



# MTR Corporation Limited

香港鐵路有限公司

(a company incorporated on 26th April 2000 under the Companies Ordinance of 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\$3,000,000,000**

**Debt Issuance Programme**

**For the issue of Notes with maturities of between one month and 30 years**

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 and to US\$3,000,000,000 with effect from 31st October 2006. 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 Prospectus supersedes any previous prospectus, listing particulars or offering circular describing the Programme. Any Notes issued under the Programme on or after the date of this Prospectus are issued subject to the provisions described herein. This does not affect any Notes issued before the date of this Prospectus.

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 of between one month and 30 years (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\$3,000,000,000 (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 herein 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 has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "UK Listing Authority") for any Notes issued under the Programme during the 12 months immediately following the date of this Prospectus to be admitted to the Official List of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for any such Notes to be admitted to trading on the London Stock Exchange's regulated market (the "Market"). The Market is a regulated market for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive).

Application has also been made to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for listing of, and permission to deal in, any Notes issued under the Programme during the 12 months immediately following the date of this Prospectus and for any such Notes to be listed on the Hong Kong Stock Exchange as selectively marketed securities (as defined in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange).

Notice of the aggregate principal amount or interest (if any) payable in respect of, the issue price of, and any other terms and conditions not contained herein which are applicable to, each Tranche (as defined below) of Notes will be given in a final terms supplement (the "Final Terms") which, with respect to Notes to be admitted to the Official List, will be delivered to the UK Listing Authority and the London Stock Exchange and, with respect to Notes to be listed on the Hong Kong Stock Exchange, will be delivered to the Hong Kong Stock Exchange, in each case on or before the date of issue of such Notes. Copies of each Final Terms will (in the case of Notes to be admitted to the Official List) be available from the Business Research Centre operated by Primark at Fitzroy House, 13-15 Epworth Street, London EC2A 4DL, and (in any case) 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.

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 Final Terms 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 Final Terms specifies otherwise. Each Global Note will be deposited (a) in the case of a Tranche intended to be cleared through Euroclear Bank S.A./N.V. ("Euroclear") or Clearstream Banking, société anonyme ("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 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 Final Terms. Interests in Temporary Global Notes will be exchangeable for interests in Permanent Global Notes or, if specified in the Final Terms, 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").

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 Final Terms. 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 Prospectus. This Prospectus does not describe all of the risks of an investment in the Notes.

**Arranger**  
**J.P. Morgan**  
**Dealers**

**Barclays Capital**  
**BofA Merrill Lynch**  
**Citi**

**Goldman Sachs (Asia) L.L.C.**  
**J.P. Morgan**

**Nomura International (Hong Kong) Limited**  
**The Royal Bank of Scotland**

**BNP PARIBAS**  
**CALYON**

**Deutsche Bank**  
**HSBC**

**Morgan Stanley**

**Standard Chartered Bank (Hong Kong) Limited**  
**UBS Investment Bank**

## **IMPORTANT**

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

*This Prospectus, excluding the second paragraph under the heading "Auditors and Accounts" on page 108, comprises a base Prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the "Prospectus Directive") for the purpose of giving information with regard to each Issuer, the Guarantor and their respective subsidiaries which, according to the particular nature of the Issuers, the Guarantor and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuers and the Guarantor. A copy of this document has been filed with the Financial Services Authority ("FSA") for the purposes of section 3.2 of the prospectus rules of the UK Listing Authority.*

*This Prospectus 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 Prospectus includes particulars given in compliance with the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange for the purpose of giving information with regard to the Issuers and the Guarantor.*

*The Issuers and the Guarantor accept responsibility for the information contained in the Prospectus. To the best of the knowledge and belief of the Issuers and the Guarantor (which have taken all reasonable care to ensure that such is the case) the information contained in the Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.*

*The Issuers and the Guarantor, having made all reasonable enquiries, confirm that the Prospectus 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 particular 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 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 Dealers have not separately verified the information contained in the Prospectus. None of the Arrangers, the Dealers or the Trustee accept any responsibility for the accuracy or completeness of the information contained in this Prospectus 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 rising in tort or contract or otherwise which it might otherwise have in respect of this Prospectus or any such statement.*

*No person has been authorised to give any information or to make any representation not contained in or not consistent with the Prospectus 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 Dealers.*

*Neither the Prospectus nor any other information supplied in connection with the Notes 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 Dealers that any recipient of the Prospectus, or any other information supplied in connection with the Notes, 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 Prospectus nor any other information supplied 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 delivery of the Prospectus does not at any time imply that the information contained in the Prospectus concerning the Issuers or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same. 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.*

*Hong Kong Exchanges and Clearing Limited, the Hong Kong Stock Exchange and the UK Listing Authority take no responsibility for the contents of the Prospectus, 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 Prospectus.*

*The distribution of the Prospectus and the offer or sale of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession the Prospectus or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of the Prospectus 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 Prospectus (see "Subscription and Sale").*

*In the Prospectus, 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 "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 establishing the European Community as amended from time to time. References to any other currency or composite currency in any applicable Final Terms will be defined therein. References to "Hong Kong" are references to the Hong Kong Special Administrative Region of the People's Republic of China.*

**In connection with the issue of any Tranche (as defined in "Summary of Terms and Conditions of the Programme and the Notes"), 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 Final Terms 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.**

## Table of Contents

	<i>Page</i>
Documents Incorporated by Reference.....	5
Supplementary Prospectus .....	5
Summary of Terms and Conditions of the Programme and the Notes .....	6
Risk Factors .....	11
Terms and Conditions of the Notes .....	24
Use of Proceeds .....	50
Summary of Provisions relating to the Notes while in Global Form .....	51
MTR Corporation Limited .....	53
MTR Corporation (C.I.) Limited.....	85
Capitalisation and Indebtedness .....	86
Form of Final Terms .....	90
Taxation .....	103
Subscription and Sale.....	105
Hong Kong.....	110
General Information.....	111

## **Documents Incorporated by Reference**

This Prospectus should be read and construed in conjunction with the consolidated Annual Report and audited accounts of MTRCL and its subsidiaries (the "Group") for the two years ended 31st December 2007 and 31st December 2008, the audited annual accounts of MTR Cayman for the two years ended 31st December 2007 and 31st December 2008, and the consolidated interim results of the Group for the half year ended 30th June 2009 which have been previously published or are published simultaneously with this Prospectus and which have been approved by the FSA or filed with it. Such documents shall be deemed to be incorporated in and form part of this Prospectus save that any statement contained herein or in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

The Terms and Conditions of the Notes contained in the previous Offering Circular dated 13th October 2003, pages 10 to 31 (inclusive), prepared by the Issuers and the Guarantor in connection with the Programme shall also be incorporated in and form part of this Prospectus.

MTRCL will provide, without charge, to each person to whom a copy of this Prospectus 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 Prospectus. In addition, such documents will be available, without charge, from the principal office of the Agent (as defined herein).

## **Supplementary Prospectus**

If at any time the Issuers shall be required to prepare a supplemental prospectus pursuant to Section 87G of the FSMA, the Issuers will prepare and make available an appropriate amendment or supplement to this Prospectus or a further prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Market, shall constitute a supplemental prospectus as required by the UK Listing Authority and Section 87G of the FSMA.

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 Prospectus which is capable of affecting the assessment of any Notes and whose inclusion in this Prospectus 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 Prospectus or publish a replacement Prospectus 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 of Terms and Conditions of the Programme and the Notes

*This summary must be read as an introduction to this Prospectus. Any decision to invest in any Notes should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area (an "EEA State"), the Responsible Persons may have civil liability in respect of this summary if it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to information contained in this Prospectus is brought before a court in an EEA State, the plaintiff may, under the national legislation of the EEA State where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated.*

<b>Issuer</b>	MTRCL or MTR Cayman.
<b>Guarantor (if MTR Cayman is the relevant Issuer)</b>	MTRCL.
<b>Description of the Issuers</b>	<p>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 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 (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 on behalf of the Government of Hong Kong. MTRCL's shares are listed on the Hong Kong Stock Exchange.</p> <p>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.</p>
<b>Risk Factors</b>	<p>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, including 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.</p>
<b>Description</b>	Guaranteed Debt Issuance Programme.
<b>Arranger</b>	J.P. Morgan Securities Ltd.
<b>Dealers</b>	Barclays Bank PLC BNP Paribas CALYON

Citigroup Global Markets Limited  
 Deutsche Bank AG, London Branch  
 Goldman Sachs (Asia) L.L.C.  
 The Hongkong and Shanghai Banking Corporation Limited  
 J.P. Morgan Securities Ltd.  
 Merrill Lynch International  
 Morgan Stanley & Co. International plc  
 Nomura International (Hong Kong) Limited  
 Standard Chartered Bank (Hong Kong) Limited  
 The Royal Bank of Scotland plc  
 UBS Limited

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 office.
<b>Paying and Transfer Agents</b>	Citibank, N.A., Citibank N.A., Hong Kong office and Dexia Banque Internationale à Luxembourg, société anonyme.
<b>Trustee</b>	The Law Debenture Trust Corporation p.l.c.
<b>Amount</b>	Up to US\$3,000,000,000 (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, sterling, Swedish kronor, Swiss francs and US dollars (as indicated in the applicable Final Terms).
<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 a minimum maturity of one month and a maximum maturity of 30 years.
<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 Final Terms 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 Final Terms 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 CMU or any other clearing system other than Euroclear or Clearstream, or delivered outside a clearing system, as stipulated in the Final Terms.

Interests in Temporary Global Notes will be exchangeable for interests in Permanent Global Notes or, if specified in the applicable Final Terms, 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 Final Terms) 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 Final Terms). 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 Final Terms).

**Indexed Notes**

Payments (whether with respect to principal or interest and whether at maturity or otherwise) in respect of Indexed 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 Final Terms).

**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.

<b>Optional Redemption</b>	The Final Terms 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 Final Terms, subject to applicable currency regulations.
<b>Redemption by Instalments</b>	Notes may be repayable in two or more instalments of such amounts and on such dates as indicated in the applicable Final Terms.
<b>Denomination of Definitive Notes</b>	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 Final Terms, save that (i) the minimum denomination of each Note admitted to trading on a European Economic Area exchange and/or offered to the public in an EEA State in circumstances which require the publication of a prospectus under the Prospectus Directive will be euro 50,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant currency and (ii) 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).
<b>Taxation</b>	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, except as provided in Condition 11.
<b>Guarantee and Status of the Notes</b>	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 <i>pari passu</i> 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.

<b>Negative Pledge</b>	The Conditions will, unless the applicable Final Terms indicates otherwise, contain a negative pledge provision as described in Condition 2(b).
<b>Cross Default</b>	The Conditions will, unless the applicable Final Terms indicates otherwise, contain a cross default provision as described in Condition 12(b).
<b>Listing and Trading</b>	<p>The Notes may be listed on the Official List and traded on the Market and/or 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 Final Terms, and all references to listing shall be construed accordingly. Unlisted Notes may also be issued. The Final Terms relating to each Tranche will state whether or not the Notes are to be listed and, if so, the relevant stock exchange(s).</p> <p>The Programme Agreement provides that, if the maintenance of the listing of any Notes has, in the opinion of the relevant Issuer, become, <i>inter alia</i>, 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.</p>
<b>Ratings</b>	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 Final Terms. 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.
<b>Governing Law</b>	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.
<b>Selling Restrictions</b>	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 Prospectus (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 have been eroded in recent years with:

- (i) the general improvement in bus services, including wider use of air-conditioning on buses;
- (ii) the expanding bus network; and
- (iii) the opening of new highways and expressways such as the Western Harbour Tunnel and the West Kowloon Expressway, 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 of Hong Kong (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 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 with a track record in financing and completing projects on time and within budget spanning over 25 years, MTRCL cannot assure investors that new railway projects undertaken by it will be completed on time and within budget. There also can be no certainty that any of the new railway projects proposed by the Government in the Railway Development Strategy 2000 will be implemented in the indicated time frame. For example, in January 2003, the Government decided to postpone the completion of the North Island Link, which is one of the new railway projects proposed in the Railway Development Strategy 2000, until after 2016.

After the Rail Merger (as defined on page 16) (which took effect on 2nd December 2007 (the "Merger Date")), the award of new projects will be subject to the terms set out in the new Operating Agreement (as defined on page 59). 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 and employment 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.**

After the Rail Merger, the Company's setting of the majority of its fares will be 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. Please see page 58 for details relating to the Company's first application of the FAM.

**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 is currently pursuing new investments outside Hong Kong, including in the Mainland of China, Europe and Australia (see pages 76 to 78 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 for the first time. MTRCL cannot assure investors that it will be successful in pursuing new projects 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.

**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.**

The Government is able to appoint MTRCL's entire Board of Directors, as a majority shareholder. Accordingly, the Government is in a position to influence significantly MTRCL's major business decisions and strategies, including the scope of its activities and investment decisions and its dividend policy. Please see page 53 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 minibuses 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 existing Operating Agreement (as defined on page 59) 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 (Chapter 556 of the Laws of Hong Kong) (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 existing 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.

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. 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 West Island Line and the proposed South Island Line. 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 property market as well as to general risks incidental to the ownership and management of rental 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. 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 Mainland of China. Economic developments outside Hong Kong, such as the current global credit and liquidity crisis, efforts by the government of the People's Republic of China ("PRC") to control inflation in the PRC and interest rate movements in the United States, could also adversely affect the property market in Hong Kong.

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, the targeted revenue from property development could be significantly reduced.

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; and
- (vi) pressure for greater regulation.

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 Mainland of China, 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 flu, 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 have reported cases of swine influenza with instances of human-to-human transmission. 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 may be additional risks to the Company associated with operation of the KCR railway. These may include the following:

#### **Patronage and related fare revenue of the KCR railway may be susceptible to intensified competition as a result of changes relating to the ability of other transport providers to provide additional or cheaper services**

Competition from road-based modes of transport within Hong Kong, such as buses and residential coaches, is expected to increase further due to, amongst other things, the construction of new roads such as the Hong Kong-Shenzhen Western Corridor and Route 8 between Shatin and Cheung Sha Wan. The capacity of the new rail projects such as the Lok Ma Chau Spur Line and the Kowloon Southern Link may not be taken up by passenger growth for some time. The Company will therefore need to generate revenue from its existing customer base on the MTR System and the KCR System in order to react to any increased competition from other transport providers.

Although the Company is, following the Rail Merger, the only rail operator providing passenger and freight rail services between Hong Kong and the Mainland, its passenger and freight services face competition from other transport providers, primarily operators of road and sea transport. Both the lower capital costs and market entry costs of the Company's existing competitors might allow them to offer transportation services at lower prices and higher frequencies. The increase in the market share of its competitors would adversely affect the Company's revenue growth. After the Rail Merger in order to maintain patronage levels, the Company might not be able to raise its fares on these services if competing service providers do not increase their fares. The intercity services will not be subject to the new FAM.

#### **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")**

On 21st December 2005, a train servicer found that an underframe compressor mounted underneath a KCRC train that was in operation on East Rail appeared to be loose. This had occurred because of the formation of cracks in the welds of brackets holding the compressor to the train. During the examination that followed the incident, more cracks were discovered in the underframe equipment mountings of the same type of KCRC train cars operated on East Rail. KCRC's investigation eventually revealed that the cracks were the combined results of excessive vertical vibrations and welding imperfections of some of the underframe mounting brackets. To ensure it would not be repeated, KCRC started replacing the affected sections of rail, improving the train cars' suspension system to dampen vibrations and strengthening the brackets holding components to the underframe of the trains. KCRC also installed newly developed monitoring equipment both on its trains and on its tracks. All of these remedial measures were completed by September 2007. HK\$73 million was incurred in 2006 for these improvements and repairs and the total estimated expenditure is expected to be approximately HK\$217 million. While the total anticipated cost of implementing such improvements across the KCRC network is currently an estimation, there is no assurance that the actual costs to be incurred would be within such estimation.

On 14th February 2007, a potential transformer installed on top of a KCRC train carriage short-circuited and caused a small fire while the train was in the Tai Lam Tunnel heading towards Tsuen Wan. The function of the potential transformer was to check whether electricity was supplied to the train. After the potential transformer short-circuited, the electricity supply to the KCRC train was automatically cut off to ensure the safety of the passengers and the train. KCRC investigated the cause of the fault and a detailed report was submitted to the Hong Kong Railway Inspectorate at the end of April 2007. The Company has also had initial concerns over the asset life of certain East Rail trains. 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. However, in relation to (i) the East Rail rolling stock underframe cracks and (ii) the East Rail rolling stock useful life (each as

described above), KCRC agreed to fund certain works. There can be no assurance that such funding will be sufficient to cover all of the costs required to be incurred in order to complete the relevant works satisfactorily and/or to rectify all relevant problems.

**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 existing Operating Agreements 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, pursuant to the Mass Transit Railway Ordinance, 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.

**Expected synergies not fully realised**

The Company has estimated that it should be able to achieve synergies for the combined MTR and KCR railways of approximately HK\$450 million per annum once the Rail Merger is fully implemented. There is a risk that the expected synergies may not be fully achieved. The Company is carrying out considerable measures to achieve these synergies and a number of internal teams have been established to enable the expected synergies to be achieved after the Rail Merger.

**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.

**The KCRC property business is subject to fluctuations in the Hong Kong property market as well as to general risks incidental to the ownership and management of properties. These fluctuations may affect the targeted profits of the Company.**

The revenue generated from the acquisition of the economic benefits of certain of KCRC's property interests is expected to account for a significant portion of the Company's net profit after the Rail Merger. See page 14 for a discussion of the Hong Kong property market.

The acquisition of the economic benefits of these properties by the Company has increased the Company's land bank and as a result the Company will be further exposed to the general risks inherent in relation to property development. See page 14 for a discussion of these inherent risks.

