI Measures provide that, among others, foreign invested enterprises are required to conduct registrations with the local branch of PBOC within ten working days after obtaining the business licenses for the purpose of RMB settlement, a foreign investor is allowed to open a RMB expense account (人民幣前期費用專用存款賬戶) to reimburse some expenses before the establishment of a foreign invested enterprise and the balance in such an account can be transferred to the RMB capital account (人民幣資本金專用存款賬戶) of such foreign invested enterprise when it is established, commercial banks can remit a foreign investor's RMB proceeds from distribution (dividends or otherwise) by its PRC subsidiaries out of the PRC after reviewing certain requisite documents, if a foreign investor intends to use its RMB proceeds from distribution (dividends or otherwise) by its PRC subsidiaries, the foreign investor may open a RMB re-investment account (人民幣再投資專用賬戶) to pool the RMB proceeds, and the PRC parties selling stake in domestic enterprises to foreign investors can open RMB accounts and receive the purchase price in RMB paid by foreign investors. The PBOC RMB FDI Measures also state that the foreign debt quota of a foreign invested enterprise constitutes its RMB debt and foreign currency debt from its offshore shareholders, offshore affiliates and offshore financial institutions, and a foreign invested enterprise may open a RMB account (人民幣一般存款賬戶) to receive its RMB proceeds borrowed offshore by submitting the RMB loan contract to the commercial bank and make repayments of principal of and interest on such debt in RMB by submitting certain documents as required to the commercial bank.

On 14th June 2012, the PBOC promulgated the “Notice on Implementation Rules of Renminbi settlement in Relation to Foreign Direct Investment which stipulated detailed provisions on the PBOC FDI Measures.

On 19th November 2012, the SAFE promulgated the SAFE Circular on DI (as defined on page 29), which became effective on 17th December 2012. According to the SAFE Circular on DI, the SAFE removes or adjusts certain administrative licensing items with regard to foreign exchange administration over direct investments to promote investment, including, but not limited to, the abrogation of SAFE approval for opening of and payment into foreign exchange accounts under direct investment accounts, the abrogation of SAFE approval for reinvestment with legal income generated within the PRC of foreign investors, the simplification of the administration of foreign exchange reinvestments by foreign investment companies, and the abrogation of SAFE approval for purchase and external payment of foreign exchange under direct investment accounts.

On 3rd December 2013, MOFCOM issued the MOFCOM RMB FDI Circular (as defined on page 29), which became effective on 1st January 2014. Pursuant to the MOFCOM RMB FDI Circular, the 2011 MOFCOM Circular (as defined on page 29) ceased to be effective. The MOFCOM RMB FDI Circular further requires that the currently effective PRC laws and regulations governing foreign investment sector shall be applicable to foreign direct investments made in RMB, which means the preliminary approval by the provincial counterpart of MOFCOM and the consent of MOFCOM for exceptional cases under the 2011 MOFCOM Circular are no longer required. Unlike the 2011 MOFCOM Circular, the MOFCOM RMB FDI Circular has also removed the approval requirement for foreign investors who intend to change the currency of their existing capital contribution from a foreign currency to RMB. The MOFCOM RMB FDI Circular reiterates the position that the proceeds of RMB FDI cannot be invested, either directly or indirectly, in securities or financial derivatives (except for the strategic investment in PRC domestic listed companies) and entrusted loans in the PRC.

According to the 2015 PBOC Circular, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives or non-self-use real estates, or to purchase wealth management products or extend loans to enterprises outside the group.

As new promulgations, the measures and circulars referred to above will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

# Taxation

*The following is a general description of certain tax considerations relating to the Notes and is based on law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective holders of Notes who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction are advised to consult their own professional advisers.*

## Hong Kong Taxation

### *Withholding Tax*

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

### *Profits Tax*

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Notes is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a company, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or
- (iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112 of the Laws of Hong Kong)) and arises through or from the carrying on by the financial institution of its business in Hong Kong, notwithstanding that the moneys in respect of which the interest is received or accrues are made available outside Hong Kong.

Pursuant to the Exemption from Profits Tax (Interest Income) Order, interest income accruing on or after 22nd June 1998 to a person other than a financial institution on deposits (denominated in any currency) placed with, inter alia, a financial institution in Hong Kong is exempt from the payment of Hong Kong profits tax. This exemption does not apply, however, to deposits that are used to guarantee money borrowed in certain circumstances.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of Bearer Notes will be subject to profits tax.

