

property business building quality of life in Hong Kong and beyond

Successful sales at The Harbourside, Coastal Skyline, Caribbean Coast,
Residence Oasis and No. 8 Clear Water Bay Road

MTR's Two IFC floors 100% leased



Expanded property management portfolio in
Hong Kong and China

Package One of "Dream City" at Area 86 awarded

Strong business performance at all shopping centres



- > Property development profit of HK\$4,568 million
- > Property investment and management revenue increased 12.1% to HK\$1,108 million
- > Strong sales momentum across MTR property developments

Good sales results were achieved in property developments along Airport Railway and Tseung Kwan O Line

MTR's various property businesses benefited in 2004 from a sustained recovery in the Hong Kong property market, growth of inbound tourism, especially from the Mainland, and the overall improvement in economic sentiment.

Property development

For the year, income from property development was HK\$4,568 million, a decrease of HK\$801 million from 2003, when we recognised as income the receipt of our share of floors in Two IFC. In 2004, our property developers took advantage of the improved market sentiment to maximise profit by releasing sales in stages, thereby achieving a balance between sales price and sales volume.

Airport Railway

Along the Airport Railway, profit contributions came from the receipt of part of the Union Square retail shell structure at Kowloon Station, amounting to about 57,506 square metres, which was handed over by the developer in December. Other profit contributors included our share of surplus proceeds from The Harbourside, and recognition of deferred income from Tung Chung Packages Two and Three (Coastal Skyline and Caribbean Coast), and The Harbourside.

Sales and pre-sales of properties benefited from the strong sentiment in the property market. Sales of luxury apartments at The Harbourside,



Union Square began during the year and achieved very satisfactory results. The pre-sale of Caribbean Coast Towers 9 and 11 met with a very good response. The sale of the 392 units at residential Tower 2 of Tung Chung Package Two, the Coastal Skyline development, was launched in September. The Occupation Permit was issued for Caribbean Coast Towers 6, 7 and 8.

The Company and our property developers continued to work with the Government and the Town Planning Board to refine our future development plans, in order to take advantage of market developments. The Master Layout Plan for Tung Chung Package Two, the Coastal Skyline development, was revised to provide more open space by changing the original eight 13-storey blocks to six 15-storey blocks in the low-rise development and this was approved by the Town Planning Board in August. At Tsing Yi, the Town Planning Board decided to take forward our proposed part-conversion scheme to change the lorry park to retail use through a land use rezoning under the Town Planning Ordinance.

At Kowloon Station, a review of the construction programme and design

for Union Square Packages Five, Six and Seven was undertaken by the developer, in light of opportunities arising from infrastructure development in the vicinity, notably the West Kowloon Cultural District and KCRC's future Kowloon Southern Link. As a result, completion of the Landmark Tower development may be delayed to 2010.

Tseung Kwan O Line

Along the Tseung Kwan O Line, development profit was derived from Residence Oasis at Hang Hau Station, where the Occupation Permit for Residence Oasis and The Lane was granted in December. Sales of residential units of Residence Oasis were very satisfactory, with more than 90% of the total units pre-sold by year end. This project received the Hong Kong Institute of Surveyors' "Top Ten Best Layout Award" in November. Pre-leasing also progressed well for the associated 3,500-square metre shopping centre, The Lane, with the majority of the space committed by year end.

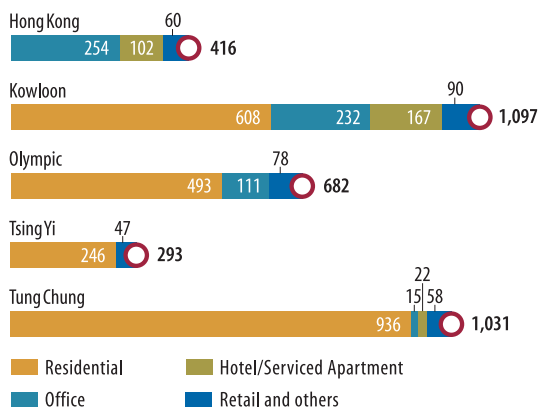
Pre-sale consent for Area 57a was obtained in August and the developer is anticipated to launch sales in early 2005.

Pre-sale consent for Area 55b is planned for and is likely to be granted in the first quarter of 2005.

At Area 86, approval was granted in August for a substantial revision to the Master Layout Plan for the "Dream City", which greatly enhanced the garden city and pollution free concept. In December, developers were invited to tender for Package One of Area 86, location of the Tseung Kwan O Line depot and future Tseung Kwan O South Station. Unlike our previous property tenders, MTR agreed to pay half of the assessed Government land premium in the tender of Package One. As a result, a number of mid-size as well as large developers participated in the tender, offering attractive terms to the Company. The tender was awarded to a subsidiary of Cheung Kong (Holdings) Limited in January 2005.

The Company submitted a planning application for Area 56 to the Town Planning Board in January 2005, to convert usage of the commercial site to a more commercially viable mixed-use development.

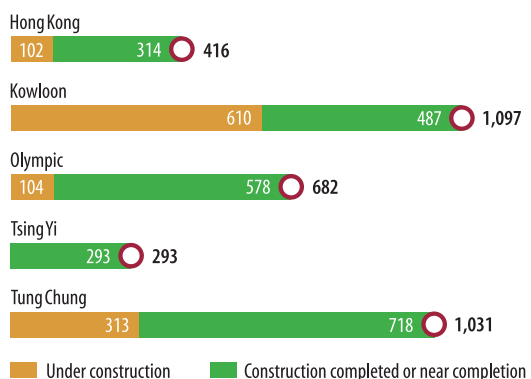
Gross floor area *Thousand sq.m.*



Airport Railway property development plan

Revisions were made to some development plans in light of changing market conditions.

Gross floor area *Thousand sq.m.*



Airport Railway property development progress

Developments at Kowloon and Tung Chung stations are the focus of construction activity on the Airport Railway.