#### *Risks relating to Hong Kong*

##### **Economic, political and legal developments in Hong Kong and the Mainland of China could affect MTRCL's business.**

Substantially all of MTRCL's assets are located in Hong Kong and substantially all 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 Mainland of China will not materially and adversely affect the Company's business and operations.

##### **Any changes to import duties in Hong Kong and the Mainland of China 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 in the two duty zones, Hong Kong and the Mainland of China, can affect the gross sales turnover generated from these retail areas and the overall rental income for MTRCL.

##### **Adverse economic developments in Hong Kong, the Mainland of China 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 Mainland of China and neighbouring Asian countries. As a result, adverse economic developments in Hong Kong, the Mainland of China or elsewhere in the Asian region could have a material adverse effect 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. For instance, the outbreak of SARS in early 2003 had an adverse impact on all of MTRCL's businesses in 2003. In particular, it severely affected the Company's average weekday patronage on the MTR Lines and the daily patronage on the Airport Express in 2003. The SARS outbreak also severely curtailed 2003 MTRCL's property development activities, reduced the Company's other non-fare revenues and even constrained the Company's ability to pursue its external consultancy services overseas. 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 Mainland of China. 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 Mainland of China. 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 Mainland of China. Any deterioration in economic conditions in the United States, the European Union or the Mainland of China may materially and adversely affect MTRCL's financial condition and results of operations.

The current problems that are affecting the domestic and international debt and equity capital markets generally for all companies have resulted in the cost of capital increasing significantly over the period since the summer of 2007 and, in particular, made issuance of new debt capital more expensive and difficult. These and other related events, such as the recent collapse of a number of financial institutions, have had and continue to have a significant adverse impact on the global credit and financial markets.

If the current problems persist, it is likely that the costs MTRCL incurs may be more than those experienced in respect of similar issues of debt capital in the recent past. This would increase MTRCL's cost of capital, and adversely affect its profitability and financial position. MTRCL may also be subject to solvency risks of its banks and of its counterparties in its financial investments and arrangements. This may have a material adverse impact on the operations of MTRCL.

MTRCL continually monitors developments in domestic and international capital markets and endeavours to raise capital at appropriate times and in a cost-effective manner.

**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 were to be changed and there were 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 substantially all 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 income, and make it more difficult for the Company to repay its US dollar denominated debt obligations in a timely manner.

**Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

*Notes may not be a suitable investment for all investors.*

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies,

or where the currency for principal or interest payments is different from the potential investor's currency;

(d) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

### **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) 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.

#### *Index Linked or Variable Redemption Amount Notes*

If, in the case of a particular Tranche of Notes, the relevant Final Terms specify 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 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.

**Legal investment considerations may restrict certain investments.**

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

## 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 amendment) 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. The applicable Final Terms in relation to any Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following terms and conditions, replace or modify the following terms and conditions for the purpose of such Notes.*

### Terms and Conditions of the Notes

This Note is one of a Series (as defined below) of Notes constituted by a Trust Deed dated 31st October 2006 as supplemented by a First Supplemental Trust Deed dated 3rd November 2008 (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 Agency Agreement dated 31st October 2006 as supplemented by a First Supplemental Agency Agreement dated 2nd November 2007 and a Second Supplemental Agency Agreement dated 3rd November 2008 (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), Citibank N.A., Hong Kong office and Dexia Banque Internationale à Luxembourg, société anonyme as transfer agents (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 office, as Hong Kong reference agent (the "HK Reference Agent", which expression shall include any successors as HK Reference Agent), Citibank, N.A., Hong Kong office 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 3rd November 2008 (as further amended, supplemented, restated or novated, the "Deed of Covenant") in favour of certain accountholders of Euroclear Bank S.A./N.V., ("Euroclear"), Clearstream Banking, société anonyme ("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 Final Terms) have interest coupons ("Coupons") and, if indicated in the applicable Final Terms, 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 Final Terms applicable to any particular Note or Notes is attached hereto or endorsed hereon. Part A of the Final Terms supplements these Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of such Note or Notes. References herein to the "applicable Final Terms" shall mean the Final Terms 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 Final Terms) and the Final Terms 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, if this Note is neither admitted to trading on a regulated market within the European Economic Area ("EEA") nor offered in the EEA in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms 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 Final Terms, 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 Final Terms 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 Final Terms, the applicable Final Terms 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 Final Terms to be Exchangeable Bearer Notes) or in registered form ("Registered Notes") as specified in the applicable Final Terms and, in the case of Definitive Notes, serially numbered in the Specified Currency and in the Specified Denominations(s) specified in the applicable Final Terms save that the minimum denomination of each Note admitted to trading on a European Economic Area exchange and/

or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be euro 50,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant currency.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, a Dual Currency Note or an Indexed Note or any combination of the foregoing, depending upon the Interest/Payment Basis specified in the applicable Final Terms. It is also a Partly Paid Note and/or an Indexed 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 Final Terms 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 Final Terms at the rate(s) per annum equal to the Fixed Rate(s) of Interest specified in the applicable Final Terms 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 Final Terms. 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 Final Terms.

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, 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 Final Terms:

(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 Final Terms) 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 Final Terms, 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 Final Terms, to (but excluding) each interest payment date (each an “Interest Payment Date”) which (except as otherwise specified in these Conditions or the applicable Final Terms) (i) is specified in the applicable Final Terms or (ii) falls the number of months or other period specified as the Interest Period in the applicable Final Terms 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 Final Terms, 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 Final Terms) 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) either (1) in relation to any sum payable in a Specified Currency other than euro, 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”).

Unless otherwise provided in the applicable Final Terms, 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 Final Terms.

(iii) ISDA Determination

(A) Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest shall (unless otherwise specified in the Final Terms) 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 Final Terms 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 the London inter-bank offered rate ("LIBOR"), or the Hong Kong inter-bank offered rate ("HIBOR") or on the Euro-zone inter-bank offered rate ("EURIBOR") for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms; and

(8) all other terms are as specified in the applicable Final Terms.

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 establishing the European Community, as amended by the Treaty on European Union (such first-mentioned Treaty as so 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 Final Terms) 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 Final Terms (the "Calculation Agent") in accordance with Condition 5(b)(iii)(A), plus or minus (as indicated in the applicable Final Terms), the applicable Margin (if any).

(iv) Screen Determination

Where Screen Rate Determination is specified in the applicable Final Terms 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 11.00 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 Final Terms) 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 11:00 a.m. (London time) in all other cases on the Interest Determination Date plus or minus (as specified in the applicable Final Terms) 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 Final Terms) 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 Final Terms) 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 Final Terms).

(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 Final Terms, 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 Final Terms;

(E) unless otherwise specified in the applicable Final Terms, 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 The Chase Manhattan Bank 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 Final Terms, (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 Final Terms.

(v) Minimum and/or Maximum Rate of Interest

If the applicable Final Terms 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 Final Terms 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 Final Terms) 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 amount of interest (the "Interest Amount") payable on the Floating Rate Notes for the relevant Interest Period 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 Final Terms, 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 Final Terms, the actual number of days in the Interest Period divided by 365;

if “Actual/365 (Sterling)” is specified in the applicable Final Terms, 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 Final Terms, 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 Final Terms, 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 Final Terms, 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 Final Terms, 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 Final Terms. 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 Final Terms) 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 Final Terms.

(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) *Indexed Notes and Dual Currency Notes*

In the case of Indexed 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 Final Terms.

(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 Final Terms.

(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 Final Terms.

(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 Final Terms (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 Final Terms (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 Final Terms 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 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 Final Terms, the Issuer may, having (unless otherwise specified in the applicable Final Terms) 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 Final Terms together, if appropriate, with accrued interest. In the event of a 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 Final Terms. 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 Final Terms, 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 Final Terms) (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 Final Terms in whole (but not in part) such Note on the Optional Redemption Date and at the Optional Redemption Amount indicated in the applicable Final Terms 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 Final Terms, or if no such amount or manner is set out in the applicable Final Terms, 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 Final Terms and (y) the product of the Accrual Yield specified in the applicable Final Terms (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(ii)(B); or (z) as otherwise specified in the applicable Final Terms.

*(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 Final Terms.

*(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 Final Terms.

*(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 Final Terms, payments in a currency other than euro 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 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 Indexed 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 at the close of business on the fifteenth 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.

(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) 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. Upon application by the holder 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 Final Terms, "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).

(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;

(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; and

(v) the Issuers and the Guarantor will ensure that there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November 2000.

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 Final Terms 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 euro 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 euro 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 euro 1,000, euro 10,000, euro 100,000 and (but only to the extent of any remaining amounts less than euro 1,000 or such smaller denominations as the Trustee and the Agent may approve) euro 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 Final Terms 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 Community regulations) into euro established by the Council of the European Union pursuant to Article 1091(4) 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; or

(d) presented for payment where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November 2000; or

(e) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

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

## 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 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 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), 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) MTR Corporation Limited (the "Corporation") 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 Corporation the effect of which would be to dissolve or liquidate the Issuer or the Guarantor or, in the case of the Corporation, 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 Corporation (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 Corporation'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 Corporation or, as the case may be, such of them as relate to the Railway, including all the obligations and liabilities of the Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 to hold directly or indirectly more than half in nominal value of the voting share capital of the Corporation; or

(j) MTR Cayman ceases to be a subsidiary (as that term is defined in the Trust Deed) of the Corporation; 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 Corporation 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 Corporation 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.

#### **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 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 Final Terms.

## 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 Final Terms 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 Final Terms 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 Final Terms. 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 Prospectus. Provisions which will apply to Global Notes in registered form will be set out in the applicable Final Terms. 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 Final Terms, 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.

### 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

## 香港鐵路有限公司

MTRCL was incorporated in Hong Kong on 26th April 2000 under the 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, including, without limitation, its obligations as to the payment of interest and principal on the Notes in place of MTRC. Otherwise, the Terms and Conditions of the Programme (as set out in this Prospectus) and the Notes are unaffected by the Mass Transit Railway Ordinance. The Mass Transit Railway Ordinance is effective as a matter of Hong Kong law and its enactment and effect are not contrary to the terms and conditions of the Notes.

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 Financial Secretary Incorporated (the "FSI") on behalf of the Government of Hong Kong (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. Such offer for sale included the preparation of a prospectus, which was issued on 25th September 2000 in compliance with The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. 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.

The Government has postponed the sale to the public of a second tranche of shares in the Company but has not indicated when this offer may be made. 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 the Kowloon-Canton Railway Corporation (the "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 ("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 ("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 2nd December 2007 (the "Merger Date"). Further details of the Rail Merger are contained in the section headed "Rail Merger" below.

The issued share capital of the Company was HK\$5,711,626,867 divided into 5,711,626,867 ordinary shares of HK\$1 each as at 30th June 2009. As at 30th June 2009, 4,387,526,022 shares were held by the FSI in trust on behalf of the Government. The Government's shareholding in the Company was approximately 76.82% as at 30th June 2009.

The Company has been informed by the Government that, as at 30th June 2009, approximately 0.59% 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 issued shares in 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.

### **Objects of the Company**

The objects for which the Company is established are set out in paragraph 3 of its Memorandum of Association. These include maintaining and operating a mass transit railway and any other transport service in Hong Kong and elsewhere and any other thing which in the opinion of the Board of Directors of the Company is or may be incidental or conducive thereto.

### **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 94.1 route kilometre network of tracks with 54 stations.

The MTR System comprises seven inter-connecting lines: the Tsuen Wan Line, the Kwun Tong Line, the Island Line, the Tung Chung Line, the Tseung Kwan O Line and the Disneyland Resort Line (which six lines together comprise the "MTR Lines") and the Airport Express. Construction of the "Urban Lines" (the Tsuen Wan Line, the Kwun Tong 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 Urban 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 completed in 2009 with a total construction cost of approximately HK\$0.8 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.

The Kwun Tong Line, which commenced operations in 1979, 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 of the Kowloon-Canton Railway. The Kwun Tong Line is 15.8 route kilometres in length, of which 12.5 route kilometres are underground. It has fifteen stations, including the interchange stations, and a depot at Kowloon Bay.

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 Admiralty station and Central station, with the Tung Chung Line at Lai King station and Central station, with the Airport Express at Central station and with the West Rail of the Kowloon-Canton Railway at Mei Foo station. It is 16.9 route kilometres in

length, of which 13.6 route kilometres are underground. It has sixteen stations, including the interchange stations, and a depot at Tsuen Wan.

The Island Line, which commenced operations in 1985, currently runs from Sheung Wan 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 Quarry Bay station and North Point station and with the Tung Chung Line and Airport Express at Central station. The Island Line is currently 13.3 route kilometres in length, of which 11.2 route kilometres are underground. It currently has fourteen stations, including the interchange stations, and a depot at Chai Wan. On 13th July 2009, MTRCL entered into a project agreement with the Government for the extension of the Island Line to the western areas of Hong Kong Island. This extension, which is due to be completed in 2014, will extend the Island Line by approximately 3 route kilometres from Sheung Wan and incorporate three new stations at Sai Ying Pun, University and Kennedy Town.

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 9.1 route kilometres are underground. There are interchange facilities with the Tsuen Wan Line at Lai King station and Hong Kong 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 of the Kowloon-Canton Railway 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). 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 AsiaWorld-Expo, Tsing Yi, Kowloon and Hong Kong 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).

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 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 Quarry Bay station and North Point 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 (“DRL”) 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 DRL 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 provides three domestic passenger rail services: East Rail (including the Ma On Shan Line, and the Lok Ma Chau Spur Line (the “LMCSL”) which opened in August 2007), 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 and eight other stations. The LMCSL opened for passenger operations

on 15th August 2007 and consists of 5.2 route kilometres of tunnels and 2.2 route kilometres of viaducts. It branches off the existing 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 a new station at Lok Ma Chau. In addition, the LMCSL Terminus is linked to Huanggang station of the Shenzhen Metro by a double-decker passenger bridge. The East Rail line is connected to West Rail at Hung Hom station.

Local and cross-boundary passenger services from Lo Wu and Lok Ma Chau to Hung Hom are also operated on the East Rail line. In addition, train services to and from Guangzhou are operated on the East Rail line which also provides access for other through trains operated by Mainland railway operators or authorities running to and from six cities in the Mainland of China, namely Dongguan, Guangzhou, Foshan, Zhaoqing, Beijing and Shanghai. Freight services are also operated on the East Rail line between Hong Kong and the Mainland of China.

West Rail is a mass transit commuter rail line linking suburban areas along the northwestern corridor of the New Territories to the Kowloon urban area, 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. West Rail has 12 stations and is 35.4 route kilometres in length. West Rail, which was officially inaugurated on 20th December 2003, runs from Tuen Mun to Hung Hom. West Rail is connected to the MTR System at two junctions, namely the Tsuen Wan line at Mei Foo station, and the Tung Chung line at Nam Cheong station. West Rail is connected to the East Rail Line at Hung Hom station. West Rail is connected to Light Rail at Yuen Long, Tin Sui Wai, Siu Hong and Tuen Mun stations. It is anticipated that West Rail will be an important service link for passengers following the completion of the Kowloon Southern Link, which opened to the public on 16th August 2009, since passengers are now able to transit through East Tsim Sha Tsui station to Hung Hom station.

The Light Rail system (which is also known as the North-west Railway) commenced operation in September 1988, comprising 36.2 route kilometres of double track with 68 stops. The Light Rail system operates within the areas of Tuen Mun, Yuen Long and Tin Shui Wai 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 2009, there were 13 feeder and one auxiliary bus routes in operation. KCRC entered into a commercial agreement with Kowloon Motor Bus in May 1999 to run East Rail feeder bus routes to Tai Po, Shatin, Fo Tan and Hung Hom. As of 30th June 2009, there were five feeder bus routes to Tai Po and East Tsim Sha Tsui. The auxiliary bus routes are stand-alone routes, which charge a separate fare and to which the discount for transfer within KCRC's rail network is not applicable. Only one auxiliary route is now in operation.

#### *The Integrated MTR System*

A number of the anticipated synergies following the Rail Merger may take time to create but it is expected that all significant aspects of the integration will be implemented within three years after the Merger Date. One of the key parameters for the Government, when considering the Rail Merger, was to ensure that the Rail Merger created a seamless integration of travel between the MTR railway and KCR railway. This required, amongst other things, the removal of ticketing barriers at MTR and KCR interchange stations allowing passengers to travel from the KCR railway to the MTR railway (and vice versa) without the need to pass through intermediate ticket barriers or the need to pay a second boarding charge. The stations which were affected by this process were Kowloon Tong, Nam Cheong and Mei Foo. The removal of such barriers was completed on 28th September 2008. In addition to seamless interchanges between the two systems, the MTR System and the KCR System have been aligned and integrated as far as practicable. The integration includes unified branding logos, signage and passenger information across the network and a new single set of uniforms for staff and the combined operating teams at interchange stations. The existing four operation control centres will be consolidated into one integrated control centre at Tsing Yi in the long term. The IT Enterprise Resource Planning (ERP) systems for finance, HR and asset management have been integrated.

The MTR railway and the KCR railway (the “Integrated Railway”) 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). Light Rail is subject to the provisions of the Mass Transit Railway Ordinance, the Mass Transit Railway Regulations and the New Operating Agreement. 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).

The Map on page 84 shows the Integrated Railway operating network and potential extensions.

#### *Patronage*

The number of passengers carried for each of the years 2004 to 2008 and for the first six months of 2009 is set out in the following table. For the first half of 2009, total patronage for all of the Company’s rail and bus passenger services (that is, the Integrated MTR System) increased by 0.7% to 726.4 million as compared to total patronage on the Integrated MTR System during the same period last year.

The Company’s domestic service, which includes the MTR Lines and the KCR Lines (comprising the East Rail excluding cross-boundary service, West Rail and Ma On Shan Lines), recorded total patronage of 586.7 million for the first half of 2009. This represents an increase of 0.3% when compared with the patronage of the MTR Lines and the KCR Lines in the first half of 2008.

