

Telecommunications

Revenue from telecommunications services decreased by 23.3% in 2009 to HK\$273 million due to the one-off receipt in 2008 mentioned above. Excluding this one-off receipt in 2008, revenue from this business would have increased by 1.1%. In January, all Airport Express trains were fully Wi-Fi enabled. One of Hong Kong's leading telecom operators launched an advanced 2G/3G mobile network in March, enabling passengers to enjoy high data speed of up to 21Mbps in our railway system. With the completion of installation of 3G infrastructure along the West Rail Line in August, passengers with 3G-enabled devices were able to access streaming audio, video, and other high-speed internet services anywhere in our system. Full 2G and 3G mobile phone coverage was also enabled in Austin and LOHAS Park stations.

External Consultancy

In 2009, our external consultancy teams made good progress, enabling the Company to enhance skill-sets and to seek new investment opportunities abroad. Revenue from external consultancy activities was HK\$159 million during 2009, an increase of 0.6% when compared with 2008, with consultancy projects in Hong Kong, the Mainland of China, Thailand, Taiwan, Dubai, Delhi and Brazil.

In India, our consultancy team forged ahead with the HK\$128 million engineering and project management contract for the construction of the Delhi Airport Metro Express Line. Our consultancy team worked with Dubai Roads and Transport Authority on the retail outlets leasing for stations along the Red and Green lines of Dubai Metro and received high commendation from the Dubai Government for their work. Our consultancy project to provide technical advice to Metro Rio in Brazil for rolling stock procurement from China has also made good progress.

In 2009, we continued to operate the Automated People Mover at Hong Kong International Airport, whilst our consultancy work for Kaohsiung Rapid Transit Corporation in Taiwan came to a successful conclusion.

Freight Services

Revenue from freight services was HK\$32 million during 2009, a decrease of 13.5% over 2008. The Company decided to wind down its freight business over the next several months to better utilise train paths currently used for the freight business to provide greater flexibility for passenger train services.

Property and Other Businesses

Profit from property development for 2009 was HK\$3,554 million, while revenue from property rental, management and other businesses increased by 8.0% in 2009 to HK\$2,928 million.

Property Development

Profit from property development for 2009 was HK\$3,554 million, a decrease from the HK\$4,670 million recognised in 2008 mainly due to timing of profit recognition. The major contributors to property development profit in 2009 were the final profit recognition relating to The Harbourside at Kowloon Station, additional profit bookings from The Palazzo and The Capitol, as well as surplus proceeds from Lake Silver at Wu Kai Sha Station.

Over 90% of the 2,169 units at Lake Silver in Wu Kai Sha were sold and all 1,688 units of Le Prestige at LOHAS Park Package Two were sold by August. Pre-sales were launched for Le Prime, also at LOHAS Park Package Two, in November 2009 with good results.

In our property tendering activity, we successfully awarded Austin Station Sites C and D to Fast New Limited, a consortium formed by New World Development Company Limited and Wheelock Properties Limited, on 2 March 2010. In this development, we will be contributing approximately HK\$3.9 billion as part of the land premium for the sites.

A major revision to the Nam Cheong Station scheme to provide a better living environment and amendments to the master plan for the Tai Wai Station site to achieve environmental benefits and value enhancement were approved by the Town Planning Board in May and December 2009 respectively.

Property Rental, Property Management and Other Businesses

Total revenue from property rental, property management and other businesses increased by 8.0% in 2009 to HK\$2,928 million.

Property Rental

Demand for both office and retail space remained subdued throughout 2009. However, property rental income rose to HK\$2,548 million, an increase of 8.6% over 2008, due mainly to the addition of another 988 square metres of rental space at Elements in November 2008 as well as an average increase in rental reversion of 7% across our retail shopping mall portfolio.

At the end of December 2009, the Company's attributable share of lettable floor area of investment properties in Hong Kong was 223,047 square metres of retail properties, 41,059 square metres of offices, and 10,402 square metres for other usage.