Sums derived from the sale, disposal or redemption of Bearer Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source. Sums received by or accrued to a corporation (other than a financial institution) by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (as defined in section 16(3) of the Inland Revenue Ordinance) from the sale, disposal or redemption of Bearer Notes will be subject to profits tax. Similarly, such sums in respect of Registered Notes received by or accrued to either the aforementioned person and/or a financial institution will be subject to Hong Kong profits tax if such sums have a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed.

#### *Stamp Duty*

Stamp duty may be payable on the issue of Bearer Notes if they are issued in Hong Kong. Stamp duty will not be payable on the issue of Bearer Notes provided either:

- (i) such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117 of the Laws of Hong Kong)).

If stamp duty is payable it is payable by the Issuer on issue of Bearer Notes at a rate of 3 per cent. of the market value of the Notes at the time of issue.

No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfers of Registered Notes provided either:

- (i) the Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) the Registered Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117 of the Laws of Hong Kong)).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the value of the consideration. If, in the case of either the sale or purchase of such Registered Notes, stamp duty is not paid, both the seller and the purchaser may be

liable jointly and severally to pay any unpaid stamp duty and also any penalties for late payment. If stamp duty is not paid on or before the due date (two days after the sale or purchase if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to 10 times the duty payable may be imposed. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

### **Cayman Islands Taxation**

The Cayman Islands currently have no exchange control restrictions and no income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax applicable to the relevant Issuer, (where MTR Cayman is the relevant Issuer) the Guarantor or any holder of Notes. Accordingly, payment of principal of (including any premium) and interest on, and any transfer or conversion of the securities will not be subject to taxation in the Cayman Islands, no Cayman Islands withholding tax will be required on such payments to any holder of a security and gains derived from the sale of securities will not be subject to Cayman Islands capital gains tax. The Cayman Islands are not party to a double taxation treaty with any country that is applicable to any payments made to or by MTR Cayman.

MTR Cayman has received an undertaking dated 28th November 2000 from the Governor-in-Council of the Cayman Islands that, in accordance with section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, for a period of 20 years from the date of the undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to MTR Cayman or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on or in respect of the shares, debentures or other obligations of MTR Cayman or (ii) by way of the withholding in whole or in part of a payment of dividend or other distribution of income or capital by MTR Cayman to its members or a payment of principal or interest or other sums due under a debenture or other obligation of MTR Cayman.

No stamp duties or similar taxes or charges are payable under the laws of the Cayman Islands in respect of the execution and issue of the Notes unless they are executed in or brought (for example, for the purposes of enforcement) into the jurisdiction of the Cayman Islands, in which case stamp duty of 0.25% of the face amount thereof is payable on each Note (up to a maximum of C.I.\$250 (approximately US\$305)) unless stamp duty of C.I.\$500 (approximately US\$610) has been paid in respect of the entire issue of each Tranche. An instrument of transfer in respect of a Note if executed in or brought within the jurisdiction of the Cayman Islands will attract a Cayman Islands stamp duty of C.I.\$100 (approximately US\$122).

## Subscription and Sale

Subject to the terms and conditions contained in the Programme Agreement dated 28th October 2016 (as further amended, supplemented, novated or restated from time to time) (the “Programme Agreement”) between MTRCL, MTR Cayman and Australia and New Zealand Banking Group Limited, Barclays Bank PLC, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Citigroup Global Markets Limited, Deutsche Bank AG, Singapore Branch, Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc, Merrill Lynch International, Mizuho Securities Asia Limited, Morgan Stanley & Co. International plc, MUFG Securities EMEA plc, Nomura International plc, Standard Chartered Bank (Hong Kong) Limited, UBS AG, Hong Kong Branch and Westpac Banking Corporation (together with any further financial institution appointed as a dealer under the Programme Agreement, the “Dealers”), the Issuers may agree to issue and the Dealers may agree to purchase or procure purchasers for Notes. The Programme Agreement also provides for Notes to be issued in Tranches which are jointly and severally underwritten by two or more Dealers or such purchasers.

The relevant Issuer failing whom the Guarantor (if applicable) will pay a Dealer a commission in respect of Notes subscribed by it. The Issuers and the Guarantor have agreed, pursuant to the Programme Agreement, to reimburse the Dealers for certain expenses.

Each of the Issuers and the Guarantor has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Programme Agreement may be terminated in relation to all the Dealers or any of them by the Issuers or, in relation to itself and the Issuers only, by any Dealer, at any time on giving not less than ten business days’ notice.