For the cross-boundary service at Lo Wu and Lok Ma Chau, patronage was 45.8 million for the first half of 2009, representing a slight decrease of 0.4% compared to the same period in 2008.

For the first six months of 2009, patronage on the Airport Express fell more significantly by 11.5% over the same period last year, mainly due to the decrease in air passengers.

#### Passengers per year

	<b>Integrated MTR System</b>
	<i>(in millions)</i>
2009 (first six months) <sup>(1)</sup> .....	726.4
2008.....	1,485.1
2007 <sup>(2)</sup> .....	948.3
2006 <sup>(3)</sup> .....	876.3
2005 <sup>(3)</sup> .....	866.4
2004 <sup>(3)</sup> .....	841.6

#### Notes:

- 1 The total number of passengers for the first six months ended 30th June 2009.
- 2 Includes passengers using the KCR Lines after the Rail Merger on 2nd December 2007.
- 3 Only includes passengers using the MTR Lines.

#### *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.

In view of the continued poor economic environment in Hong Kong at the time, the Company decided in 2002 not to implement the 2.3% fare increase originally scheduled for April 2002. The Company did not increase fares between 2003 and 2008.

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 it is not conducive to efficiency and social harmony.

The Company and the Government have agreed upon a formulaic approach for determining future fare adjustments to replace fare autonomy after the Rail Merger (the "Fare Adjustment Mechanism" or "FAM"). The Fare Adjustment Mechanism has been 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 Government Composite Consumer Price Index and changes in the Nominal Wage Index (Transport Services Sector) published by the Census & Statistics Department of the Government, and takes into account a productivity factor.

The FAM works as follows:

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

where:

"Overall weighted fare adjustment rate" is calculated based on the basket of specified "fares" on the combined Integrated Railway and on buses providing services within the North-West Transit Service Area operated by the Company ("TSA Buses");

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

" $\Delta \text{ wage index}$ " means the yearly percentage change in the Nominal Wage Index (Transport Services Sector); and

" $t$ " will be deemed to be zero in the first five years following the Merger Date. " $t$ " will have a value of 0.1% starting from the sixth year following the Merger Date. The value of " $t$ " will not be subject to review until after the ninth anniversary of the Merger Date under the agreed review mechanism for the FAM. If the Company keeps its fare related costs at the rate of inflation set out in the above formula, " $t$ " (as from the sixth year following the Merger Date) will result in the Company's fare revenue increasing at a level less than that inflation rate.

Subject to certain exceptions, the Company is generally limited to adjusting individual fares which are subject to the FAM; such adjustments to individual fares will usually be within a range of +5 percentage points from the overall weighted 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 and on TSA 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). 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.

The first application of the FAM took place in the second quarter of 2009. In accordance with the agreed methodology, the calculated fare adjustment of +0.7%, based on the change in Composite Consumer Price Index and transport wage index in 2008, was below the trigger point for a fare adjustment of +1.5%. Hence the calculated increase percentage of 0.7% will be rolled over to the FAM calculation in 2010.

### *Promotions*

Service promotions on the Integrated MTR System continued to support patronage growth. By way of example, the MTR Club is an on-line club for MTR passengers through which members can enjoy exclusive offers such as the MTR Club Bonus Points Scheme. This is a scheme through which members can accumulate points by travelling on the MTR, which can then be redeemed for various gifts. MTR Club membership reached over one million in August 2009. In June 2009, an enhanced journey planner was launched to make it easier for customers to plan their journeys on the move and in a more interactive way. In addition, a new online sharing forum was launched in June 2009 to allow MTR Club members to share their dining and entertainment experiences along the Integrated MTR System with other internet users. For the Airport Express service, a joint promotion with Priceline, a travel agency, to offer discounted travel packages was launched from mid-January to the end of April 2009, while shareholder promotions offering a discount of 34% on retail prices for the Airport Express service continued.

New fare saver machines for Adult Octopus cardholders were installed at Shatin Galleria in December 2008 and at Chung On Shopping Centre, Yiu On Shopping Centre and Ngan Shing Commercial Centre in May 2009, bringing the number of fare saver machines throughout Hong Kong to 25 and the usage of such machines to over 19 million "hits" in the first half of 2009. For the cross-boundary service into the Mainland of China, child promotional fares at HK\$9 each ride were offered to MTR Club members from June to August 2009 to encourage weekend family travel. To promote the further usage of the Lok Ma Chau Spur Line, free rides were offered to shareholders from July to December 2009. From July 2009 onwards, two fare savers at Shenzhen Metro Fu Tian Kou An station and Hung Hom Through Train Arrival Hall offer fare discounts of HK\$3 and HK\$5 respectively to cross-boundary passengers who interchange to designated MTR stations.

### *Agreements*

Pursuant to the provisions of the Mass Transit Railway Ordinance, the Company entered into an Operating Agreement (with a related memorandum on performance requirements) with the Secretary for Transport (as the Secretary for the Transport and Housing was formerly known), for and on behalf of the Government, on 30th June 2000. With effect from the Appointed Day, the Company was granted the right to operate the MTR railway for an initial period of 50 years (which may be extended in accordance with the Mass Transit Railway Ordinance and the previous Operating Agreement (the "previous Operating Agreement")). The Rail Merger Ordinance and the new Operating Agreement (entered into on the Merger Date) provided 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.

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 provide for, 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 Fare Adjustment Mechanism, 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 5 year review of the previous Operating Agreement.

On 30th June 2000, the Company entered into an Amendment and Restatement Agreement with the Secretary for Transport (as the Secretary for Transport and Housing was formerly known), for and on behalf of the Government, concerning a number of existing agreements with the Government (the Memorandum of Understanding relating to the Eastern Harbour Crossing, the Airport Railway Operating and Maintenance Terms, the Project Agreement for the Design, Construction, Financing and Operation of the Tseung Kwan O Extension and the Letter Agreement relating to the Quarry Bay Congestion Relief Works) to reflect the vesting and, where necessary, to extend durations of existing arrangements to coincide with the initial period of the franchise.

On 24th July 2002, the Company entered into a project agreement with the Government relating to the design, construction, financing and operation of the DRL. On 25th April 2005,

the Company entered into an Operating Agreement with the Hongkong International Theme Parks Limited in relation to matters on joint operation and maintenance relating to the DRL.

On 13th May 2003, the Company entered into an entrustment agreement with the Government in relation to the Lantau Airport Railway under which the Government agreed to carry out construction work on behalf of the Company relating to an extension of the overrun tunnels at Hong Kong station with a value of HK\$58,600,000 in return for monthly payments based on the work completed.

On 14th August 2003, the Company entered into a Lease and a Supplemental Agreement with the Director of Lands for and on behalf of the Government, in connection with the Tseung Kwan O Line.

On 1st March 2005, the Company entered into a Lease Modification Letter in respect of the lease for the MTR Railway Lot No.1.

On 9th March 2007, the Company entered into a further Lease Modification Letter in respect of the lease for MTR Railway Lot No.1.

On 4th February 2008, New Hong Kong Tunnel Company Limited and the FSI assigned all those 12,000 equal undivided 100,000th parts or shares of and in New Kowloon Inland Lot No. 6046 together with the sole and exclusive right to use and enjoy the Lam Tin MTR station to the Company.

On 4th February 2008, New Hong Kong Tunnel Company Limited assigned all those 100 equal undivided 10,000th parts or shares of and in Inland Lot No. 8724 together with the sole and exclusive right to use and enjoy the project development of Wah Shun Garden, No. 898 King's Road, Hong Kong to the Company.

On 4th February 2008, the Company entered into a new operating agreement with New Hong Kong Tunnel Company Limited setting-out the operation, management and maintenance responsibilities upon handover of the railway works to the Company.

On 18th February 2008, the Company entered into a Supplemental Lease with the Government which is supplemental to the Lease and Supplemental Agreement both dated 14th August 2003 in connection with the Tseung Kwan O Line.

On 22nd July 2008, the Government granted Sha Tin Lot No. 519 to the Company for the development at Che Kung Temple station for a total consideration of HK\$3,662 million.

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 Shatin to Central Link.

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 Express Rail Link.

On 13th July 2009, the Company entered into a project agreement with the Government to provide for the financing, design, construction and operation of the West Island Line, an extension of the Island Line from Sheung Wan to Kennedy Town with two intermediate stations at Sai Ying Pun and University, in exchange for a grant from the Government of HK\$12,252 million.

#### *Merger Agreements*

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 set 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 in the paragraph headed "Agreements" 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, nor 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 will:

- 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

The Company is currently negotiating with KCRC on the terms of a new outsourcing agreement. The scope of the services to be provided by the Company pursuant to the new outsourcing agreement will include services relating to treasury, financial control, information technology, company secretarial, legal and other corporate functions, human resources, office administration and management of claims.

#### *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.

### **System Enhancement Works**

The Company has purchased 10 new sets of trains to further enhance its services. The 10 sets of 8-car trains are intended for services along the Island Line, the Kwun Tong Line, the Tsuen Wan Line and the Tseung Kwan O Line. The new trains will be delivered to Hong Kong in batches from 2011 to 2012.

In addition, the Company has also planned a HK\$135 million modernisation programme for 69 first-generation Light Rail vehicles, which serve residents of the Northwest New Territories and connect to the West Rail Line. In addition to the modernisation programme, the Company is also acquiring 22 new Light Rail vehicles. The new Light Rail vehicles are expected to be phased into service between September 2009 and the first quarter of 2010.

## **Future Extensions/Projects**

### *West Island Line and 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 ("WIL") and the South Island Line ("SIL").

The Company commenced a feasibility study of the WIL and the SIL projects in mid-2003 and submitted a project proposal to the Government at the end of March 2004. In February 2005, the Company submitted revised proposals for railway extensions to Southern and Western Districts of Hong Kong Island.

In June 2005 the Government formally invited the Company to proceed with the preliminary design of the proposed extension of the Island Line to serve Western District and in October 2007 the Government asked the Company to proceed with further planning and detailed design of the WIL. The extension consists of three underground stations at Sai Ying Pun, University and Kennedy Town. On 6th February 2008, the Company entered into a preliminary project agreement with the Government for the undertaking of certain pre-authorisation activities related to the WIL. On 13th July 2009, the Company entered into a project agreement with the Government for the financing, design, construction and operation of the WIL. Since there were no suitable sites along the WIL alignment for property development, the Government provided funding support to the Company by means of a capital grant in two stages. The first stage funding support, being approximately HK\$400 million, covered the expenditure of the design phase and other activities required to be carried out prior to the authorisation of the project and was provided to the Company pursuant to the preliminary project agreement. The second stage funding support, being approximately HK\$12,252 million, covered the funding gap arising from the construction cost of the project and will be provided to the Company pursuant to the project agreement. The Government grant to the Company under the project agreement is subject to a claw-back mechanism in the event that certain costs associated with the project are less than estimated at the time the project agreement was signed. Construction commenced on 10th August 2009 and the project is scheduled for completion in 2014.

The Company also submitted a revised proposal for the SIL (East) in June 2007. In December 2007, the Government asked the Company to proceed with preliminary planning and design of the SIL (East), which will run from Admiralty to South Horizons, with three intermediate stations at Ocean Park, Wong Chuk Hang, where there will also be a depot, and Lei Tung. The estimated project cost of the SIL (East) is over HK\$7 billion. Construction is expected to start in 2011 and to be completed in 2015.

### *North Island Link*

Discussions are continuing with the Government on their revised proposals for the Wan Chai reclamation and the effect on the alignment of the proposed North Island Link including the location of new stations at Tamar and Exhibition to form a link between the Tung Chung Line at Hong Kong station and the Island Line at Fortress Hill station.

### *Kwun Tong Line Extension*

Following a request by the Government in November 2003, the Company submitted an initial proposal in February 2004 and a revised proposal in July 2005 for an extension of the Kwun Tong Line from Yau Ma Tei station to Whampoa. On 11th March 2008, the Government approved the further planning and design of the Kwun Tong Line extension to Whampoa. As an extension of the existing Kwun Tong Line owned by the Company, the extension is expected to be built by the Company. The estimated project cost of the Kwun Tong Line extension is approximately HK\$4.2 billion, with funding support of approximately HK\$2.2 billion required. The Company will be discussing with the Government how the funding support will be provided. The construction of the extension is expected to commence by the end of 2010 and to be completed in 2015.

### **Shatin to Central Link**

The proposed Shatin to Central Link railway project ("SCL") consists of an extension of the existing Ma On Shan Line from Tai Wai to Hung Hom and an extension of the existing East Rail from Hung Hom to Hong Kong Island. 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, which is estimated at HK\$37.4 billion and will entrust the design and construction of the project to the Company. However, KCRC or the Government will be the owner of the SCL assets. Upon completion of its construction, it is expected the Company will operate the rail lines under the Service Concession Agreement, whereby a proportion of the revenue will be paid to KCRC or the Government for use of the assets. 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 construction of the extension from Tai Wai to Hung Hom is expected to commence in 2010 for completion in 2015, while the extension of the existing East Rail from Hung Hom to Hong Kong Island is expected to be completed in 2019.

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

On 22nd April 2008, the Executive Council of Hong Kong 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 (“Express Rail Link” or “XRL”) with a view to implementing the high speed railway under the concession approach, whereby the Government will provide funding for the capital cost of the Express Rail Link and will entrust the design and construction of the project to the Company. However, the Company will not own the assets associated with the XRL. 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 XRL. Upon completion of its construction, it is expected the Company will operate the Express Rail Link under the Service Concession Agreement, whereby a proportion of the revenue will be paid to the Government for use of the facilities.

The proposed 26 kilometres Hong Kong Section of the Express Rail Link will be a dedicated corridor from the Hong Kong-Shenzhen boundary to the new terminus to be located in West Kowloon. The construction of the rail link is expected to commence at the end of 2009 for completion in 2015/2016.

### **Rail Merger**

#### *Background to the Rail Merger*

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 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 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 2nd December 2007.

#### *The Merger Package*

The Merger Agreements, 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 arrears within 60 days after the end of the relevant financial year of the Company. No variable annual payment shall be payable in respect of the first 36 months following the Merger Date.

### **Financial results for the six months ended 30th June 2009 compared to the six months ended 30th June 2008**

Total revenue for the first six months ended 30th June 2009 was HK\$8,630 million, an increase of 1.2% from the same period in 2008. Total fare revenue decreased by 1.2% from HK\$5,592 million for the first six months ended 30th June 2008 to HK\$5,527 million for the same period in 2009. This decrease was mainly due to the 11.5% drop in patronage on Airport Express and the extension of student half fares to the ex-KCR System starting from 28th September 2008. Average fares on the domestic service decreased by 0.8% to HK\$6.53 for the first six months ended 30th June 2009 compared to HK\$6.58 for the same period in 2008 mainly due to the extension of the student half fares to the East Rail Line, West Rail Line and Ma On Shan Line.

Revenue from station commercial and rail related businesses increased by 0.5% from HK\$1,645 million to HK\$1,653 million reflecting slight growth in most of these businesses except advertising, which was severely affected by the economic downturn and recorded a 22% drop in revenue. Property rental, management and other revenue rose by 12.4% to HK\$1,450 million mainly due to the inclusion of rental revenue for Elements Phase 2, which opened in November 2008, as well as positive rental reversions.

Operating expenses before depreciation and amortisation increased by 2.7% from HK\$3,731 million to HK\$3,831 million when compared with the same period in 2008. The increase was predominantly due to increases in staff costs, maintenance costs and increases in stores and spares consumed.

Further synergies from the Rail Merger were realised and are on track to achieve the estimated HK\$450 million per year ahead of schedule within 2009. As a result, operating profit from railway and related businesses before depreciation and amortisation was HK\$4,799 million, an increase of 0.1% from HK\$4,796 million compared to the same period in 2008 with an operating profit margin of 55.6% in 2009.

Property development profits of HK\$2,147 million were recognised in the first half of 2009 compared with HK\$348 million in the same period in 2008, mainly comprising recognition of final profit split with developer on The Harbourside and surplus proceeds from The Palazzo and The Capitol, with The Palazzo and The Capitol contributing HK\$1,227 million of profits. As a result, operating profit before depreciation and amortisation was HK\$6,946 million for the first six months of 2009, an increase of 35% compared with HK\$5,144 million for the same period in 2008.

Depreciation and amortisation charges decreased by 3.5% to HK\$1,464 million mainly attributable to certain assets being fully depreciated by the end of last year. Merger related expenses, comprising post-Rail-Merger integration expenses not eligible for capitalisation, decreased to HK\$7 million.

Net interest and finance charges decreased by 20.8% from HK\$1,078 million to HK\$854 million mainly due to lower costs of borrowing as well as reduced debt outstanding.

The increase in fair value of investment properties since the end of 2008 amounted to HK\$712 million pre-tax and HK\$595 million post-tax.

The Company's share of Octopus Holdings Ltd's and London Overground Rail Operations Ltd's post-tax earnings for the first six months ended 30th June 2009 decreased to HK\$74 million from HK\$91 million for the same period in 2008.

Income tax amounted to HK\$910 million compared to HK\$8 million last year; the low tax charge in 2008 was due to a one-off reduction in deferred tax liability of HK\$704 million resulting from a reduction in Hong Kong Profits Tax rate from 17.5% to 16.5%.

The Group's profit attributable to shareholders for the first six months ended 30th June 2009 was HK\$4,498 million, a decrease of 4.1% compared to the same period last year. Earnings per share decreased from HK\$0.83 to HK\$0.79 when compared with the same period last year. Excluding investment property revaluation gain and related deferred tax, the Group's profit attributable to shareholders would have been HK\$3,903 million while earnings per share would have been HK\$0.69 for the first six months ended 30th June 2009.

