

**Cost Review of the Shatin to Central Link Project**

In response to a media report today (18 November 2016) regarding the cost of the Shatin to Central Link (SCL) project, the MTR Corporation provides the following supplementary information.

The MTR Corporation understands that the community is very concerned about the cost and programme of the SCL project and have always endeavoured to keep all stakeholders informed of developments. Therefore, as we have announced in the Corporation's interim results on 9 August this year, due to the continuing challenges faced by the SCL project, the Corporation considers it likely that the cost estimate will need to be revised upwards significantly to include the additional HK\$4.1 billion that was previously reported in 2014 as a result of the archaeological finds in the work sites of To Kwa Wan Station, as well as the additional cost for the late handover of construction sites at Exhibition Station, the previously unbudgeted foundation works for top-side development at Exhibition Station and other factors such as the shortage of labour in the construction sector. We also provide progress updates on the project to the Subcommittee on Matters Relating to Railways of the Legislative Council on a quarterly basis.

Also as announced at the time of the Corporation's interim results, we had earlier advised Government that a detailed review of the project cost estimate would be conducted. Given the complexity of the project works, the continuing uncertainties associated with some of the issues highlighted above, including the late handover of construction sites at Exhibition Station, the last one of which is only expected to be handed over in July 2017, and the fact that the North South Corridor is only 40% complete as at late September 2016, this detailed review will only be completed in the second half of 2017 after which the Corporation will formally report the findings to the Government.

The MTR Corporation attaches great importance to the monitoring and cost control of railway projects. The Corporation has a robust governance framework and a set of stringent procedures governing procurement, contract administration and cost control of its projects, be it an ownership project or a concession project. Under the Entrustment Agreements for concession projects, the Corporation is obliged to use the same management system and procedures that are applicable to all other MTR projects. For concession projects like the SCL project, there is also a rigorous monitoring and verification system in place by the concerned Government authority and its consultants.

The Corporation will continue to use its best endeavours to manage the SCL project in accordance with the Entrustment Agreement. We look forward to successfully delivering this very important project for the benefit of the Hong Kong community.

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