

This caused revenue from investment properties for the year to decline slightly by 1% over 2002 to HK\$888 million.

Our staff performed outstandingly during the period of SARS to ensure shoppers' safety and mitigate the effects of the outbreak on public confidence. We also supported tenants through aggressive promotion campaigns, including an attractive rebate promotion. Within this context, we took full advantage of the relaxation of travel restrictions on tourists from Mainland China through proactive, tailor-made programmes, such as organising shopping tours, designed to bring high spending Mainland visitors to our shopping centres. These programmes proved successful in boosting the business turnover of our tenants.

The Total Quality Service Regime, our pioneering customer service enhancement programme, and our computerised based Lease Management System were completed during the year. This helped to raise the quality standards and reputation

of our properties further and establishing them as a benchmark for the industry in Hong Kong.

For Two IFC, the quality of the office building and its management enabled MTR to attract tenants despite the lingering cautious sentiment resulting from SARS, the war in Iraq and the weak economy. Considerable effort was taken to explain to potential tenants, agents and the business community the merits of the building, which is ideally suited to the sophisticated needs of multi-national corporations.

The decision by Swiss banking giant UBS to lease seven floors represented one of the largest and highest profile relocations of an office tenant in Hong Kong in 2003. UBS joined a growing list of leading institutions in the building, including the Hong Kong Monetary Authority, reinforcing Two IFC's position as the building of choice for top-tier corporations. As of the year end, close to 60% of the Central 18 Zone was leased.

### Property management

Revenue from property management for 2003 increased by 11.0% over 2002 to HK\$94 million. During 2003, our property management-related business continued to expand and diversify. Coastal Skyline, Caribbean Coast and Seaview Crescent Phase Two at Tung Chung Station and Sorrento Phase One at Union Square added a further 4,841 residential units to our management portfolio, bringing the total number of residential units managed by MTR to 46,915 from 42,074 in 2002.

The most important single addition, however, was Two IFC. As an intelligent office tower housing top-tier international banking, finance and support institutions, Two IFC requires the most sophisticated of building management and hence falls under MTR's recently launched Premier Management Service, which focuses on high-end residential and commercial properties. As a result of Two IFC, the total area of commercial and office space managed by MTR increased significantly to 558,796 square metres, from 370,022 square metres in 2002.

MTR's quality retail properties continue to perform



At Two IFC, management services include round-the-clock comprehensive technical services not only for common facilities, but also tenants' premises, from vetting fit-out design prior to moving-in to maintenance and environmental hygiene services during occupation.

The efficiency of our property management business was enhanced during the year by the introduction of computerised web-based Job Management systems. These handle all work flows and processes and offer direct linkage with the existing Property Management System.

Furthermore, we successfully restricted the spread of SARS in our managed estates, which was a major task during the first half of the year. All staff was involved in carrying out effective precautionary measures in a very short time scale.

As a company committed to high environmental standards, we actively promoted waste recycling in all our managed estates. The waste recycling exercise introduced to our managed portfolio entails the collection of waste paper, used clothes and similar discarded items for recycling.

**Property agency**

Our property agency business remained profitable despite the dual impact of SARS and a weak economy. MTR Property Agency Company Limited concluded a total of 180 transactions during the year, recording a total of HK\$6 million in revenue, an increase of 16.1% over 2002.

**China and overseas property business**

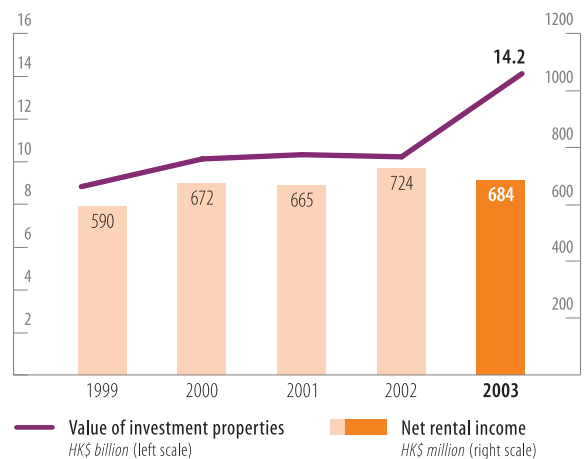
Following our success in 2002 in breaking into property management in Shenzhen, we made further inroads in the Mainland China market in 2003. Also in Shenzhen, we acquired a pre-management contract for the Tulip Gardens residential development. At Chongqing, we have acquired a pre-management contract for Chongqing Palm Springs