The Board has declared an interim dividend of HK\$0.14 per share, which is the same as last year. A scrip dividend option will be offered to all shareholders except those with registered addresses in the United States of America or any of its territories or possessions. The Company's majority shareholder, the FSI, has agreed to receive all or part of its entitlement to dividends in the form of scrip to the extent necessary to ensure a maximum of 50% of the total dividend paid by the Company will be in the form of cash.

### **Financial results for the year ended 31st December 2008 compared to the year ended 31st December 2007**

Total revenue for the year ended 31st December 2008 was HK\$17,628 million, a 64.9% increase from HK\$10,690 million for 2007.

Fare revenue from domestic service (including KCR lines after the Rail Merger) increased from HK\$6,213 million in 2007 to HK\$7,930 million in 2008 mainly due to the full-year impact of the Rail Merger. Fare revenue in 2008 from the Airport Express increased by 2.7% to HK\$673 million from HK\$655 million in 2007. The cross-boundary, Light Rail, intercity and bus services, which made their first full-year revenue contribution since the Rail Merger on 2nd December 2007, generated a total revenue of HK\$2,864 million in 2008 as compared to HK\$247 million in 2007. Total fare revenues for the Company therefore increased by 61.2% to HK\$11,467 million.

Revenue from station commercial and rail related businesses increased by 98.1% from HK\$1,741 million in 2007 to HK\$3,449 million in 2008 attributable to the full-year effect of the Rail Merger, good performance in advertising and kiosk rental as well as a one-off termination payment received from a telecommunication service operation. Rental, management and other business income in 2008 increased by 47.9% from HK\$1,834 million in 2007 to HK\$2,712 million, comprising HK\$2,556 million of property rental and management income and HK\$156 million of revenues from Ngong Ping 360.

Total operating costs increased by 73.8% from HK\$4,778 million in 2007 to HK\$8,303 million in 2008 mainly due to the Rail Merger with increases in staff costs, energy and utilities, operational rent and rates, repairs and maintenance as well as general and administration expenses. Stores and spares consumed recorded a higher increase of 216.2% from HK\$130 million in 2007 to HK\$411 million in 2008 due to the overhaul of West Rail and East Rail trains. Expenses relating to station commercial and rail related businesses increased by 100.5% from HK\$410 million in 2007 to HK\$822 million in 2008 while expenses relating to property ownership, management and other businesses increased by 45.4% from HK\$540 million to HK\$785 million during the same period as in line with the revenue growths.

Operating profit from railway and related businesses before depreciation, amortisation and merger related expenses amounted to HK\$9,325 million in 2008, an increase of 53.7% from HK\$5,912 million in 2007. The operating margin was 52.9% compared with 55.3% in 2007 due to fare reduction at the time of the Rail Merger as well as the lower margin of the pre-merger KCRC businesses.

Property development profit amounted to HK\$4,670 million in 2008, compared with HK\$8,304 million in 2007, mainly due to the very significant development profits booking in 2007 for Le Point in Tseung Kwan O. The major contributors to property development profit in 2008 were from profit recognition relating to The Capitol at LOHAS Park and The Palazzo in Shatin as well as the sale of units in inventory at Harbour Green and The Arch. In addition, there was deferred income recognition, mainly from properties along the Airport Railway, such as Coastal Skyline and Caribbean Coast at Tung Chung, and Elements at Kowloon station.

Operating profit before depreciation and amortisation was HK\$13,995 million, a decrease of 1.6% from HK\$14,216 million in 2007.

Depreciation and amortisation charges for 2008 amounted to HK\$2,930 million, an increase of 7.0% from HK\$2,739 million in 2007 due to the Rail Merger.

Merger related expenses decreased by 72.5% from HK\$193 million in 2007 to HK\$53 million in 2008 as a result of the one-off provision for Voluntary Separation Scheme payments in 2007.

Interest and finance charges increased by 51.8% from HK\$1,316 million in 2007 to HK\$1,998 million in 2008 mainly due to the full-year interest on debt and the notional interest expense on the capitalised fixed annual payments, both relating to the Rail Merger.

The decrease in fair value of investment properties in 2008 amounted to HK\$146 million pre-tax.

The Company's share of net profit of non-controlled subsidiaries and associates increased from HK\$99 million in 2007 to HK\$159 million in 2008, comprising HK\$136 million from Octopus Holdings Limited and HK\$23 million from London Overground Rail Operations Ltd.

Tax expenses in 2008, calculated based on the then Hong Kong profits tax rate of 16.5%, were HK\$747 million, comprising HK\$1,024 million of current tax partly offset by HK\$277 million of deferred tax credit resulting from the reduction in profits tax rate.

The Group's profit attributable to shareholders was HK\$8,284 million in 2008 compared to HK\$15,180 million in 2007 with earnings per share of HK\$1.47 and HK\$2.72 for 2008 and 2007 respectively.

The Company paid the 2007 final and 2008 interim dividends totalling HK\$2,530 million during 2008. The Company proposed a final dividend of 34 cents per share which, combined with the interim dividend of 14 cents per share paid in 2008, brought total dividends for the year ended 31st December 2008 to 48 cents per share. The final dividend amounted to a total of HK\$1,925 million and was paid in June 2009. A scrip dividend alternative was offered to all shareholders except shareholders with registered addresses in the United States of America or any of its territories or possessions in respect of the dividends declared for the financial year ended 31st December 2008. The Company's majority shareholder, the FSI, elected to receive part of its entitlement to dividends in the form of scrip to the extent necessary to ensure a maximum of 50% of the total dividend paid by the Company was in the form of cash.

## Financing

As at 31st December 2008, 62% of the Group's outstanding debt bore interest at fixed rates or at floating rates but covered by interest rate swap agreements which fixed the interest cost of the Group, and the remaining 38% of the Group's outstanding debt bore interest at floating rates. As at 31st December 2008, 99.9% of the Group's outstanding debt was denominated in or hedged into HK dollars, inclusive of foreign currency borrowings naturally hedged by assets or cash flows from overseas businesses and the remaining 0.1% was denominated in US dollars and other currencies. As at 30th June 2009, 56% of the Group's outstanding debt bore interest at fixed rates or at floating rates but covered by interest rate swap agreements which fixed the interest cost of the Group, and the remaining 44% of the

Group's outstanding debt bore interest at floating rates. As at 30th June 2009, 99.9% of the Group's outstanding debt was denominated in or hedged into HK dollars, inclusive of foreign currency borrowings naturally hedged by assets or cash flows from overseas businesses and the remaining 0.1% was denominated in US dollars and other currencies.

As at 31st December 2008, the Group had available undrawn committed banking facilities of HK\$10,400 million (US\$1,342 million) and uncommitted debt issuance and short-term banking facilities of approximately HK\$12,463 million (US\$1,608 million). Outstanding borrowings as at 31st December 2008 were HK\$30,715 million (US\$3,963 million). As at 30th June 2009, the Group had available undrawn committed banking facilities of HK\$10,863 million (US\$1,402 million) (including RMB3.6 billion loan facilities signed in May 2009 specifically for the Shenzhen Metro Line 4 project) and uncommitted debt issuance and short-term banking facilities of HK\$12,881 million (US\$1,662 million). Outstanding borrowings as at 30th June 2009 were HK\$27,394 million (US\$3,534 million). The projections for repayment of loans outstanding as at 30th June 2009 are shown in the following table in millions of HK\$ and the US\$ equivalent.

	<b>As at 30th June 2009</b>	
	<i>(HK\$ million)</i>	<i>(US\$ million equivalent)</i>
<b>Borrowings</b>		
Repayable on demand .....	35	4
Repayable within one year .....	2,365	305
Repayable between one and two years.....	8,363	1,079
Repayable between two and five years.....	13,198	1,703
Repayable beyond five years .....	3,433	443
<b>Total .....</b>	<b>27,394</b>	<b>3,534</b>

Notes:

- (1) The aging schedule analysis is based on the outstanding principal amounts.
- (2) Further drawings of facilities and/or new borrowings and/or prepayments will affect the amounts shown in this table.
- (3) The HK\$ amounts have been translated into US\$ amounts at a rate of HK\$7.7506 = US\$1, being the prevailing spot rates at 30th June 2009 (Source: Reuters)

The Group's major payments for the year ended 31st December 2008 included capital expenditures of HK\$3,210 million mainly for the purchase of operational railway assets and railway extension projects such as the LOHAS Park station, West Island Line and Shenzhen Metro Line 4, payments of HK\$2,597 million for property development projects and property fitting-out works as well as the first fixed annual payment of HK\$750 million for the Rail Merger. The Group's other major payments for the same period included net interest expense of HK\$1,445 million and dividends of HK\$1,265 million. These payments were financed by the net cash inflow from operating activities of HK\$8,921 million, receipts from property developers and purchasers of HK\$4,448 million as well as a Government grant for the West Island Line Project of HK\$400 million. During the year ended 31st December 2008, the net loan repayment amounted to HK\$3,488 million. Including the mark-to-market and hedge accounting effects, the carrying amount of total debt outstanding decreased from HK\$34,050 million to HK\$30,992 million as at 31st December 2008. Including obligations under the service concession as a component of debt, the Company's gearing (measured by net debt to equity ratio) decreased from 48.5% to 42.1%.

The Group's major payments for the six months ended 30th June 2009 included capital expenditures for the purchase of operational railway assets and railway extension projects of HK\$1,905 million, payments for property development projects and fitting-out works of HK\$305 million as well as payments for net interest expense, dividends and tax of HK\$657 million, HK\$962 million and HK\$194 million respectively. Net loan repayments during the same period amounted to HK\$3,277 million. These payments were financed by the net cash inflow from operating activities of HK\$4,771 million, proceeds from sale of investment in securities of HK\$263 million and receipts from property developers and purchasers of HK\$2,523 million mainly from The Palazzo, The Capitol, Metro Town and Le Point.

## 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 77,280 residential units and approximately 749,590 square metres of office and shopping space under its management as at 30th June 2009.

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. For Package One of the property development at LOHAS Park, Area 86, Tseung Kwan O (where the Tseung Kwan O Line depot and the LOHAS Park station are situated), the Company agreed to pay half of the land premium in return for more competitive tenders. In connection with Package Two of the property development at LOHAS Park, Area 86, Tseung Kwan O (where the Tseung Kwan O depot and the LOHAS Park station are situated), the Company has agreed under the development agreement for this project to extend a HK\$4 billion interest-free loan to the developer in return for an increased sharing in kind of the development. For Package Three of the property development at LOHAS Park, Area 86, Tseung Kwan O (where the Tseung Kwan O depot and the LOHAS Park station are situated), the land premium was funded by the developer.

### *Property developments related to the Airport Railway (the Tung Chung Line and Airport Express)*

There are five Airport Railway development sites comprising 15 tender packages, all of which have been awarded to developers following competitive tendering processes. The total development area related to the five development sites amounted to approximately 3.5 million square metres. These developments have been, or are expected to be, completed between 1998 and 2010.

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

Planning continues for Tsing Yi Town Lot No. 135 adjacent to Tsing Yi station, which is currently used as a public transport interchange and a lorry park. A planning application 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. The scheme will further enhance the integration with different modes of transport. The land application procedure has begun.

#### *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 plans to divide the developments at Tiu Keng Leng, Tseung Kwan O, Hang Hau and Area 86 into up to 18 development packages, completion of which is anticipated by 2019. The expected total investment cost, the bulk of which is planned to be borne by developers, is approximately HK\$115 billion based on 2009 prices.

The signing of the Agreement for Lease for Tseung Kwan O Town Lot No.70 in May 2002 marked the Company's first step towards developing its depot site at LOHAS Park, Area 86. The extensive development with up to 13 phases is expected to contain, on completion in 2019, some 21,500 flats set in a garden environment.

In July 2000, the Company entered into a development agreement with a developer consortium in relation to the development of Area 57a adjacent to Tseung Kwan O station. In January 2002, the Company awarded the Area 55b development site, which is located adjacent to Tseung Kwan O station in the heart of Tseung Kwan O town centre. The sold units at "Central Heights" (Area 57a) and "The Grandiose" (Area 55b) have been completed and delivered to purchasers. The Company also awarded a property development package in Hang Hau station to a developer consortium in June 2002 and all residential units have been sold. In October 2002, following a public tender process, the Company awarded Tiu Keng Leng station development to a property developer and all residential units have been sold. In November 2006, the shopping centre at Tiu Keng Leng station development was sold to a subsidiary of Cheung Kong (Holdings) Limited.

In November 2002, the Government announced its new housing policy in support of the property prices that had dropped by almost two-thirds from their 1997 peak. Under the then new housing policy, the Government, the largest owner of land in Hong Kong, announced that it would suspend land sales until the end of 2003. The Company supported this policy and agreed in consultation with the Government to postpone property development tenders until after 2003. As a result of improvements in the property market towards the end of 2003, the Company resumed property development tenders in 2004. In December 2004, the Company invited developers to tender for the first package of its property development at LOHAS Park, Area 86, Tseung Kwan O (where the Tseung Kwan O depot and the LOHAS Park station are situated). In January 2005, the Company awarded the tender to City Investments Limited, a subsidiary of Cheung Kong (Holdings) Limited. In February 2006, the Company and Rich Asia Investments Limited, a subsidiary of Cheung Kong (Holdings) Limited, entered into an agreement for the development of the second property development package at LOHAS Park, Area 86. In December 2007, the Company and Wealth Pine Investment Limited, a subsidiary of Cheung Kong (Holdings) Limited, entered into an agreement for the development of the third property development package at LOHAS Park, Area 86 (where the Tseung Kwan O depot and the LOHAS Park station are situated). In January 2007, tenders were invited for Area 56 of Tseung Kwan O. The project was awarded in February 2007 to Lansmart Ltd, a subsidiary of Sun Hung Kai Properties Limited. The proposed development will be a mixed-use project comprising hotel, office, residential, commercial and car parking accommodations with a total gross floor area of not more than 168,537 square metres (including 5,407 square metres for a public transport interchange and associated facilities). The residential units at LOHAS Park Package One has been completed and sold. The residential units of LOHAS Park Package Two (Towers 1, 2, 3 and 5) have also been sold.

#### *Property development related to Choi Hung station*

In 1999 the Company received planning permission from the Town Planning Board to develop property above and near Choi Hung station on the Kwun Tong Line. This includes a public transport interchange, commercial space, residential units and "park and ride" facilities for commuters from the southeast part of the New Territories.

The development was completed in December 2005 and the Choi Hung Park n' Ride Carpark, in which the Company has a 51% share, opened in March 2006.

#### *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 1.2 million square metres

gross floor area ("GFA") of which three, namely Ho Tung Lau, Wu Kai Sha and Tai Wai Maintenance Centre, had already been tendered with the remaining five, totalling 0.6 million square metres GFA, yet to be tendered. These five sites were Che Kung Temple, Tai Wai station, Tin Shui Wai Light Rail Terminus and Site C & Site D of Austin station. The expected total investment cost for the eight acquired sites, the bulk of which is planned to be borne by developers, is approximately HK\$85 billion based on 2009 prices.

In April 2008, the Company awarded the tender for the development of Che Kung Temple station to Deluxe Sign Limited, a subsidiary of New World Development Company Limited. Similar to the arrangement for Package One of the property development at LOHAS Park, Area 86 (where the Tseung Kwan O depot and the LOHAS Park station are situated), the Company agreed to pay half of the land premium for this development in return for more competitive tenders.

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

As a result of the Rail Merger, the Company took on KCRC's role as development agent for the Government in respect of a number of West Rail property projects, which have an estimated total GFA of about 2 million square metres. The Company receives a service fee from KCRC for this role. In September 2008, as development agent for the Government, the Company awarded the tender of Tsuen Wan West TW7 Property Development to Queensway Investments Limited.

#### *Property management*

As at the end of June 2009, the Company managed a total of 77,280 residential flats and approximately 749,590 square metres of office and retail space. The Company is developing property consultancy and management businesses in the Mainland of China. As at the end of June 2009, 6 projects were under management contributing to a total GFA of 1,158,254 square metres. Following refurbishment and rebranding, the Ginza Mall shopping centre in Beijing opened in January 2007 and as at the end of June 2009, it had been 100% let.

### **Other Activities/Subsidiaries**

#### *Principal Subsidiaries*

The principal subsidiaries of the Company, apart from MTR Corporation (C.I.) Limited (details of which are set out on page 85), are as follows:

#### *MTR (Shanghai Project Management) Limited*

MTR (Shanghai Project Management) Limited is a wholly-owned subsidiary of the Company formed for the purpose of holding a 60% interest in a joint venture in Shanghai, Mainland of China and the provision of railway consultancy services.

#### *MTR China Property Limited*

MTR China Property Limited is a wholly-owned subsidiary of the Company established for the provision of consultancy services in connection with property management in the Mainland of China and holding a 50% interest in MTR (Macau) Property Management Company Limited.

#### *MTR China Consultancy Company Limited*

MTR China Consultancy Company Limited is a wholly-owned subsidiary of the Company and is engaged in the provision of railway consultancy services in the Mainland of China.

#### *MTR Engineering Services Limited*

MTR Engineering Services Limited is a wholly-owned subsidiary of the Company and operates principally in the United Kingdom. It is engaged in the provision of engineering and other consultancy services in connection with transport-related activities.

#### *Fasttrack Insurance Ltd.*

Fasttrack Insurance Ltd. ("FIL") is a wholly-owned subsidiary of the Company and was incorporated in Bermuda in November 1997. The purpose of FIL is to operate as the Company's captive insurance company. FIL commenced operation on 30th November 1997 upon the placing with it of the Company's principal insurance cover for its railway assets and revenue. The Company now insures the primary layer of its third party liability insurance (up

to an amount of HK\$50 million) with FIL in addition to the Company's railway asset damage and business interruption risks. Since May 2003, FIL has retained the whole of the insurance cover with respect to the Company's railway asset damage and business interruption risks subject only to an excess layer (over HK\$500 million) which is reinsured externally.