The Dealers and certain of their affiliates may have performed certain investment banking and advisory services for the Company and/or its respective affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Company and/or its respective affiliates in the ordinary course of their business.

The Dealers and certain of their respective affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution.

### *United States*

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in accordance with Regulation S under the Securities Act, or in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph and the following two paragraphs have the meanings given to them by Regulation S under the Securities Act.

The Notes are being offered and sold outside the United States to non-US persons in reliance on Regulation S. In addition, the Programme Agreement provides that the Dealers may directly or through

their respective affiliates arrange for a placing of Notes in registered form in the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act (“Rule 144A”). Prospective investors are hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A.

Each Dealer has represented and agreed that, except as permitted by the Programme Agreement, it has not offered, sold or delivered and will not offer, sell or deliver Notes of any Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the relevant Dealer, by the Agent or, in the case of a syndicated issue, the lead manager of such issue, within the United States or to, or for the account or benefit of, US persons, and at or prior to confirmation of sale of the Notes it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which it sells Notes during the distribution compliance period (other than pursuant to Rule 144A) a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, US persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

In addition to and independent of the above described Securities Act restrictions, Notes in bearer form are subject to US tax law restrictions and may not be offered, sold or delivered within the United States or its possessions or to a US person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the US Internal Revenue Code and regulations thereunder.

Each issuance of Index-Linked Notes shall be subject to such additional US selling restrictions as the relevant Dealer(s) shall agree with the relevant Issuer as a term of the issuance and purchase or, as the case may be, subscription of such Notes. Each Dealer agrees that it shall offer, sell and deliver such Notes only in compliance with such additional US selling restrictions.

The relevant Issuer may agree with one or more Dealers for such Dealer(s) to arrange for the sale of Notes under procedures and restrictions designed to allow such sales to be exempt from the registration requirements of the Securities Act.

*Public Offer Selling Restriction under the Prospectus Directive*

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Dealer has represented and agreed, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State except that it



may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “Non-exempt Offer”), following the date of publication of an Offering Circular in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such Offering Circular has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such Prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a “qualified investor” as defined in the Prospectus Directive;
- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealer nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

*United Kingdom*

Each Dealer has represented and agreed that:

- (i) with respect to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business, and (b) it has not offered or sold and will not offer or sell any such Notes other than to persons whose ordinary activities involve them in

acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of such Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

#### *Hong Kong*

In relation to each Tranche of Notes to be issued by an Issuer under the Programme, each Dealer has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “Securities and Futures Ordinance”) other than (a) to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

For the purposes of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”), the Notes to be listed on the Hong Kong Stock Exchange will only be offered to Professional Investors. The Dealers reserve the right to withdraw, cancel or modify such offer without notice and to reject any order in whole or in part.

#### *Cayman Islands*

Each Dealer has represented and agreed that no invitation may be made by or on behalf of MTR Cayman to the public in the Cayman Islands to subscribe any Notes.

### *The Netherlands*

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that unless the relevant pricing supplement specify that this provision does not apply because the standard exemption wording required by Article 5:20(5) of the Dutch Financial Supervision Act (the “DFSA”) is not applicable, it will not make an offer of notes to the public in the Netherlands in reliance on Article 3(2) of the Prospectus Directive unless (i) such offer is made exclusively to persons or entities which are qualified investors as defined in the Prospectus Directive or (ii) standard exemption wording is disclosed as required by Article 5:20(5) of the DFSA, provided that no such offer of notes shall require the relevant issuer or any dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

### *Japan*

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “FIEA”). Each Dealer has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any person resident in Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), including any corporation or other entity organised under the laws of Japan, or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any person resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any applicable laws, regulations and governmental guidelines of Japan.

### *Singapore*

Each of the Dealers has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Each of the Dealers has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased in reliance of an exemption under Sections 274 or 275 of the SFA, the Notes shall not be sold within the period of six months from the date of the initial acquisition of the Notes, except to any of the following persons:

- (i) an institutional investor (as defined in Section 4A of the SFA);
- (ii) a relevant person (as defined in Section 275 (2) of the SFA); or

- (iii) any person pursuant to an offer referred to in Section 275 (1A) of the SFA, unless expressly specified otherwise in Section 276(7) of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

#### *General*

Each Dealer has acknowledged that no representation is made by the Issuers or any Dealer that any action has been or will be taken in any country or jurisdiction by the Issuers or any Dealer that would permit a public offering of the Notes, or possession or distribution of this Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required. Each Dealer has agreed that it will comply with all applicable laws and regulations in each country or jurisdiction in which it subscribes, purchases, offers, sells or delivers Notes or has in its possession or distributes this Offering Circular or any other offering material or any Pricing Supplement, in all cases at its own expense.

