

For 22 October 2007

**Legislative Council Panel on Economic Development
MTR Corporation's arrangement with Skyrail**

Purpose

This paper aims to respond to the further questions raised by the Honourable Fred Li in his letter to the Chairman of the Panel dated 8 October 2007 on the MTR Corporation acquiring Skyrail-ITM (Hong Kong) Limited.

Transfer of the Ngong Ping 360 Management

2. As it has pointed out in its previous paper to the Panel submitted on 3 October 2007, the MTR Corporation had no intention to mislead Panel members or the public in its representation on how it planned to take over operation and management of Ngong Ping 360.

3. In accepting the Government-appointed Expert Panel's recommendations for improvements, the MTR Corporation had decided to take over the management and operation of the Ngong Ping cable car system with the aim of ensuring a high level of confidence in its performance.

4. After carefully considering all the factors including the importance of reopening the cableway as soon as possible, the contractual terms with Skyrail, the stability of the trained staff and the implication of protracted negotiation or mitigation, it was concluded that the acquisition of Skyrail-ITM (Hong Kong) Limited was the simplest and most effective way to achieve the objective of transferring management of the cable car system.

5. Such a move would enable the MTR Corporation to quickly proceed with the implementation of the required improvements and re-test the system to facilitate an early reopening of the Ngong Ping 360 cable car system. This arrangement would be in the interest of the Corporation, its shareholders as well as other stakeholders such as the

tourism industry as a whole, Ngong Ping Village tenants and the employees.

6. In its announcement on 18 September, the MTR Corporation could not disclose details of the agreement because of a confidentiality clause in the agreement with Skyrail.

7. The MTR Corporation hopes members can appreciate it is common market practice for parties involved in the signing of commercial contracts not to disclose the content of such contracts to protect the interests of the signatories.

Conclusion

8. Again, the MTR Corporation reiterates it had no intention to mislead Panel members on the means through which it took over management of Ngong Ping 360 and it hopes members support the decision, which allowed the Corporation to change the management at the earliest time to facilitate early re-testing and a timely re-opening of the Ngong Ping 360 cable car system.

9. The MTR Corporation notes the concerns that members have expressed on this matter and thank them for their views. The Corporation will keep these views in mind to prevent misunderstandings in the future.

MTR Corporation
18 October 2007