#### *Pierhead Garden Management Company Limited*

Pierhead Garden Management Company Limited is a wholly-owned subsidiary of the Company and is engaged in property investment at Ocean Walk (formerly known as Pierhead Plaza) and the provision of estate management services to the Pierhead Garden in Hong Kong.

#### *Sun Tuen Mun Centre Management Company Limited*

Sun Tuen Mun Centre Management Company Limited is a wholly-owned subsidiary of the Company and is engaged in property investment at Sun Tuen Mun Shopping Centre and the provision of estate management services to the Sun Tuen Mun Centre in Hong Kong.

#### *Royal Ascot Management Company Limited*

Royal Ascot Management Company Limited is a wholly-owned subsidiary of the Company and is engaged in the provision of estate management services to the Royal Ascot in Hong Kong.

#### *Hanford Garden Property Management Company Limited*

Hanford Garden Property Management Company Limited is a wholly-owned subsidiary of the Company and is engaged in property investment at Hanford Plaza and the provision of estate management services to the Hanford Garden in Hong Kong.

#### *V-Connect Limited*

V-Connect Limited is a wholly-owned subsidiary of the Company and manages mobile telephone coverage networks along the Company's West Rail Line, Ma On Shan Line and Lok Ma Chau Spur Line in Hong Kong.

#### *Octopus Holdings Limited*

Octopus Holdings Limited is a non-controlled, 57.4% subsidiary of the Company and is the direct holding company of Octopus Cards Limited, Octopus International Projects Limited, Octopus Connect Limited, Octopus Rewards Limited, Octopus Investments Limited, Octopus China Investments Limited and the indirect holding company of Octopus Netherlands Limited, Octopus Cards (NL) B.V., Octopus Cards Macau Limited, Octopus Systems Limited, Octopus Solutions Limited and Octopus Knowledge Limited.

#### *Octopus Cards Limited*

Octopus Cards Limited is a non-controlled, indirect subsidiary of the Company. The Company currently owns 57.4% of the issued share capital of Octopus Holdings Limited, which 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.

In June 1994, the Company entered into an agreement with four major local transport operators to incorporate a company, Creative Star Limited, to develop and operate a contactless smart card ticketing system known as "Octopus". On 2nd January 2002, the name of Creative Star Limited was changed to "Octopus Cards Limited".

On 20th April 2000, Octopus Cards Limited was authorised by the Hong Kong Monetary Authority ("HKMA") as a deposit-taking company to issue multi-purpose 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 minimum capital adequacy ratio and liquidity ratio). The goods and services to be supplied on the production of the Octopus Cards can be divided into "core" uses (principally, transport-related uses of the Octopus Cards to pay for services provided by the

shareholders of Octopus Cards Limited) and “non-core” uses (principally, other incidental or ancillary uses which are intended to increase the convenience for holders of the Octopus Cards and which have received prior approval of the HKMA). The maximum value of money that can be stored in an Octopus Card is currently HK\$1,000.

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. Octopus Cards Limited has been involved in international automatic fare collection consultancy services.

To effect the Adjustments, a new holding company, Octopus Holdings Limited, has been 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 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.

As at the end of June 2009, approximately 19.5 million Octopus Cards had been issued.

#### *Octopus International Projects Limited*

Octopus International Projects Limited is a non-controlled subsidiary of the Company established for marketing international automatic fare collection consultancy projects.

#### *Octopus Connect Limited*

Octopus Connect Limited is a non-controlled subsidiary of the Company established for providing customer relationship management services.

#### *Octopus Rewards Limited*

Octopus Rewards Limited is a non-controlled subsidiary of the Company established for developing and operating a common loyalty programme.

#### *Octopus Investments Limited*

Octopus Investments Limited is a non-controlled subsidiary of the Company established for the purpose of investment holding.

#### *Octopus China Investments Limited*

Octopus China Investments Limited, a non-controlled subsidiary of the Company established for China related projects.

#### *Octopus Netherlands Limited*

Octopus Netherlands Limited is a non-controlled subsidiary of the Company established for providing consultancy services on introducing a smart card system in the Netherlands.

#### *Octopus Cards (NL) B.V.*

Octopus Cards (NL) B.V. is a non-controlled subsidiary of the Company established for managing the project to introduce a smart card system in the Netherlands.

#### *Octopus Cards Macau Limited*

Octopus Cards Macau Limited is a non-controlled subsidiary of the Company established for the provision of marketing, management support and consultancy services in relation to a contactless smartcard payment system in Macau.

#### *Octopus Systems Limited*

Octopus Systems Limited is a non-controlled subsidiary of the Company established for project management.

#### *Octopus Solutions Limited*

Octopus Solutions Limited is a non-controlled subsidiary of the Company established for project management.

#### *Octopus Knowledge Limited*

Octopus Knowledge Limited is a non-controlled subsidiary of the Company established for providing consultancy services to introduce a smart card system in Dubai, UAE.

#### *MTR Travel Limited*

MTR Travel Limited is a wholly-owned subsidiary of the Company and operates travel service centres at Admiralty station, Lo Wu station and Hung Hom station. The travel service centres operate as travel agents, mainly selling the Company's travel tickets and souvenirs. They also sell theme park tickets and provide tourist enquiry services.

#### *MTR Telecommunication Company Limited*

MTR Telecommunication Company Limited is a wholly-owned subsidiary of the Company and manages the mobile telephone coverage networks along the Company's Island Line, Tsuen Wan Line, Kwun Tong Line, Tseung Kwan O Line, Tung Chung Line, Disneyland Resort Line and Airport Express.

#### *Ngong Ping 360 Limited*

Ngong Ping 360 Limited is a wholly-owned subsidiary of the Company and operates the Tung Chung to Ngong Ping Cable Car System and the Theme Village in Ngong Ping, Lantau Island, Hong Kong.

#### *TraxComm Limited*

TraxComm Limited is a wholly-owned subsidiary of the Company and provides fixed network services to mainly telecommunications operators.

#### *MTR Shenzhen Investment Holding Limited*

MTR Shenzhen Investment Holding Limited is a wholly-owned subsidiary of the Company and the holding company of MTR Corporation (Shenzhen) Limited.

#### *MTR Shenyang Holdings Limited*

MTR Shenyang Holdings Limited is a wholly-owned subsidiary of the Company established for the purpose of holding an interest in a joint venture company for the operation and maintenance of Shenyang Metro Lines 1 and 2 in the Mainland of China.

#### *MTR Corporation (Shenzhen) Limited*

MTR Corporation (Shenzhen) Limited is a wholly-owned subsidiary of the Company (through MTR Shenzhen Investment Holding Limited) engaged in the Shenzhen Metro Line 4 project in the Mainland of China. It has been established to take up the investment, design and construction of Phase 2 of the Shenzhen Metro Line 4 and the operation of Phases 1 and 2 of the Shenzhen Metro Line 4.

#### *MTR Consulting (Shenzhen) Co. Ltd.*

MTR Consulting (Shenzhen) Co. Ltd. is a wholly-owned subsidiary of the Company established for engaging in railway related consultancy services and business in the Mainland of China.

#### *Shanghai Hong Kong Metro Construction Management Co. Ltd.*

Shanghai Hong Kong Metro Construction Management Co. Ltd. is a 60%-owned equity Sino-foreign joint venture subsidiary of the Company (through MTR (Shanghai Project Management) Limited) providing clients inside and outside the Mainland of China with engineering project construction management services and, in particular, providing railway transportation project construction management services for the design and construction of a railway in Shanghai, Mainland China.

#### *MTR Finance Lease (001) Limited*

MTR Finance Lease (001) Limited is a wholly-owned subsidiary of the Company established for the purpose of the US cross border leasing transaction.

#### *MTR Consultancy (Beijing) Co. Ltd.*

MTR Consultancy (Beijing) Co. Ltd. is a wholly-owned subsidiary of the Company established for railway related consultancy services and business in the Mainland of China.

#### *MTR (Beijing) Property Services Co. Limited*

MTR (Beijing) Property Services Co. Limited is a wholly-owned subsidiary of the Company established for property related services in the Mainland of China.

#### *Glory Goal Limited*

Glory Goal Limited is a wholly-owned subsidiary of the Company and the holding company of MTR (Beijing) Commercial Facilities Management Co. Ltd.

#### *MTR (Beijing) Commercial Facilities Management Co. Ltd.*

MTR (Beijing) Commercial Facilities Management Co. Ltd. is a wholly-owned subsidiary of the Company (through Glory Goal Limited) established for the leasing and management of commercial properties in the Mainland of China.

#### *MTR Beijing Line 4 Investment Company Limited*

MTR Beijing Line 4 Investment Company Limited is a wholly-owned subsidiary of the Company established for holding railway investments in Beijing Line 4 in the Mainland of China.

#### *MTR Corporation (Shenzhen) Training Centre*

MTR Corporation (Shenzhen) Training Centre is a wholly-owned subsidiary of the Company (through MTR Corporation (Shenzhen) Limited) established for providing rail transport training services in the Mainland of China.

#### *MTR Information Solutions Company Limited*

MTR Information Solutions Company Limited is a wholly-owned subsidiary of the Company established for the purpose of licensing the Company's software to its subsidiaries and associated companies that operate in Hong Kong, the Mainland of China and Europe.

#### *MTR Corporation (UK) Limited*

MTR Corporation (UK) Limited is a wholly-owned subsidiary of the Company and the holding company of MTR Corporation (Silverlink) Limited and MTR Stockholm AB.

#### *MTR Corporation (Silverlink) Limited*

MTR Corporation (Silverlink) Limited is a wholly-owned subsidiary of the Company (through MTR Corporation (UK) Limited), incorporated to hold the Company's shareholding in a UK joint venture company established to operate and maintain the London Overground rail concession.

#### *MTR Stockholm AB*

MTR Stockholm AB is a wholly-owned subsidiary of the Company (through MTR Corporation (UK) Limited), formed to hold the operating concession for Stockholm Metro in Sweden.

#### *Metro Trains Melbourne Pty Ltd.*

Metro Trains Melbourne Pty Ltd. ("MTM") is a non-wholly-owned subsidiary of the Company. The Company holds 60% of the voting rights in the equity of MTM with the remaining 40% of the voting rights held in equal proportions by United Group Rail Services Limited ("UGL Rail") and John Holland Melbourne Rail Franchise Pty Ltd ("John Holland"). MTM is a joint venture company established for the purposes of operating and maintaining the Melbourne train system for an initial period of eight years pursuant to a franchise agreement entered into with the Victorian Government of Australia on 31st August 2009.

#### *Other Activities*

The Company derives revenue from advertising space in its stations and trains, from the leasing 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 close to certain MTR stations, from the wholesaling of managed bandwidth and related services to local and international carriers and from consultancy services.

The Airport Express provides various passenger services including "In-town Check-in" services, baggage handling services, 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.

Since 1998, the Company has been involved in consultancy contracts overseas as well as in various cities in the Mainland of China. In Hong Kong, since 2002, the Airport Authority has contracted the Company to maintain the automated people mover at Hong Kong International Airport. The contract was extended for a further five-year period in July 2008.

On 10th June 2002, the Company was appointed as the Owner's Representative by Shanghai MRT Shen-song Line Development Co. Ltd., a Shanghai Municipal People's Government-owned enterprise, to undertake project management services for the design and construction of Shanghai Metro Line 9. Phase 1 of the line commenced operation in December 2007. The Company did not bear any design or construction costs in connection with this project. The services were undertaken by a joint venture with Shanghai Investment Consulting Corporation, a Shanghai Municipal People's Government-owned enterprise.

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 under which MTR Shenzhen will have 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. MTR Shenzhen will also lease the Phase 1 facilities for operations approximately 12 months before the operation of the entire Line 4 by MTR Shenzhen to enable the smooth integration of the Phase 1 and Phase 2 facilities. Line 4 will be a 20.5 kilometre double-track urban railway with 15 stations, and will connect 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. A major portion of Phase 1 of Line 4 comprising 4 stations commenced service in December 2004. The fifth station, Futian Checkpoint, entered into service in June 2007. Phase 1 is currently being operated by Shenzhen Metro Company Ltd. The entire Line 4, which is currently expected to become operational in 2011, will be operated by MTR Shenzhen for a term of 30 years from the date of commencement of service, after which the lease of Phase 1 will terminate and ownership of Phase 2 of Line 4 will revert to the Shenzhen Municipal People's Government.

The Company will initially hold a 100% equity interest in MTR Shenzhen, and is committed to holding directly or indirectly at least a 51% equity interest for the entire duration of the project. The total investment for this project is expected to be approximately RMB6 billion (HK\$6.8 billion at an assumed exchange rate of HK\$1.1344 to RMB1.00 as of 30th June 2009 (the "Assumed Exchange Rate")). Approximately 40% of the total project investment will be funded through an equity investment by the Company in MTR Shenzhen, which will have a registered capital of approximately RMB2.4 billion (HK\$2.7 billion at the Assumed Exchange Rate), and the balance of the project costs is expected to be funded through non-recourse bank loans denominated in Renminbi. MTR Shenzhen entered into a Unified Credit Agreement with China Development Bank on 15th May 2009. The Unified Credit Agreement is to function as an umbrella agreement for a long-term loan facility, a short-term revolving facility and a letters of credit facility. The total amount outstanding under the long-term loan facility and the short-term revolving facility cannot exceed RMB3.6 billion (equivalent to approximately HK\$4.1 billion at the Assumed Exchange Rate), which represents 60% of the total investment of MTR Shenzhen.

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 proposed Beijing Metro Line 4, a 28-kilometre underground metro line which will be 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, and Beijing Capital Group ("BCG"), an entity controlled by the Beijing Municipal People's 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 between the Company, BIIC and BCG, officially signed

the concession agreement for the Beijing Metro Line 4 with the Beijing Municipal People's 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 Municipal People's Government. The total investment for the Beijing Metro Line 4 project is expected to be approximately RMB15.3 billion (HK\$17.4 billion at the Assumed Exchange Rate), 70% of which will be funded by the Beijing Municipal People's Government. BMCL, the Public-Private Partnership, is expected to invest approximately RMB4.6 billion, (HK\$5.2 billion at the Assumed Exchange Rate), 70% of which is being financed through non-recourse bank loans. As at 30th June 2009, the aggregate amount of loans outstanding in BMCL was RMB1.53 billion (HK\$1.74 billion at the Assumed Exchange Rate). The Company, through MTR Beijing, and BCG each owns 49% of BMCL, with BIIIC holding the remaining 2%. The Company has made equity investment through MTR Beijing in BMCL of approximately RMB676.2 million (HK\$767 million at the Assumed Exchange Rate).

On 27th November 2008, the Company, BIIIC and BCG signed a Memorandum of Understanding with the Beijing Metro Daxing Line Investment Company Limited, a wholly-owned subsidiary of the Beijing Municipal Government, for the operation and maintenance of the Daxing Line of the Beijing Metro Network. The 22-kilometre, 11-station Daxing Line is an extension of the Beijing Metro Line 4 from Gongyixiqiao station, extending southward to Nanzhaolu station. Construction of this line commenced in December 2007 and is expected to be completed by 2010.

On 16th January 2009, the Company entered into a Principle Agreement for a Public-Private Partnership project with Hangzhou Municipal Government and Hangzhou Metro Group Company Limited for the investment in and construction and operation of the Hangzhou Metro Line 1. The Principle Agreement sets out the framework for the Company to further discuss with the Hangzhou Municipal Government the terms of a Concession Agreement for the investment in and operation of Hangzhou Metro Line 1 Phase 1 for a period of 25 years. The project will be divided into Part A and Part B representing approximately 63% and 37% of the RMB22 billion (HK\$25 billion at the Assumed Exchange Rate) investment respectively.

The civil construction of the metro system of Part A is being undertaken by Hangzhou Metro Group Company Limited. The investment in and construction of Part B, which mainly covers the electrical and mechanical system and operation of the entire metro line will be undertaken by a cooperative joint venture which will be 49% owned by the Company and 51% owned by Hangzhou Metro Group Company Limited. The 48-kilometre Hangzhou Metro Line 1 consists of a 41-kilometre underground section and 7 kilometres of at-grade and elevated sections. Hangzhou Metro Line 1 is the first among eight planned lines for Hangzhou city. Civil construction works for the project commenced in March 2007. A total of 30 stations, running from the south to the north of Hangzhou city and to Xiasha, Linping and Jiangnan are planned. The line is expected to commence service in 2012.

On 7th May 2009, the Company entered into an operation and maintenance Concession Agreement with Shenyang Metro Group Company Limited and Shenyang Municipal Government for the operations and maintenance of Shenyang Metro Lines 1 and 2. Under the agreement, a joint venture company will be formed by the Company and Shenyang Metro Group Company Limited, a wholly-owned subsidiary of Shenyang Municipal Government, with the parties owning 49% and 51% of the joint venture company respectively, to operate and maintain the two metro lines for a period of 30 years in exchange for a franchise fee. Total investment in the joint venture company is RMB400 million (HK\$454 million at the Assumed Exchange Rate) of which RMB200 million (HK\$227 million at the Assumed Exchange Rate) is registered capital. The concession includes pre-operation readiness, train and station operations as well as the maintenance, but not replacement, of assets in exchange for the payment of a fee to the joint venture company. Shenyang Metro Lines 1 and 2 are the first two metro lines among eleven planned lines for Shenyang city. The two lines are expected to commence service in 2010 and 2012 respectively. The total capital expenditure of Shenyang Metro Lines 1 and 2 is approximately RMB20 billion (HK\$23 billion at the Assumed Exchange Rate) which is fully-funded by the Shenyang Government. The 28-kilometre Shenyang Metro Line 1 will form the east-west traffic corridor in Shenyang, with 22 underground stations, while the 22-kilometre Shenyang Metro Line 2

will form the north-south corridor with 19 underground stations, connecting the southern and northern Hun River parts of the city.

