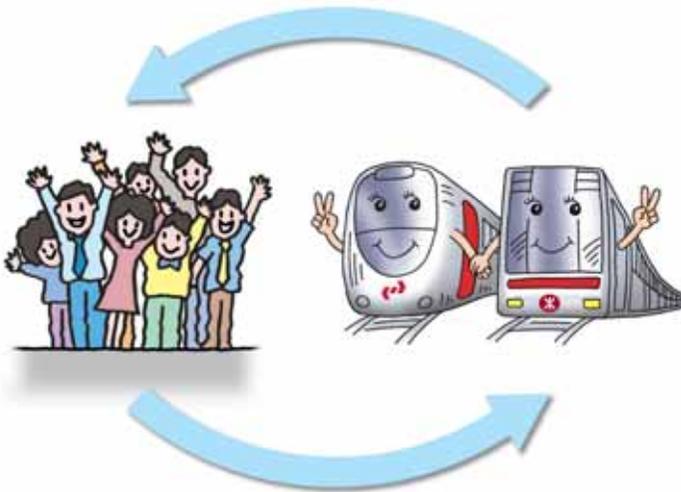


Proposed Arrangement

- The Government and the MTR Corporation Limited (MTRCL) have reached an understanding on the structure and terms for merging the MTR and KCR systems.
- MTRCL will operate the KCR system under a service concession for 50 years and will make regular payments to the Kowloon-Canton Railway Corporation (KCRC) for this right.
- A fair and balanced deal – It is a package proposal that will bring overall benefits to the community and balance the interests of all stakeholders.



- Next steps: Briefings, legislative exercise and approval by MTRCL's minority shareholders.

Benefits to the community

- Rail merger creates value: $1 + 1 > 2$
- The community as a whole will gain:
 - A world class Hong Kong railway operator
 - Enhance the efficiency of rail network and reduce duplication

Fare reduction upon rail merger

- No fare increase for 24 months from date of announcement of package proposal.
- 2.8 million daily passenger trips will benefit from fare reduction from Day One of the rail merger.



- The second boarding charge of \$1 to \$7 will be abolished; there will be a global fare reduction of \$0.2 for Octopus users paying full fares; and fare for journeys at \$12 or above will have additional fare reduction of \$1.

- Guarantee a minimum of 10% fare reduction for all rail passengers travelling on journeys with fares at \$12 or above, benefiting about 340,000 daily passenger trips.



- Guarantee a minimum of 5% fare reduction for all rail passengers travelling on journeys with fares between \$8.50 and \$11.90, benefiting about 1.16 million daily passenger trips.
- Senior citizens will also enjoy a \$2 concessionary fare per trip for travelling on the MTR and KCR during Sundays and public holidays in the first year of the rail merger.

Introduction of a Fare Adjustment Mechanism (FAM)

- An objective and transparent FAM will be introduced to replace fare autonomy.



- Fares can reduce or increase in future according to a formula which is linked to the consumer price index, a wage index and a productivity factor.

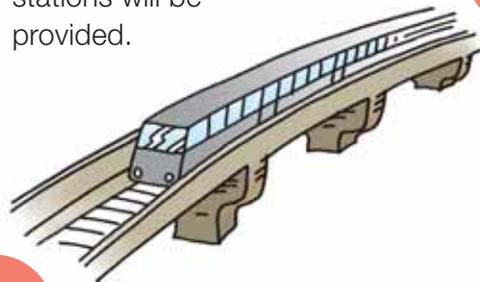
Enhanced convenience to interchanging passengers

- More convenient interchange arrangement through removal of ticket gates at the three interchange stations viz. Nam Cheong, Kowloon Tong and Mei Foo within one year of the rail merger.



Interchange for Shatin to Central Link (SCL)

- Fully integrated interchange stations will be provided.



- No need for interchanging passengers to pay second boarding charge.

Job security for frontline staff

- Job security to all frontline staff of MTRCL and KCRC.
- Overall, more career development opportunities with net increase in job vacancies in the first three years of rail merger after taking into account merger synergies.



Merger of the MTR and KCR Systems

Proposed Way Forward