These selling restrictions may be modified by the agreement of the Issuers and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and a Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or such affiliate on behalf of the Issuers in such jurisdiction.

Save as specified in “General Information”, no action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

## Hong Kong

Prior to 1st July 1997, Hong Kong was a Crown Colony of the United Kingdom. On 1st July 1997, the PRC resumed the exercise of sovereignty over Hong Kong, and the Government was established. The role of the Governor of Hong Kong was taken over by the Chief Executive of Hong Kong.

The basic policies of the PRC regarding Hong Kong are set out in the Sino-British Joint Declaration on the Question of Hong Kong (the “Joint Declaration”) signed by the Chinese and British Governments on 19th December 1984. The Joint Declaration provides that Hong Kong shall be directly under the authority of the Government of the PRC and that Hong Kong shall enjoy a high degree of autonomy except in foreign and defence affairs, and it shall be vested with executive, legislative and independent judicial power. In order to implement these policies, the Basic Law of Hong Kong was enacted by the National People’s Congress of the PRC on 4th April 1990.

The Basic Law, which took effect from 1st July 1997, provides, among other things, that Hong Kong will exercise a high degree of autonomy, that the previous capitalist system and way of life shall remain unchanged for fifty years, that the laws previously in force in Hong Kong shall be maintained, except to the extent they are declared to contravene the Basic Law and subject to any amendments by the legislature of Hong Kong, and that the Government shall provide an appropriate economic and legal environment for the maintenance of the status of Hong Kong as an international financial centre.

The Basic Law provides that the Hong Kong dollar, as the legal tender in Hong Kong, shall continue to circulate. It also provides that no exchange control policies shall be applied in Hong Kong and that the Hong Kong dollar shall remain freely convertible.

MTRCL’s properties and operations are located, and are likely to remain, primarily in Hong Kong, and as such are subject to the laws of Hong Kong in force at the time in question.

## General Information

### Listing

The issue price of Notes listed on the Hong Kong Stock Exchange will be expressed as a percentage of their principal amount. Transactions will normally be effected for settlement in the relevant currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that Notes which are to be listed on the Hong Kong Stock Exchange will be listed separately as and when issued and that dealings in a particular issue of Notes will commence on or about the date one business day after the date of publication of the formal notice in relation to such issue. Notes may also be listed on other stock exchanges.

### Authorisations

The establishment of the Programme and the issue of Notes under the Programme were duly authorised by a resolution of the Board of Directors of MTRC on 2nd July 1993.

The accession of MTR Cayman as an issuer under the Programme was duly authorised by a resolution of the Board of Directors of MTR Cayman on 2nd April 2001. The accession of MTR Cayman as an issuer under, and the irrevocable and unconditional guarantee by MTRCL of any Notes issued by MTR Cayman pursuant to, the Programme was duly authorised by resolutions of the Board of Directors of MTRCL on 2nd November 2000.

The annual update of the Programme was authorised by a resolution of the Board of Directors of MTRCL on 11th October 2016 and by a resolution of the Board of Directors of MTR Cayman on 14th October 2016.

### Auditors and Accounts

KPMG, Certified Public Accountants registered in Hong Kong and independent auditors of MTRCL, have audited the consolidated annual accounts of MTRCL and its subsidiaries for the years ended 31st December 2015 and 31st December 2014 without qualification in accordance with generally accepted auditing standards in Hong Kong. KPMG have audited the annual accounts of MTR Cayman for the years ended 31st December 2015 and 31st December 2014 without qualification in accordance with generally accepted auditing standards in Hong Kong.

### Trust Deed and Related Agreements

MTRCL (in its capacity as an Issuer and as the Guarantor), MTR Cayman and The Law Debenture Trust Corporation p.l.c., as trustee, entered into an Amended and Restated Trust Deed dated 7th November 2013.

MTRCL (in its capacity as an Issuer and as the Guarantor), MTR Cayman and the “Dealers” (as named therein) entered into the Amended and Restated Programme Agreement dated 28th October 2016, governing the issue of Notes to the Dealers under the Programme.