The Company has also signed a Cooperation Agreement with Shenyang Metro Group in order to explore property development opportunities along the metro lines. The Company is also conducting joint commercial viability studies with Shenyang Municipal Government to explore investment opportunities in relation to Shenyang Metro Line 4.

The Company's 50:50 joint venture ("London Overground Rail Operations Ltd (LOROL)") with DB Regio UK Limited (formerly Laing Rail Ltd), a subsidiary of Deutsche Bahn AG, was awarded the London Overground concession on 2nd July 2007. Under this concession, LOROL operates five existing lines in Greater London for seven years from 11th November 2007, with an option for a two-year extension at the discretion of Transport for London ("TfL"). The cost based operating concession, which is overseen by TfL, will receive an amount of around £700 million over the lifetime of the contract, which includes an expected profit margin for LOROL.

London Overground is an important franchise in the UK capital. It is a semi-orbital route serving West, North and East London and will be an important link for the 2012 Olympic Games. The total route network measures 107.2 kilometres and, under the franchise, LOROL will eventually manage 55 of the 78 stations on the network. Among the five lines, the East London Line is currently undergoing an extensive extension and upgrade programme and is scheduled to re-open in 2010.

On 20th January 2009, the Company was awarded the concession rights to operate Sweden's Stockholm Metro for eight years beginning 2nd November 2009 with an optional six-year extension. Stockholm Metro links the Swedish capital's central areas with surrounding suburbs. 1.2 million passenger trips are made each day on three lines measuring a total of 108 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 MTRCL and Mantena AS, a Norwegian train maintenance company). During the contract period, the signalling system on one of the lines will be replaced and new train cars will be introduced. 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.

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. Approximately 3.4 million passenger trips are made each week on the Melbourne train network's 15 lines, which measure a total of 372 kilometres.

## **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 Directorate but the Board has reserved certain powers to itself. The members of the Executive Directorate are senior full-time employees of the Company.

Dr. Raymond Ch'ien Kuo-fung, a Member of the Board since 1998, was appointed by the Government on 8th August 2007 as the non-executive Chairman of the Company for a term of 24 months with effect from the Rail Merger which took effect from 2nd December 2007. Dr. Ch'ien was first appointed as the non-executive Chairman of the Company with effect from 21st July 2003 for a term of three years, which was renewed in 2006 for a further term up to 31st July 2007. In July 2007, Dr. Ch'ien was re-appointed as the non-executive Chairman of the Company with effect from 1st August 2007 for a term up to the Merger Date.

Mr. Chow Chung-kong, a Member of the Board and the Chief Executive Officer since 2003, was reappointed on 1st June 2009 as the Chief Executive Officer for the period from 1st December 2009 to 31st December 2011. Mr. Chow was first appointed as the Chief Executive Officer of the Company with effect from 1st December 2003 for a term of three years. His contract was renewed for a further term of three years from 1st December 2006 to 30th November 2009.

The present members of the Board and their principal outside functions, and the present members of the Executive Directorate, are as follows:

*Members of the Board*

Dr. Raymond Ch'ien Kuo-fung (Non-Executive Chairman), chairman of CDC Corporation, as well as chairman and a director respectively of its subsidiaries, China.com Inc and CDC Software Corporation. He is also chairman and independent non-executive director of Hang Seng Bank Limited, as well as non-executive chairman of HSBC Private Equity (Asia) Limited. He also serves on the board of The Hongkong and Shanghai Banking Corporation Limited.

Chow Chung-kong (Chief Executive Officer), non-executive chairman of Standard Chartered Bank (Hong Kong) Limited.

Vincent Cheng Hoi-chuen, Chairman of The Hongkong and Shanghai Banking Corporation Limited, Chairman of HSBC Bank (China) Company Limited, an executive director of HSBC Holdings plc and a non-executive director of HSBC Bank (Vietnam) Limited.

Christine Fang Meng-sang, chief executive of the Hong Kong Council of Social Service.

Edward Ho Sing-tin, the Group Chairman of Wong Tung & Partners Limited.

Ng Leung-sing, vice chairman of Chiyu Banking Corporation and chairman of Bank of China (Hong Kong) Trustees Limited.

Abraham Shek Lai-him, independent non-executive director and audit committee member of a number of listed companies in Hong Kong, and the chairman and an independent non-executive director of Chuang's China Investments Limited.

T.Brian Stevenson, non-executive director of The Hongkong and Shanghai Banking Corporation Limited, a member of the Asia Pacific Advisory Board of BT, a member of the Public Service Commission and Deputy Chairman of the Hong Kong Jockey Club.

Secretary for Transport and Housing, Government, Eva Cheng.

Professor Chan Ka-keung, Ceajer, Secretary for Financial Services and the Treasury, Government.

Commissioner for Transport, Government, Joseph Lai Yee-tak.

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 Eva Cheng), and the Commissioner for Transport (currently occupied by Joseph Lai Yee-tak), have been appointed as "additional directors". The Company is not aware of there being any other appointment proposed under this power.

None of the members of the Board has any shares, options or other beneficial interests in the shares of the Company other than those set out below:

*Interests in Shares of the Company as at 30th September 2009*

<b>Name</b>	<b>Interests in the shares of the Company</b>
Raymond Ch'ien Kuo-fung .....	51,230 HK\$1 ordinary shares
Chow Chung-kong .....	418,017 HK\$1 ordinary shares <sup>1</sup>
T. Brian Stevenson .....	4,957 HK\$1 ordinary shares
Christine Fang Meng-sang .....	1,712 HK\$1 ordinary shares
Vincent Cheng Hoi-chuen .....	3,350 HK\$1 ordinary shares <sup>2</sup>

Notes:

- 1 Mr. Chow Chung-kong has a derivative interest in respect of 418,017 HK\$1 ordinary shares in the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"). That derivative interest represents Mr. Chow's entitlement to receive an equivalent value in cash of 418,017 HK\$1 ordinary shares in the Company on completion of his three-year contract (on 30th November 2009).
- 2 Including the 1,675 HK\$1 ordinary shares held by family relations of Mr. Vincent Cheng Hoi-chuen.

*Members of the Executive Directorate*

Chow Chung-kong, Chief Executive Officer

Russell John Black, Projects Director

William Chan Fu-keung, Human Resources Director

Thomas Ho Hang-kwong, Property Director

Lincoln Leong Kwok-kuen, Finance & Business Development Director

Andrew McCusker, Operations Director

Leonard Bryan Turk, Legal Director & Secretary

As senior full-time employees of the Company, and save as disclosed under this section headed "Board and Management", none of the members of the Executive Directorate has any principal outside activities. The business address of each of the members of the Board and Executive Directorate is MTR Headquarters Building, Telford Plaza, Kowloon Bay, Kowloon, Hong Kong.

None of the members of the Executive Directorate has any shares, options or other beneficial interests in the shares of the Company other than those set out below:

*Interests in Shares of the Company as at 30th September 2009*

<b>Name</b>	<b>Interests in the shares of the Company</b>
Chow Chung-kong .....	418,017 HK\$1 ordinary shares <sup>1</sup>
Russell John Black .....	57,089 HK\$1 ordinary shares
William Chan Fu-keung .....	46,960 HK\$1 ordinary shares
Thomas Ho Hang-kwong .....	148,004 HK\$1 ordinary shares <sup>2</sup>
Lincoln Leong Kwok-kuen .....	206,000 HK\$1 ordinary shares <sup>3</sup>

Notes:

- 1 Mr. Chow Chung-kong has a derivative interest in respect of 418,017 HK\$1 ordinary shares in the Company within the meaning of Part XV of the SFO. That derivative interest represents Mr. Chow's entitlement to receive an equivalent value in cash of 418,017 HK\$1 ordinary shares in the Company on completion of his three-year contract (on 30th November 2009).
- 2 Including the 2,541 HK\$1 ordinary shares held by family relations of Mr. Thomas Ho Hang-kwong.
- 3 Including the 23,000 HK\$1 ordinary shares held by Linsan Investment Ltd., a private limited company beneficially wholly-owned by Mr. Lincoln Leong Kwok-kuen. Mr. Lincoln Leong Kwok-kuen has a derivative interest in respect of 160,000 HK\$1 ordinary shares in the Company within the meaning of Part XV of the SFO. That derivative interest represents Mr. Leong's entitlement to receive an equivalent value in cash of 160,000 HK\$1 ordinary shares in the Company on 9th April 2010.

*Options to subscribe for Shares of the Company granted under the Pre-Global Offering Share Option Scheme as at 30th September 2009*

Member of Executive Directorate	Date granted	Options held at 1st January 2009	Period during which rights exercisable (day/month/year)	Options vested during the period 1st January 2009 to 30th September 2009	Options exercised during the period 1st January 2009 to 30th September 2009	Exercise price per share of options (HK\$)	Options outstanding at 30th September 2009	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
William Chan Fu-keung .....	20/9/2000	217,500	5/4/2001-11/9/2010	—	100,000	8.44	117,500	23.25

*Options to subscribe for Shares of the Company granted under the New Joiners Share Option Scheme as at 30th September 2009*

Member of Executive Directorate	Date granted	Options held at 1st January 2009	Options granted during the period 1st January 2009 to 30th September 2009	Period during which rights exercisable (day/month/year)	Options vested during the period 1st January 2009 to 30th September 2009	Options exercised during the period 1st January 2009 to 30th September 2009	Exercise price per share of options (HK\$)	Options outstanding at 30th September 2009	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
Lincoln Leong Kwok-kuen .....	1/8/2003	1,043,000	—	14/7/2004-14/7/2013	—	625,500	9.75	417,500	27.37

*Options to subscribe for Shares of the Company granted under the 2007 Share Option Scheme as at 30th September 2009*

Member of Executive Directorate	Date granted	Options held at 1st January 2009	Options granted during the period 1st January 2009 to 30th September 2009	Period during which rights exercisable (day/month/year)	Options vested during the period 1st January 2009 to 30th September 2009	Options exercised during the period 1st January 2009 to 30th September 2009	Exercise price per share of options (HK\$)	Options outstanding at 30th September 2009	Weighted average closing price of shares immediately before the date(s) on which options were exercised (HK\$)
Chow Chung-kong .....	13/12/2007	720,000	—	10/12/2008 - 10/12/2014	—	—	27.60	720,000	—
	9/12/2008	470,000	—	8/12/2009 - 8/12/2015	—	—	18.30	470,000	—
Russell John Black .....	12/12/2007	170,000	—	10/12/2008 - 10/12/2014	—	—	27.60	170,000	—
	9/12/2008	170,000	—	8/12/2009 - 8/12/2015	—	—	18.30	170,000	—
William Chan Fu-keung .....	13/12/2007	170,000	—	10/12/2008 - 10/12/2014	—	—	27.60	170,000	—
	9/12/2008	170,000	—	8/12/2009 - 8/12/2015	—	—	18.30	170,000	—
Thomas Ho Hang-kwong .....	12/12/2007	170,000	—	10/12/2008 - 10/12/2014	—	—	27.60	170,000	—
	11/12/2008	170,000	—	8/12/2009 - 8/12/2015	—	—	18.30	170,000	—
Lincoln Leong Kwok-kuen .....	12/12/2007	170,000	—	10/12/2008 - 10/12/2014	—	—	27.60	170,000	—
	9/12/2008	170,000	—	8/12/2009 - 8/12/2015	—	—	18.30	170,000	—
Andrew McCusker .....	12/12/2007	170,000	—	10/12/2008 - 10/12/2014	—	—	27.60	170,000	—
	12/12/2008	170,000	—	8/12/2009 - 8/12/2015	—	—	18.30	170,000	—
Leonard Bryan Turk .....	12/12/2007	170,000	—	10/12/2008 - 10/12/2014	—	—	27.60	170,000	—
	9/12/2008	170,000	—	8/12/2009 - 8/12/2015	—	—	18.30	170,000	—

None of the members of the Board or members of the Executive Directorate is interested in the Company's promotion, or in any assets which have, within the two years immediately preceding the issue of this Prospectus, been acquired or disposed of by or leased to the Company or its subsidiaries, or are proposed to be acquired or disposed of by or leased to the Company or its subsidiaries.

The Government, through The Financial Secretary Incorporated, holds approximately 76.82% of the issued share capital of the Company as at 30th June 2009. Professor Chan Ka-keung, Ceajer (Secretary for Financial Services and the Treasury), Secretary for Transport and Housing

(Eva Cheng) and Commissioner for Transport (Joseph Lai Yee-tak) are members of the Board and senior officials of the Government.

The Hongkong and Shanghai Banking Corporation Limited, Hang Seng Bank Limited, Standard Chartered Bank (Hong Kong) Limited and Bank of China (Hong Kong) Limited are principal bankers to the Company. Dr. Raymond Ch'ien Kuo-fung serves on the boards of one or more companies within the HSBC group including Hang Seng Bank Limited. Vincent Cheng Hoi-chuen serves on the boards of one or more companies within the HSBC group. T. Brian Stevenson serves on the Board of The Hongkong and Shanghai Banking Corporation Limited. Chow Chung-kong serves on the board of Standard Chartered Bank (Hong Kong) Limited. Ng Leung-sing is vice chairman of Chiyu Banking Corporation and chairman of Bank of China (Hong Kong) Trustees Limited.

Each member of the Board discloses his or her interest in the entities to which they owe duties and, in accordance with the Articles of Association of the Company, abstains from voting on resolutions involving the Company and such entities if he/she has a material interest in the matters concerned. Save as set out above, there are no other existing or potential conflicts of interest between any duties to the Company of the members of the Board or members of the Executive Directorate named above and their private interests and/or other duties.

### **Audit Committee**

T. Brian Stevenson (chairman)

Commissioner for Transport, Government, Joseph Lai Yee-tak

Ng Leung-sing

The Audit Committee normally meets four times each year with the purpose of monitoring the integrity of the Group's financial statements and to consider the nature and scope of internal and external audit reviews. It also assesses the effectiveness of the systems of internal control. All the members of the Audit Committee are non-executive Directors. Mr. Stevenson and Mr. Ng are also independent non-executive Directors.

### **Corporate Governance**

The Company has complied throughout the half-year ended 30th June 2009 with the Code Provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except that, with respect to Code Provision A.4.1, non-executive Directors of the Company are not appointed for a specific term but are subject (save for those appointed pursuant to section 8 of the Mass Transit Railway Ordinance) to retirement by rotation and re-election at the Company's annual general meetings in accordance with Articles 87 and 88 of the Company's Articles of Association. As there are currently eight Directors subject to the requirement to retire by rotation and one-third of them shall retire at each annual general meeting of the Company (subject to re-election by the shareholders), each of these Directors is effectively appointed for a term of approximately three years.

### **Borrowing Powers**

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital. The Board may issue debentures and other securities of the Company and give security for any debt, liability or obligation of the Company or any third party. These provisions, in common with the Articles of Association of the Company in general, can be varied by a special resolution of the Company's shareholders.

### **Directors' Remuneration and Pensions**

The total fees paid to the members of the Board (the "Directors") for performing their services as directors must not exceed HK\$6 million each year or any greater amount fixed by an ordinary resolution passed at a general meeting. Unless an ordinary resolution that fixes the fees provides otherwise, the Directors, upon the recommendation of the remuneration committee, will decide the way in which the total fees will be divided. If the Directors do not make such a decision, the fees will be divided equally, except that any Director holding office

for less than the whole of the relevant period for which the fees are paid will only receive part of this amount in proportion to the amount of time he has been a Director.

Each Director is entitled to be reimbursed for all reasonable travel, hotel and incidental expenses incurred in attending and returning from board meetings, committee meetings, general meetings or any other meetings which that Director is entitled to attend, as well as other expenses properly and reasonably incurred in connection with the Company's business or in the performance of his duties as a Director. The Board, upon the recommendation of the remuneration committee, may grant special pay to any Director who performs any special or extra services. Such special pay may be paid to a Director in addition to or in substitution for his ordinary pay, and may be paid by way of lump sum, salary or a combination or in any other way.

