

MTR has made a major contribution to the development of Hong Kong through the construction of the railway infrastructure forming the MTR network. We have built a vast reservoir of expertise in all areas of railway design, construction, operation and maintenance.



In 2005, MTR will be making the Big Buddha more accessible, with a cable car from Tung Chung Station.

## future projects

These skills are currently being applied to the construction not only of additional rail extensions in Hong Kong, but to other projects and associated property developments. The Company also seeks ways to leverage this infrastructure and its expertise in other ways.

In every project it undertakes, MTR conducts a detailed evaluation to ensure project viability and to minimise capital costs. We spare no effort during construction to achieve completion on time and within budget. In this regard, the new Tseung Kwan O Line, which opened in August 2002 four months ahead of schedule at 47.5% or HK\$14.5 billion below our original budget, is a powerful demonstration of our ability to meet this high standard. Our ability to achieve this is also underpinned by a new partnership approach with contractors, which includes working together on a target cost basis for selected new projects.

### Penny's Bay Rail Link

In July, the Company signed the project agreement with the Government for the design, construction, financing and operation of the Penny's Bay Rail Link that will connect the new Hong Kong Disney Theme Park, now in its second year of construction, with the MTR network. When completed, the 3.5-kilometre line will carry around 10,000 passengers per hour, at peak capacity.

The project has an estimated outturn cost of approximately HK\$2.0 billion and involves construction of a new station at Yam O in north east Lantau, as an interchange with the Tung Chung Line. We target completion by July 2005, comfortably ahead of the Disney Theme Park opening.

Immediately following the Government's approval, we began to award contracts to ensure work would begin quickly. In July, we awarded the main contract for Yam O Station and foundation work is now underway. In the same month, we awarded the contract for the Tai Yam Teng tunnel connecting the north and south parts of the site and preparatory construction work began. Later in the year we tendered and awarded contracts for all major civil engineering and mechanical and electrical work, as well as the Disneyland Station.

Rather than purchase new rolling stock for the line, the Company has decided to pursue the more cost-effective route of converting some existing MTR trains, which will receive new livery and interiors.



On their way up and arriving at Ngong Ping they'll be amazed by the spectacular views across the mountains and out to sea.

From Tung Chung they can travel quickly and in comfort via Yam O Station and the Penny's Bay Rail Link to the new Disney Theme Park.

### Tung Chung Cable Car

Also in July, the Provisional Project Agreement was signed with the Government for the Tung Chung Cable Car project. This exciting new facility on Lantau Island will link Tung Chung with Ngong Ping and the nearby Big Buddha Statue and Po Lin Monastery, creating a major new tourist and leisure landmark.

We have set a target completion date of August 2005. MTR expects ridership on the Tung Chung Line to be boosted by the facility, which studies forecast will attract 1.25 million people in its first year of operation. The Company will also derive revenue from the associated terminal facilities, comprising the Tung Chung Terminal Complex and the Ngong Ping Terminal and Village with gross commercial areas of up to 11,000 square metres and 5,000 square metres, respectively.

The total cost of the project is expected to be HK\$750 million. In August, the Company signed a memorandum of understanding with an experienced cable car operator for the operating and maintenance contract. Subsequently, the aerial ropeway system contract and the building and civil engineering design consultancy contract were awarded. The main building and civil engineering contract was also tendered out, paving the way for construction, which is expected to begin in August 2003 after enactment of necessary legislation and the formal signing of the Project Agreement and Private Treaty Grant.

### Proposed Island Line Extensions

The North Island Link and West Island Line were identified as natural extensions of the existing MTR urban network in the Government's Railway Development Strategy 2000 report.

The North Island Link is formed by the extension of the Tung Chung Line at Hong Kong Station to connect with the Island Line at Fortress Hill. This work is proposed to be carried out simultaneously with the extension of the Tseung Kwan O Line from North Point Station to connect with the Island Line at Tin Hau Station.

The proposed programme for the West Island Line will extend the network beyond Sheung Wan in two phases, firstly to Sai Ying Pun and Belcher Station by 2009 and then later to Kennedy Town, subject to the Government's decision on further development in this area.

The South Island Line is considered by MTR to be a further natural extension of the network to serve the western and southern areas of Hong Kong Island. From a proposed interchange with West Island Line at Belcher Station, the South Island Line envisages seven intermediate stations from Cyberport to Happy Valley before connecting with the Island Line at Wan Chai.

MTR submitted financial proposals to the Government on the North Island Link and West Island Line in April 2002 and a pre-feasibility proposal on the South Island Line in June 2002, and continued discussions with various Government Departments to progress approval during 2002. On 21 January 2003 Government announced its decision to allow MTR to proceed with the planning of West

### Tseung Kwan O Extension project

<i>in HK\$ million</i>	Original budget	Final project cost estimate	Expenditure up to 31 December 2002	Expenditure up to 31 December 2001
<b>Construction costs</b>				
Civil works	11,232	6,753	6,670	5,866
Electrical and mechanical works / rolling stock	7,206	3,358	3,317	2,360
Works entrusted to Government	207	469	463	378
<b>Associated construction costs</b>				
Site investigation and land costs	1,261	618	610	258
<b>Non-construction costs</b>				
Consultancy fees, corporate and financing costs	10,589	4,802	4,743	4,011
<b>Total</b>	<b>30,495</b>	<b>16,000</b>	<b>15,803</b>	<b>12,873</b>

Island Line Phase 1 and the South Island Line, while the opening of the North Island Link would be delayed until after 2016 following a further review of the growth in population.

### Transit links

For some time, MTR has been working on the planning of above-ground light rail links. These would contribute to a world-class, environmentally friendly public transit system, which will be important in maintaining Hong Kong's attraction as a regional business and tourist hub. Such systems would also permit MTR to extend its services into less densely populated areas and be less expensive to develop than below ground options.

In June 2002, in response to the Government's request, the Company submitted a conceptual proposal to the Government for an above ground Environmentally Friendly Transport System covering the South East Kowloon redevelopment of the former Kai Tak airport and apron area. The proposed system would run through this area, connecting to Ngau Tau Kok Station on the Kwun Tong Line.

### Pedestrianisation

Pedestrianisation of streets adjacent to MTR entrances and underground or elevated pedestrian links with their surrounding neighbourhoods are increasingly important features of the network. Such schemes increase the attraction of MTR stations and support patronage.

Both the Hong Kong Institute of Planners and the Chartered Institute of Transport have highlighted the need for more pedestrianisation to ensure Hong Kong lives up to its claim of being Asia's "world city". In this field, we cooperate closely with private developers, the Urban Renewal Authority, the Housing Authority and other bodies responsible for urban development. Over the past 10 years, more than a dozen pedestrian link schemes have been completed.

In 2002, work began on a new underground pedestrian subway at Mong Kok as part of an Urban Renewal Authority redevelopment and on an elevated connection at Kwun Tong, in a redevelopment project led by Sun Hung Kai Properties. Both will be completed by 2003. Work is expected to begin on three further such projects at Admiralty, Lai Chi Kok and Choi Hung later in 2003.