MTRCL (in its capacity as an Issuer and as the Guarantor), MTR Cayman, Citibank, N.A., London Branch, Banque Internationale à Luxembourg, *société anonyme*, Citibank N.A., Hong Kong Branch and

The Law Debenture Trust Corporation p.l.c., as trustee, entered into the Amending and Restating Agency Agreement dated 28th October 2016, governing the rights and obligations of the “Agents” (as defined therein) to the Programme.

MTRCL (in its capacity as an Issuer and as the Guarantor) and MTR Cayman executed an amended and restated Deed of Covenant dated 7th November 2013 in favour of the accountholders of Clearstream, Euroclear and the CMU in the event any Global Note issued under the Programme becomes void.

The issue price and the amount of the relevant Notes will be determined before filing of the relevant Pricing Supplement of each Tranche, based on the then prevailing market conditions. The Issuers do not intend to provide any post-issuance information in relation to any issues of Notes.

### **Euroclear, Clearstream and CMU**

The Notes have been accepted for clearance through the Euroclear and Clearstream systems and through the CMU (which are the entities in charge of keeping the records). The common code and ISIN for each Note allocated by Euroclear and Clearstream will be contained in the applicable Pricing Supplement. Transactions will normally be effected for settlement not earlier than three days after the date of the transaction. Where Notes are to be lodged in CMU, the appropriate code allocated by CMU will be contained in the applicable Pricing Supplement.

### **Legend on Notes in Bearer Form**

Notes in bearer form, including the Global Notes and Definitive Bearer Notes, having a maturity of more than one year, and any Receipt, Coupon and Talon related thereto, will bear the following legend:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”

### **Litigation and Governmental Proceedings**

- (i) MTRCL has lodged objections and appeals relating to the Rates and Government rent assessments made by the Commissioner of Rating and Valuation in respect of the operational system and advertising, commercial telecommunications tenements and various development sites, which are pending.
- (ii) Other than as disclosed in (i) above there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which MTRCL or any of its subsidiaries (including MTR Cayman) is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on MTRCL’s or its subsidiaries’ (including MTR Cayman’s) financial position or profitability.



## **Material Change**

There has been no significant or material adverse change in the financial or trading position of MTRCL and its subsidiaries as a whole, or in the financial or trading position of MTR Cayman, since 31st December 2015.

## **Documents available for Collection and Inspection**

From the date hereof and for the length of the Programme, copies of the following documents will be available for collection and inspection without charge from the principal office of the Agent in London, England, and the principal office of each of MTRCL and the Paying Agent in Hong Kong (as set out below):

- (1) this Offering Circular and any future prospectus, supplements and any supplementary prospectuses;
- (2) each Pricing Supplement (save that the Pricing Supplement relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Agent as to its holding of Notes and identity);
- (3) the consolidated annual report and audited accounts of MTRCL and its subsidiaries for the years ended 31st December 2014 and 31st December 2015 and the most recent unaudited consolidated interim report; and
- (4) the audited accounts of MTR Cayman for the years ended 31st December 2014 and 31st December 2015.

From the date hereof and for the length of the Programme, copies of the following documents will be available for inspection at the principal office of the Agent in London, England, and the principal office of each of MTRCL and the Paying Agent in Hong Kong (as set out below):

- (1) the articles of association of MTRCL;
- (2) the memorandum and articles of association of MTR Cayman;
- (3) the Mass Transit Railway Ordinance (Chapter 556 of the Laws of Hong Kong);
- (4) the Amended and Restated Trust Deed dated 7th November 2013;
- (5) the Amended and Restated Programme Agreement dated 28th October 2016;

- (6) the Amended and Restated Agency Agreement dated 28th October 2016 and incorporating the forms of the Global and Definitive Notes; and
- (7) the Deed of Covenant made by MTRCL (in its capacity as an Issuer and the Guarantor) and MTR Cayman on 7th November 2013.

**ISSUER AND GUARANTOR***Registered Office***MTR Corporation Limited**

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**ISSUER***Registered Office***MTR Corporation (C.I.) Limited**

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**ARRANGER****J.P. Morgan Securities plc**

25 Bank Street  
Canary Wharf  
London E14 5JP  
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**DEALERS****Australia and New Zealand Banking Group Limited**

22/F, Three Exchange Square  
8 Connaught Place  
Central  
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**BNP Paribas**

63/F, Two International  
Finance Centre  
8 Finance Street, Central  
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