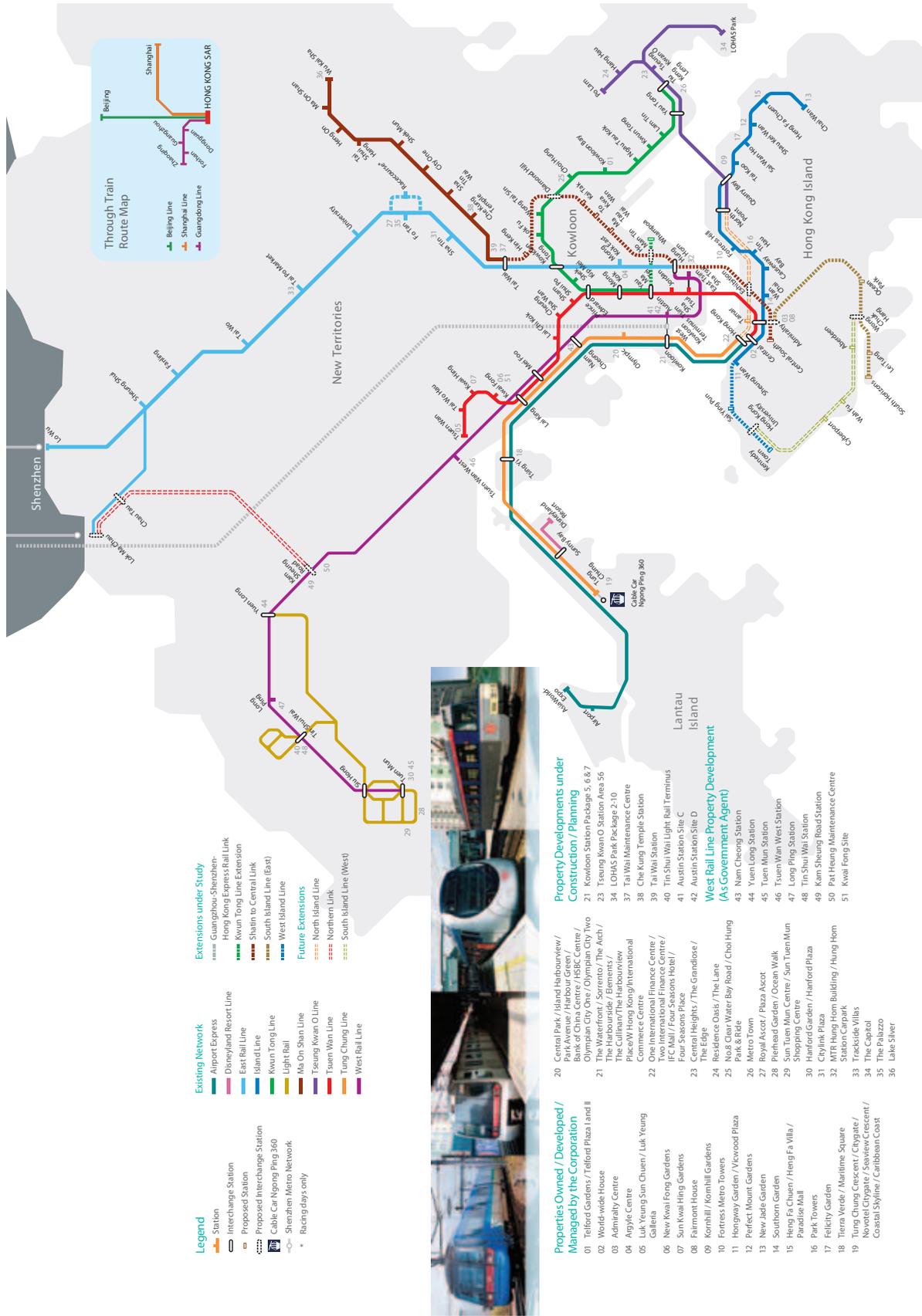
The Board or any committee authorised by the Board may decide to provide pensions or other benefits to any Director or former Director, or any of their relations or dependants.

If the Directors want to provide a benefit to a Director or former Director who has not held an executive post or place of profit in the Company or in a subsidiary or former subsidiary of the Company or in any former owner of the business of the Company or any subsidiary of the Company, the shareholders of the Company must also pass an ordinary resolution to approve the payment. No such ordinary resolution has been passed.

### **Employees**

The Company employed 14,559 persons at the end of June 2009 in its Hong Kong and offshore operations. The Company consults the views of employees when formulating staff policy. Joint Consultative Committees (each a "JCC") comprising elected staff representatives were first established in 1980. Representatives from JCCs together with management delegates form the Staff Consultative Council ("SCC"). Chaired by the Company's Human Resources Director, the SCC meets periodically to discuss matters of common interest and concern.

The Company has embarked on a number of programmes aimed at increasing work efficiency and productivity.



## **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, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. MTR Cayman's principal office is MTR Headquarters Building, Telford Plaza, Kowloon Bay, Kowloon, Hong Kong.

### **Objects of MTR Cayman**

The objects for which MTR Cayman is established are set out in paragraph 3 of its Memorandum of Association. The corporate objects are unrestricted and include carrying on the business of an investment company.

### **Board and Management**

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

Leonard Bryan Turk, Joint Chief Executive Officer and Company Secretary.

Lincoln Leong Kwok-kuen, Joint Chief Executive Officer, Finance Director and Chief Financial Officer.

Jimmy Lau Chiu-chung, 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 Leonard Bryan Turk and Lincoln Leong Kwok-kuen are members of the Executive Directorate of MTRCL. Jimmy Lau Chiu-chung is General Manager - Financial Control & Treasury of MTRCL. The business address of each of the members of the Board of MTR Cayman is MTR Headquarters Building, Telford Plaza, Kowloon Bay, Kowloon, Hong Kong.

There are no existing or potential conflicts of interest between any duties to MTR Cayman of the Directors named above and their private interests and other duties.

### **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 2008 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 2008. As at 31st August 2009, MTR Cayman has issued an additional HK\$500 million principal amount of notes in aggregate. The proceeds were on lent to MTRCL. All the borrowings were the subject of an unconditional and irrevocable guarantee by MTRCL and were unsecured. As at 31st December 2008 there were no contingent liabilities and guarantees. For the period between 1st January 2009 to 31st August 2009, MTR Cayman has repaid HK\$300 million of borrowings.

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 2008.

## Capitalisation and Indebtedness

### MTR Corporation Limited

The following table shows the consolidated capitalisation and indebtedness of MTRCL and its subsidiaries (the "Group") based on unaudited financial statements as at 30th June 2009:

	As at 30th June 2009
	(HK\$ million)
<b>Short-Term Debt, including current portion of long-term debt</b>	
Overdraft .....	35
Short term loans in Hong Kong dollars.....	348
Short term loans in other currencies <sup>(1)</sup> .....	32
Loans in other currencies, current portion <sup>(1)</sup> .....	35
Debt Issuance Programme Notes due in 12 months.....	1,950
<b>Total short-term debt<sup>(2)(5)</sup> .....</b>	<b>2,400</b>
<b>Long-Term Debt, less current portion</b>	
Other obligations in other currencies <sup>(1)</sup> .....	304
Loans in Hong Kong dollars.....	8,000
Loans in other currencies <sup>(1)</sup> .....	1,055
US\$ Global Notes due 2010 <sup>(1)</sup> .....	4,679
Debt Issuance Programme Notes due over 12 months .....	11,260
<b>Total long-term debt<sup>(2)(5)</sup> .....</b>	<b>25,298</b>
Sub-total .....	27,698
Unamortised discount/premium/finance charges outstanding.....	(77)
Adjustment due to fair value change of financial instruments(6) .....	259
<b>Total carrying amount of debt .....</b>	<b>27,880</b>
<b>Equity</b>	
Share Capital 5,711,626,867 ordinary shares issued and fully paid (authorised: 6,500,000,000 ordinary shares of HK\$1.00 each) .....	5,712
Share Premium.....	9,184
Capital Reserve.....	27,188
Fixed Asset Revaluation Reserve .....	915
Hedging Reserve .....	(70)
Employee Share-based Capital Reserve.....	37
Exchange Reserve.....	60
Retained Profits <sup>(7)</sup> .....	58,363
Shareholders' funds .....	101,389
Minority interests.....	20
<b>Equity.....</b>	<b>101,409</b>
<b>Total Capitalisation and Indebtedness.....</b>	<b>129,289</b>

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 2009. The weighted averages of the foreign exchange contracts and currency swaps and the spot rates prevailing on 30th June 2009 were: HK\$7.7833= US\$1; HK\$8.83 = 1 euro; HK\$12.9342= GBP1; and HK\$1.1344= RMB1.

(2) Total short-term and long-term debts 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 a non-controlled subsidiary group, 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 2009.
- (5) During the period between 30th June 2009 and 30th September 2009, MTRCL made a net repayment of debt of approximately HK\$2,314 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 dividend of 14 cents per share, which amounted to HK\$800 million, was declared on 11th August 2009 to be paid on or about 23rd October 2009. A scrip dividend alternative has been offered to all shareholders except shareholders with registered addresses in the United States of America or any of its territories or possessions. MTRCL's majority shareholder, the FSI, has elected to receive part of its entitlement to dividends in the form of scrip to the extent necessary to ensure a maximum of 50% of the total dividend paid by MTRCL will be in the form of cash.
- (8) Save as disclosed above, there has been no material change to the capitalisation and indebtedness or contingent liabilities and guarantees of MTRCL since 30th June 2009.

The following table shows the consolidated capitalisation and indebtedness of MTRCL and its subsidiaries (the "Group") based on the audited financial statements as at 31st December 2008:

	<b>As at 31st December 2008</b>
	<i>(HK\$ million)</i>
<b>Short-Term Debt, including current portion of long-term debt</b>	
Overdraft .....	59
Short term loans in Hong Kong dollars.....	596
Short term loans in other currencies <sup>(1)</sup> .....	1,050
Loans in other currencies, current portion <sup>(1)</sup> .....	35
US\$ Global Notes due 2009 <sup>(1)</sup> .....	5,834
Debt Issuance Programme Notes due 2009 .....	1,000
<b>Total short-term debt<sup>(2)(5)</sup> .....</b>	<b>8,574</b>
<b>Long-Term Debt, less current portion</b>	
Other obligations in other currencies <sup>(1)</sup> .....	297
Loans in Hong Kong dollars.....	5,400
Loans in other currencies <sup>(1)</sup> .....	52
US\$ Global Notes due 2010 <sup>(1)</sup> .....	4,679
Debt Issuance Programme Notes due 2010 to 2020 <sup>(1)</sup> .....	12,010
<b>Total long-term debt<sup>(2)(5)</sup> .....</b>	<b>22,438</b>
Sub-total .....	31,012
Unamortised discount/premium/finance charges outstanding .....	(52)
Adjustment due to fair value change of financial instruments <sup>(6)</sup> .....	329
<b>Total carrying amount of debt .....</b>	<b>31,289</b>
<b>Equity</b>	
Share Capital 5,661,143,113 ordinary shares issued and fully paid (authorised: 6,500,000,000 ordinary shares of HK\$1.00 each) .....	5,661
Share Premium .....	8,270
Capital Reserve .....	27,188
Fixed Asset Revaluation Reserve .....	960
Hedging Reserve .....	(154)
Employee Share-based Capital Reserve .....	25
Exchange Reserve .....	63
Retained Profits <sup>(7)</sup> .....	55,788
Shareholders' funds .....	97,801
Minority interests.....	21
<b>Equity .....</b>	<b>97,822</b>
<b>Total Capitalisation and Indebtedness .....</b>	<b>129,111</b>

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 31st December 2008. The weighted averages of foreign exchange contracts and currency swaps and the spot rates prevailing on 31st December 2008 were: HK\$7.7817 = US\$1; HK\$8.83 = 1 euro; HK\$11.2004 = GBP1; and HK\$1.1358 = RMB1.
- (2) Total short-term and long-term debts 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 a non-controlled subsidiary group, 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 31st December 2008.
- (5) During the period between 1st January 2009 and 30th September 2009, MTRCL made a net repayment of debt of approximately HK\$5,635 million.
- (6) Being the change in fair value of derivative financial instruments recognised in accordance with Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and Measurement".
- (7) At the Annual General Meeting held on 4th June 2009, the 2008 final dividend of HK\$1,925 million was approved and was paid on 17th June 2009. Pursuant to a scrip dividend option, all shareholders except shareholders with registered addresses in the United States of America or any of its territories or possessions were offered a scrip dividend alternative. HK\$962 million out of the total dividends was paid in scrip. MTRCL's majority shareholder, the FSI, elected to receive part of its entitlement to dividends in the form of scrip to the extent necessary to ensure a maximum of 50% of the total dividend paid by MTRCL will be in the form of cash. An interim dividend of 14 cents per share, which amounted to HK\$800 million, was declared on 11th August 2009 to be paid on or about 23rd October 2009. A scrip dividend alternative has been offered to all shareholders except shareholders with registered addresses in the United States of America or any of its territories or possessions. MTRCL's majority shareholder, the FSI, has elected to receive part of its entitlement to dividends in the form of scrip to the extent necessary to ensure a maximum of 50% of the total dividend paid by MTRCL will be in the form of cash.
- (8) Save as disclosed above, there has been no material change to the capitalisation and indebtedness or contingent liabilities and guarantees of MTRCL since 31st December 2008.

## Form of Final Terms

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

[LOGO, if document is printed]

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

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

**US\$3,000,000,000 Debt Issuance Programme**

SERIES NO: [            ]  
TRANCHE NO: [            ]

[Brief Description and Principal Amount of Notes]

Issue Price: [    ] per cent.

[Dealer(s)]

The date of the Final Terms is [            ]

## Part A - Contractual Terms

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 3 November 2009 [and the supplemental Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive"). This document constitutes the final terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. [The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [address].]

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus 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 Prospectus dated [original date] [and the supplemental Prospectus dated [●]] and incorporated by reference into the Prospectus dated [current date] and which are attached thereto. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive") and must be read in conjunction with the Prospectus dated [●] [and the supplemental Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. [The Prospectus [and the supplemental Prospectuses] [is/are] available for viewing at [address] [and] [website] and copies may be obtained from [address].]

*[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 Final Terms.]*

*[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]*

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] (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):

*“[U.S.\$100,000] and integral multiples of [U.S.\$1,000] in excess thereof, up to and including [U.S.\$199,000] No definitive notes will be issued with a denomination above [U.S.\$199,000].”*

*(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 [U.S.\$100,000] minimum denomination is not required.)*

(b) Calculation Amount:

[●]

*(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

[●]

9. Maturity Date:

*[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]<sup>1</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)]

*(N.B. If the Final Redemption Amount is less than 100% of the nominal value, the Notes will constitute derivative securities for the purposes of the Prospectus Directive, the requirements of Annex XII to the Prospectus Directive Regulation No. 809/2004 will apply and the Issuer will prepare and publish a supplement to the Prospectus.)*

<sup>1</sup> Note that for Hong Kong dollar denominated Fixed Rate Notes where the Fixed Interest Dates are subject to modification it will be necessary to use the second option here. Note that for certain Hong Kong dollar 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 and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and currency deposits) in Hong Kong and [●].” For Hong Kong dollar 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. 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.”

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 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]

#### 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]
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount  
(Applicable to Notes in Definitive  
Form)
- (iv) Broken Amount(s): [●] per Calculation Amount, payable on the  
(Applicable to Notes in Definitive  
Form) Interest Payment Date falling [in/on] [●].  
*[Insert particulars of any initial or final broken  
interest amounts which do not correspond with  
the Fixed Coupon Amount[(s)] and the Interest  
Payment Date(s) to which they relate]*
- (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 U.S. dollars or Hong Kong  
dollars, unless otherwise requested)*
- (vi) Determination Dates: [●] in each year  
*(Insert regular interest payment dates, ignoring  
issue date or maturity date in the case of a long  
or short first or last coupon.)*
- (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*)]
- (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: [Specify relevant screen page or “Reference Banks”]
  - Reference Banks (if Primary Source is “Reference Banks”): [Specify four]
  - Relevant Financial Centre: [The financial centre most closely connected to the Benchmark - specify if not London]
  - Benchmark: [LIBOR, LIBID, LIMEAN, EURIBOR, 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 notional amount]
  - Effective Date: [Specify if quotations are not to be obtained with effect from commencement of 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 subparagraphs 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)*
- (i) Index/Formula/other variable: [give or annex details]
- (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)*
- (i) Rate of Exchange/Method of calculating Rate of Exchange: [give details]
- (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/specify other
- (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>2</sup> [●]
22. **Put Option** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs 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/specify other
- (iii) Option Exercise Date(s): [●]
- (iv) Description of any other Noteholders' option: [●]
- (v) Notice period:<sup>2</sup> [●]
23. **Final Redemption Amount of each Note** [[●] per Calculation Amount/specify other]  
*(N.B. If the Final Redemption Amount is less than 100% of the nominal value, the Notes will constitute derivative securities for the purposes of the Prospectus Directive, the requirements of Annex XII to the Prospectus Directive Regulation No. 809/2004 will apply and the Issuer will prepare and publish a supplement to the Prospectus.)*
- 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: [●]

<sup>2</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.)

(vii) Maximum Final Redemption Amount: [●]

**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/specify other
- (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/Certificate exchangeable for a permanent Global Note/Certificate which is exchangeable for Definitive Notes/Certificates on [●] days' notice/in the limited circumstances specified in the permanent Global Note/Certificate]

[Temporary Global Note/Certificate exchangeable for Definitive Notes/Certificates on [●] days' notice]

[Permanent Global Note/Certificate exchangeable for Definitive Notes/Certificates on [●] days' notice/in the limited circumstances specified in the permanent Global Note/Certificate]

N.B. If the Specified Denomination of the Notes in paragraph 7 includes language substantially to the following effect: "[US\$100,000] and integral multiples of [US\$1,000] in excess thereof up to and including [US\$199,000]", 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(v) 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,

[Not Applicable/give details]

including any right of the Issuer to forfeit the Notes and interest due on late payment:

29. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/*give details*]
- (i) Instalment Amount(s): [●]
- (ii) Instalment Date(s): [●]
- (iii) Minimum Instalment Amount: [●]
- (iv) Maximum Instalment Amount: [●]
30. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition [●]] apply]
31. Consolidation provisions: [Not Applicable/The provisions [in Condition [●]] apply]
32. Other final terms:<sup>3</sup> [Not Applicable/*give details*]  
*(When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*  
[Equity Accounting/Financial Liability Accounting/Not Applicable]

#### DISTRIBUTION

33. (i) If syndicated, names and addresses of Managers and underwriting commitments: [Not Applicable/*give names, addresses 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*]
34. If non-syndicated, name and address of Dealer: [Not Applicable/*give name and address*]
35. Total commission and concession: [●] per cent. of the Aggregate Nominal Amount
36. U.S. Selling Restrictions [Reg S. Compliance Category/TEFRA C/TEFRA D/TEFRA not applicable]
37. Additional selling restrictions: [Not Applicable/*give details*]

#### LISTING AND ADMISSION TO TRADING APPLICATION [Only include for listed notes]

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the US\$3,000,000,000 Debt Issuance Programme of MTR Corporation Limited and MTR Corporation (C.I.) Limited.

<sup>3</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 Prospectus 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.

## **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms. [[●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced inaccurate or misleading.]