Our shopping malls were once again honoured with a variety of local and international awards. Our premium shopping mall Elements won the 2009 Distinguished Market Leadership Award and Award for Marketing Excellence from the Hong Kong Management Association. Elements continued to receive international recognition by winning the GOLD Direct Market Lotus Award in the Asia-Pacific Advertising Festival (AdFest) and an Official Honouree distinction in the 13th Annual Webby Awards.

Ginza Mall in Beijing, our first shopping mall in Mainland China, continues to set new standards for service and quality in the retail sector in the capital city. Average rental increment on lease renewals and re-lettings rose 0.6% compared to 2008 and occupancy was close to 100%. Amongst the many awards and honours received in its second full year of operation was an Outstanding Contribution Award for the 60th National Anniversary Celebration sponsored by the Beijing Dongcheng District People's Government Dongzhimen Jiedao Office.

A number of attractive promotions were launched in our shopping malls to attract more shoppers. Elements introduced some of the most innovative tactical promotions in town including the exclusive presentation of the Sarah Brightman concert to Elements' shoppers. Various promotion campaigns were launched across MTR Malls including "21st Century Dr. Slump Exhibition", featuring the classic popular characters Dr. Slump and his friends, at Maritime Square and Paradise Mall during summer.

New tenants in our shopping malls included world-renowned luxury brands Louis Vuitton and Hermès. Both opened for business at Elements in the last quarter in 2009 enhancing Elements' range of exclusive luxury offerings.

Property Management

Our property management revenue in 2009 was HK\$207 million, a slight decrease of 1.4% over 2008. During the year, 1,375

residential units were added to our property management portfolio from The Palazzo, 524 units from Le Bleu Deux, 2,096 units from The Capitol and 2,169 units from Lake Silver, bringing the total number of residential units under our management to 79,449 as at the end of December, whilst total commercial space under management was 742,414 square metres. Our managed property portfolio in the Mainland of China amounted to 973,254 square metres.

Other Businesses

Octopus

The Company's share of Octopus' net profit for 2009 was HK\$149 million, a 9.6% increase from 2008 largely due to the ongoing increases in non-transport retail payments. Octopus continued its expansion in the retail sector by recruiting more small-to medium-sized retail merchants and introducing new application solutions to provide greater convenience to consumers and businesses. By the end of December, there were over 3,000 service providers (including those serviced by Octopus-appointed acquirers) in Hong Kong that utilised Octopus payment service. Cards in circulation were 20.6 million and average daily transaction volume and value were 10.9 million and HK\$97.6 million respectively.

Ngong Ping 360

The Ngong Ping cable car and associated theme village on Lantau Island generated HK\$173 million of revenue in 2009 with visitor numbers exceeding 1.4 million despite a challenging market.

A series of vigorous promotion initiatives included the launch of Crystal Cabins, the world's first cable car cabins to be fitted with a full-width transparent floor. Awards received included "Best Creative Search Award – Outstanding" from Yahoo! Hong Kong Limited and the Prime Award for Corporate Social Responsibility sponsored by Prime magazine. In April, Ngong Ping's cable car operations department received ISO 9001:2008 certification.

Hong Kong Network Expansion

Following Government approvals, construction has commenced on the West Island Line and the Express Rail Link (Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link), the first two of our five new strategic extensions. Planning and design of the remaining three extensions, the South Island Line (East), the Kwun Tong Line Extension and the Shatin to Central Link is well underway.

Completed Projects

On 16 August 2009, the Kowloon Southern Link with the new Austin Station opened for service. The final phase of the Tseung

Kwan O Line was completed with the opening of LOHAS Park Station on 26 July 2009 to coincide with occupancy of The Capitol at LOHAS Park.

On-going Projects

The Project Agreement with the Government was signed on 13 July 2009 for the financing, design, construction and operation of the West Island Line Project and a ground breaking ceremony was held in August. The West Island Line is a "Community Railway" with many features incorporating the results of detailed consultation with local stakeholders. The Company has awarded contracts for the first stage of construction with completion targeted in 2014.