

of the rail line. The Company will pay an annual concession payment to operate the line following its completion as well as being responsible for maintenance and replacement costs. The Kowloon Southern Link has adopted this approach, and Shatin to Central Link and the Express Rail Link will also adopt this approach.

Completion of Projects

Phase 2 of the Tseung Kwan O Line, which provides a new station at LOHAS Park, is on schedule for completion in the second quarter of 2009 to coincide with occupancy of The Capitol at LOHAS Park.

Subways and Pedestrian Links

Development of the integrated entrance within the new development at No. 63 Nathan Road at Tsim Sha Tsui station (Entrance C) made good progress during the year. Structural breakthrough and electrical and mechanical modifications will be carried out in 2009. Civil construction began on the new subway connection to Liberte, the residential property in Lai Chi Kok, and new entrances at Cheung Lai Street at Lai Chi Kok Station with the opening date scheduled for the second quarter of 2010.

Mainland and Overseas Growth

2008 saw good progress in our mainland and overseas business.

Mainland of China

In Beijing, the Public-Private-Partnership (PPP) company 49% owned by MTR Corporation advanced steadily with the BJL4 project.

20 trains were constructed and tested by January 2009 and the first 10 trains were delivered to Beijing. Electrical & mechanical installation began in 24 stations, with equipment design and manufacturing well on track. 271 train operator trainees and station controller trainees had completed their training by January 2009.

We, together with our PPP company partners, also signed a Memorandum of Understanding on 27 November 2008 with Beijing Metro Daxing Line Investment Company Limited, a wholly owned subsidiary of Beijing Municipal Government, for the operation and maintenance of the Daxing Line of the Beijing Metro Network.

In Shenzhen, approval has been obtained from the National Development and Reform Commission for the SZL4 project comprising investment and construction of Phase 2 of Line 4, and the operation of Phase 1 and Phase 2 for a term of 30 years. Project works will be expanded to cover the whole line. Meanwhile, preparation works for taking over SZL4 Phase 1 are also underway.

Elsewhere in the Mainland, the Company entered into a Principle Agreement in January 2009 for a PPP project with Hangzhou Municipal Government and Hangzhou Metro Group Company Limited for the investment, construction and operation of Hangzhou Metro Line 1.

In November 2008, we entered into Agreements in Principle with Shenyang Municipal Government and Shenyang Metro Group Company Limited for the operation and maintenance of the 50-km Shenyang Metro Lines 1 and 2 for a term of 30 years, and for further developments and extensions.

Overseas

Our strategy overseas continues to be "asset light". In the UK, our 50:50 joint venture, London Overground Rail Operations Limited brought steady improvements to the London Overground following our takeover of the concession in November 2007. In Sweden, we were awarded the Stockholm Metro concession in January 2009. In Australia, a joint venture 60% owned by MTR Corporation was short-listed to submit a bid in April 2009 for the Melbourne Train franchise. In Ireland, we submitted a bid for the operations of the Dublin Metro North in February 2009.