Signed on behalf of the Issuer:

By:

Duly authorised

[Signed on behalf of the Guarantor:

By:

Duly authorised]

## Part B - Other Information\*

### 1. LISTING

- (i) Listing: [Official List of the UK Listing Authority and trading on the London Stock Exchange's regulated market/Hong Kong Stock Exchange/ Other (specify)/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [●] with effect from [●].] [Not Applicable.]  
*(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)*
- (iii) Estimate of total expenses related to admission to trading: [●]

### 2. RATINGS

- Ratings: The Notes to be issued have been rated:  
[S&P: [●]]  
[Moody's: [●]]  
[[Other]: [●]]  
*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

### 3. [NOTIFICATION

The [*include name of competent authority in EEA home Member State*] [has been requested to provide/has provided - include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

### 4. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

“Save as discussed in “Subscription and Sale”, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

### 5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- [(i)] Reasons for the offer: [●]  
*(See “Use of Proceeds” wording in Prospectus - if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)*

\* If an issue of Notes is (i) NOT admitted to trading on a regulated market within the European Economic Area 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 Issuer may elect to amend or delete certain of the above paragraphs of Part B.

[(ii)] Estimated net proceeds: [●]  
(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

[(iii)] Estimated total expenses: [●] *[Include breakdown of expenses.]*  
*(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)*

**6. [Fixed Rate Notes only - YIELD**

Indication of yield: [●]  
[Calculated as *[include details of method of calculation in summary form]* on the Issue Date.  
[The Yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

**7. [Floating Rate Notes only - HISTORIC INTEREST RATES**

Details of historic [LIBOR, LIBID, LIMEAN, EURIBOR, HIBOR or other benchmark] rates can be obtained from [relevant screen page].]

**8. [Index-Linked Notes only - PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING**

*Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.*

**9. [Dual Currency Notes only - PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT**

*Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]*

**10. OPERATIONAL INFORMATION**

ISIN Code: [●]  
Common Code: [●]  
CMU Instrument No.: [●]

\* If an issue of Notes is (i) NOT admitted to trading on a regulated market within the European Economic Area 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 Issuer may elect to amend or delete certain of the above paragraphs of Part B.

[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.]

[Not Applicable/*give name(s) and number(s) and address(es)*]

Any clearing system(s) other than Euroclear Bank S.A./N.V., Clearstream Banking, *société anonyme* and the Central Moneymarkets Unit Service and the relevant identification number(s):

Delivery:

Names and addresses of additional Paying Agent(s) (if any):

Delivery [against/free of] payment

## Taxation

### Hong Kong Taxation

Under existing Hong Kong law, payments of principal (including premiums and discounts) and interest in respect of the Notes will be payable without withholding for or on account of any Hong Kong taxes.

The above comment, which is of a general nature, is based on Hong Kong law as at the date of this Prospectus and describes only the Hong Kong withholding tax treatment of payments of principal and interest in respect of the Notes. It does not deal with any other Hong Kong taxation implications of acquiring, holding or disposing of 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 other than Hong Kong are advised to consult their own professional advisers.

### 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 any double taxation treaties (other than with the United Kingdom).

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 U.S.\$305)) unless stamp duty of C.I.\$500 (approximately U.S.\$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 U.S.\$122).

### United Kingdom Taxation

The following comments are of a general nature based on the Issuers' understanding of current tax law and practice in the United Kingdom as at the date of this Prospectus and apply only to persons who are the beneficial owners of Notes. It describes only the United Kingdom withholding tax treatment of payments of interest in respect of the Notes and is not exhaustive. In particular, it does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective holders of Notes depends on their individual circumstances and may be subject to change in the future. Prospective holders of Notes who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom are advised to consult their own professional advisers.

### *Withholding of tax on interest*

Payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax on the basis that such interest does not have a United Kingdom source.

### *Information gathering powers*

Prospective holders of Notes may wish to note that, in certain circumstances, HM Revenue & Customs ("HMRC") has power to obtain information (including the name and address of the beneficial owner of the interest or the amount payable on redemption (as the case may be)) from any person in the United Kingdom who either pays or credits interest to, or receives interest for the benefit of another person, or who either pays amounts payable on the redemption of Notes which are "deeply discounted securities" for the purposes of the Income Tax (Trading and Other Income) Act 2005 to, or receives such amounts for the benefit of another person. However, in relation to amounts payable on the redemption of such deeply discounted securities, HMRC published practice indicates that HMRC will not exercise that power to obtain information where such amounts are paid or received on or before 5th April 2010. Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of other jurisdictions.

### **EC Directive on the Taxation of Savings Income**

Directive 2003/48/EC (the "Directive") provides for the tax authorities of the Member States to provide each other with details of payments of interest and other similar income paid by a person within its jurisdiction to or for the benefit of an individual resident in another Member State or to certain limited types of entities established in another Member State but permits Austria, Belgium and Luxembourg instead to impose a withholding tax on the payments concerned for a "transitional period" (although it also provides that no such withholding tax should be levied where the beneficial owner of the payment authorises an exchange of information and/or where the beneficial owner presents a certificate from the tax authority of the Member State in which the beneficial owner is resident) unless during such period they elect otherwise (the ending of such transitional period being dependent upon the conclusion of certain agreements relating to information exchange with certain non-EU countries). By a Decree published on 27th September 2009 in the Belgian Official Gazette dated 1st October 2009, the withholding tax imposed by Belgium will be replaced by an obligation to automatically communicate the information specified by the Directive with effect from 1st January 2010. A number of non-EU countries and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures. The Directive does not preclude Member States from levying other types of withholding tax.

On 15th September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13th November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24th April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

## Subscription and Sale

Subject to the terms and conditions contained in the Programme Agreement dated 31st October 2006 as supplemented by the First Supplemental Programme Agreement dated 2nd November 2007 and the Second Supplemental Programme Agreement dated 3rd November 2008 (as further amended, supplemented, novated or restated from time to time) (the "Programme Agreement") between MTRCL, MTR Cayman and Barclays Bank PLC, BNP Paribas, CALYON, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities Ltd., Merrill Lynch International, Morgan Stanley & Co. International plc, Nomura International (Hong Kong) Limited, Standard Chartered Bank (Hong Kong) Limited, The Royal Bank of Scotland plc and UBS Limited (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.

### *United States*

The Notes have not been and will not be registered under the US Securities Act of 1933 as amended (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").

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 Indexed 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 Prospectus as completed by the Final Terms 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 Final Terms 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 a Prospectus 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 Prospectus has subsequently been completed by the Final Terms 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 Final Terms, as applicable;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (d) at any time to fewer than 100 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 Dealers nominated by the Issuer for any such offer; or
- (e) 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 (e) 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 and includes any relevant implementing measure in each 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*

Each Dealer has represented and agreed that 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, 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" within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any rules made thereunder.

In addition, each Dealer has represented and agreed that it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance.

For the purposes of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, the Notes to be listed on the Hong Kong Stock Exchange are regarded as "selectively marketed securities", which means that the offer and sale of such Notes is restricted such that they are marketed to or placed with any number of registered dealers or financial institutions either with a view to their reselling such Notes as principals off-market and that such Notes are of such a nature that nearly all of them will normally be purchased and traded by a limited number of investors who are particularly knowledgeable in investment matters or placing such Notes with a limited number of such 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*

Bearer zero coupon Notes in definitive form and other bearer Notes in definitive form on which interest does not become due and payable during their term but only at maturity (savings certificates or spaarbewijzen as defined in the Dutch Savings Certificates Act or Wet inzake spaarbewijzen, the "SCA") may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member of Euronext Amsterdam N.V. with due observance of the provisions of the SCA and its

implementing regulations (which include registration requirements). No such mediation is required, however, in respect of (i) the initial issue of such Notes to the first holders thereof, (ii) the transfer and acceptance by individuals who do not act in the conduct of a profession or business, and (iii) the issue and trading of such Notes if they are physically issued outside The Netherlands and are not immediately thereafter distributed in The Netherlands.

Each Dealer has represented and agreed, that any Notes with a maturity of less than 12 months and a denomination of less than €50,000 (or the equivalent thereof in another currency) will only be offered in the Netherlands to professional market parties as defined in the Financial Supervision Act (*Wet op het financieel toezicht*) and the decrees issued pursuant thereto.

#### *Japan*

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) (the "FIEL Law") and, accordingly, each Dealer has represented and agreed that it has not offered, sold or delivered and will not offer, sell or deliver any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which terms as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL Law and any other applicable laws, regulations and ministerial guidelines of Japan.

#### *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 Prospectus 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, 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.

Each of the Dealers has further represented and agreed to notify (whether through the distribution of the Prospectus or otherwise) each of the following relevant persons specified in Section 275 of the SFA which has subscribed or purchased the Notes from or through that Dealer, namely a person which is:

- (a) a corporation (which is not an accredited investor) 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 is an accredited investor, that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Notes under Section 275 except:
  - (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA;
  - (2) where no consideration is given for the transfer; or
  - (3) by operation of law.

#### *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

Prospectus or any other offering material or any Final Terms, 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 Prospectus or any other offering material or any Final Terms, 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 Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Prospectus.

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 Prospectus or any other offering material or any Final Terms, 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 People's Republic of China resumed the exercise of sovereignty over Hong Kong, and the Government of the Hong Kong SAR was established. The role of the Governor of Hong Kong was taken over by the Chief Executive of the Hong Kong SAR.

The basic policies of the People's Republic of China regarding the Hong Kong SAR 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 the Hong Kong SAR shall be directly under the authority of the Government of the People's Republic of China and that the Hong Kong SAR 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 the Hong Kong SAR was enacted by the National People's Congress of the People's Republic of China on 4th April 1990.

The Basic Law, which took effect from 1st July 1997, provides, among other things, that the Hong Kong SAR 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 the Hong Kong SAR, and that the Government of the Hong Kong SAR shall provide an appropriate economic and legal environment for the maintenance of the status of the Hong Kong SAR as an international financial centre.

The Basic Law provides that the Hong Kong dollar, as the legal tender in the Hong Kong SAR, shall continue to circulate. It also provides that no exchange control policies shall be applied in the Hong Kong SAR and that the Hong Kong dollar shall remain freely convertible.

MTRCL's properties and operations are located, and are likely to remain, in the Hong Kong SAR, and as such are subject to the laws of the Hong Kong SAR in force at the time in question.

## General Information

### Listing

The admission of Notes to the Official List of the UK Listing Authority and to trading on the Market will be expressed as a percentage of their aggregate principal amount (excluding accrued interest). It is expected that Notes which are to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of the relevant Global Note(s). Application has been made to trade the relevant Notes on the Market. The listing of Notes 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 two clear business days 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 7th December 2000.

### Auditors and Accounts

KPMG, Certified Public Accountants registered in Hong Kong and independent auditors of MTRCL, have audited the consolidated accounts of MTRCL and its subsidiaries for the three years ended 31st December 2008, 31st December 2007 and 31st December 2006 without qualification in accordance with generally accepted auditing standards in Hong Kong. KPMG have audited the annual accounts of MTR Cayman for the three years ended 31st December 2008, 31st December 2007 and 31st December 2006 without qualification in accordance with generally accepted auditing standards in Hong Kong.

KPMG has given and has not withdrawn its written consent for the purposes of paragraph 8(2) of Appendix 1 Part C of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited to the incorporation by reference in this Prospectus of their audit reports in respect of the accounts of MTRCL and MTR Cayman and to the references to KPMG in the form and context in which they appear in this Prospectus.

### Differences between IFRS and Hong Kong GAAP applicable to MTRCL

With effect from 1st January, 2005, Hong Kong Financial Reporting Standards (HKFRS) were fully converged with International Financial Reporting Standards (IFRS) except for certain differences between HKFRS and in certain transitional provisions contained in IFRS 1 and the new IFRSs. The Company has assessed these differences and concluded that they do not have any material impact on the Company's financial statements for the year ended 31st December 2008.

The financial statements included for both Issuers have not been prepared in accordance with IFRS.

### 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 a first supplemental Trust Deed dated 3rd November 2008 amending the Trust Deed dated 31st October 2006.

MTRCL (in its capacity as an Issuer and as the Guarantor), MTR Cayman and the "Dealers" (as named therein) entered into a Second Supplemental Programme Agreement on 3rd November 2008 amending the Programme Agreement dated 31st October 2006, as supplemented by the

First Supplemental Programme Agreement dated 2nd November 2007, 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, Dexia Banque Internationale à Luxembourg, société anonyme, Citibank N.A., Hong Kong office and The Law Debenture Trust Corporation p.l.c., as trustee, entered into a Second Supplemental Agency Agreement dated 3rd November 2008 amending the Agency Agreement dated 31st October 2006, as supplemented by the first supplemental Agency Agreement dated 2nd November 2007, 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 3rd November 2008 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 Final Terms 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 Final Terms. 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 Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium; the address of Clearstream is 42 Avenue JF Kennedy L-1855 Luxembourg; and the address of CMU is 55th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. The address of any alternative clearing system will be specified in the applicable Final Terms.

### **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) A number of disputes have arisen in relation to entrusted and essential infrastructure works carried out by the Territories Development Department of the Government on behalf of the Company for the construction of the Tung Chung Line and the Airport Express. These disputes have been referred to mediation but remain to be settled with the Territories Development Department. The Company believes that it is not necessary to make any further provision under the Lantau and Airport Railway Project in relation to the outstanding disputes with the Territories Development Department.

(ii) 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.

(iii) Neither MTRCL nor any of its subsidiaries (including MTR Cayman) is involved in any material litigation, arbitration or administrative proceedings. So far as MTRCL is aware, no such litigation, arbitration or administrative proceedings are pending or threatened that would have a material effect on MTRCL's results of operation or financial condition or those of its subsidiaries (including MTR Cayman).

(iv) There are no, nor have there been any, governmental, legal or arbitration proceedings involving MTRCL or any of its subsidiaries (including MTR Cayman) during the 12 months prior to the date hereof, which may have or have had a significant effect on the financial position or profitability of MTRCL and its subsidiaries (including MTR Cayman) taken as a whole and, to the best of knowledge of MTRCL and MTR Cayman, no such proceedings are pending or threatened.

### **Material Change**

There has been no significant change in the financial or trading position of MTRCL or the Group as a whole since 30th June 2009, or in the case of MTR Cayman, since 31st December 2008. There has been no material adverse change in the prospects of MTRCL or MTR Cayman or the Group as a whole since 31st December 2008.

### **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 Prospectus and any future prospectus, supplements and any supplementary prospectuses;
- (2) each Final Terms (save that the Final Terms 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 two years ended 31st December 2007 and 31st December 2008 respectively, and the most recent consolidated interim report and consolidated unaudited semi-annual accounts; and
- (4) the audited accounts of MTR Cayman for the two years ended 31st December 2007 and 31st December 2008.

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 memorandum and 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 First Supplemental Trust Deed dated 3rd November 2008 and the Amended and Restated Trust Deed dated 31st October 2006 (as supplemented);
- (5) the Second Supplemental Programme Agreement dated 3rd November 2008, the First Supplemental Programme Agreement dated 2nd November 2007 and the Amended and Restated Programme Agreement dated 31st October 2006 (as supplemented);
- (6) the Second Supplemental Agency Agreement dated 3rd November 2008, the First Supplemental Agency Agreement dated 2nd November 2007 and the Amended and Restated Agency Agreement dated 31st October 2006 (as supplemented and incorporating the forms of the Global and Definitive Notes);
- (7) the Deed of Covenant made by MTRCL (in its capacity as an Issuer and the Guarantor) and MTR Cayman on 3rd November 2008; and
- (8) each subscription agreement for Notes issued on a syndicated basis that are listed on the Official List and admitted to trading on the Market.

**ISSUER AND GUARANTOR***Registered Office***MTR Corporation Limited**

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Kowloon Bay

Kowloon

Hong Kong

Telephone: (852) 2881 8888

**ISSUER***Registered Office***MTR Corporation (C.I.) Limited**

PO Box 309, Uglund House

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Cayman Islands

**ARRANGER****J.P. Morgan Securities Ltd.**

125 London Wall

London EC2Y 5AJ

United Kingdom

**DEALERS****Barclays Bank PLC**

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Attention: MTN Desk

**CALYON**

26th, 27th, 29th

and 30th Floors

Two Pacific Place

88 Queensway

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Telephone: (852) 2826 7333

Fax: (852) 2826 7495

Attention: Capital Markets Operations

**Citigroup Global Markets Limited**

Citigroup Centre

33 Canada Square

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Telephone: (44) 20 7986 8963

Fax: (44) 20 7986 1927

Attention: MTN Desk

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**Goldman Sachs (Asia) L.L.C.**

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Attention: Syndicate Desk

**J.P. Morgan Securities Ltd.**

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London EC2Y 5AJ

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Fax: (44) 20 7777 9153

Attention: Euro Medium Term Note Desk

## DEALERS (Continued)

**Merrill Lynch International**  
Merrill Lynch Financial Centre  
2 King Edward Street  
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Fax: (44) 20 7995 2968  
Attention: EMTN Trading & Distribution Desk

**Morgan Stanley & Co. International plc**  
25 Cabot Square  
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Fax: (44) 20 7056 4984  
Attention: Global Capital Markets -  
Head of Transaction  
Management Group

**Nomura International (Hong Kong) Limited**  
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Telephone: (852) 2536 1111  
Fax: (852) 2536 1398  
Attention: Asia Oceania Fixed Income Group

**Standard Chartered Bank (Hong Kong) Limited**  
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Two International Finance Centre  
8 Finance Street  
Central Hong Kong  
Telephone: (852) 3983 8648/3983 8657  
Fax: (852) 3983 8660  
Attention: Debt Capital Markets

**The Royal Bank of Scotland plc**  
135 Bishopsgate  
London EC2M 3UR  
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Fax: (44) 20 7085 1534  
Attention: Euro Medium Term Note Desk

**UBS Limited**  
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Attention: MTNs and Private Placements

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**The Law Debenture Trust Corporation p.l.c.**  
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*To the Dealers*

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**Dexia Banque Internationale**

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## **HK LODGING AGENT**

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