New trades are bringing new life to our shopping centres

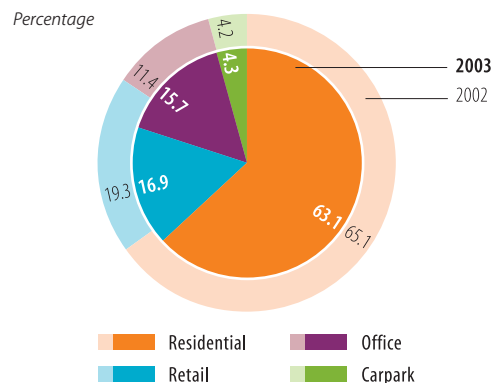
**Investment properties**

The value of investment properties rose as 18 floors at Two IFC was added to MTR's investment properties portfolio.



**Distribution of property management income**

The addition of Two IFC boosted property management income from the office sector.



International Apartments, a large-scale residential development. In Beijing, the Company formed a strategic partnership with Beijing Century Sun Real Estate Development Company Limited to provide multi-disciplinary property management services and to manage the prestigious Palm Springs International Apartments developments in Beijing.

MTR's profile in China was raised further in October, when the Property Management Department was invited to speak at the China Property Management International Summit 2003 in Shanghai, an event attended by representatives from over 200 media and property industry organisations.

#### Airport Railway Property Developments (packages awarded)

Location	Developers	Type	Gross floor area (sq. m.)	No. of parking spaces	Expected completion date
<b>Hong Kong Station</b>					
(International Finance Centre)	Sun Hung Kai Properties Ltd.	Office	254,186		By phases from 1998–2005
	Henderson Land Development Co. Ltd.	Retail	59,458		
	The Hong Kong & China Gas Co. Ltd.	Hotel	102,250		
	Bank of China Group Investment Ltd.	Car park		1,344	
Sub-total			415,894		
<b>Kowloon Station</b>					
(Union Square)					
Package One (The Waterfront)	Wing Tai Holdings Ltd.	Residential	147,547		Completed in 2000
	Temasek Holdings (Pte) Ltd.	Car park		1,332	
	Singapore Land Ltd.				
	Keppel Land Ltd.				
	Lai Sun Development Co. Ltd.				
Package Two (Sorrento)	The Wharf (Holdings) Ltd.	Residential	210,319		Completed by phases from 2000–2003
	Wheelock and Company Ltd.	Car park		1,270	
	New Asia Realty and Trust Company Ltd.				
	Realty Development Corporation Ltd.				
Package Three	Sun Hung Kai Properties Ltd.	Residential	100,000		2005
		Cross border bus terminus	5,886		
		Car park		412	
Package Four (The Harbourside)	Hang Lung Properties Ltd.	Residential	128,845		Completed in 2003
		Car park		864	
Packages Five, Six and Seven	Sun Hung Kai Properties Ltd.	Retail	82,750		By phases from 2006–2008
		Office *	231,778		
		Serviced apartment *	72,472		
		Hotel *	95,000		
		Residential	21,300		
		Kindergarten	1,050		
Car park		1,743*			
Sub-total			1,096,947		



The IFC complex – where the Airport Railway meets Hong Kong's central business district

### Airport Railway Property Developments (packages awarded) continued

Location	Developers	Type	Gross floor area (sq. m.)	No. of parking spaces	Expected completion date
<b>Olympic Station</b>					
Package One	Sino Land Co. Ltd.	Office	111,000		Completed in 2000
(Island Harbourview,	Bank of China Group Investment Ltd.	Retail	14,900		
HSBC Centre, Bank of	Kerry Properties Ltd.	Residential	169,950		
China Centre and Olympian City One)	China Overseas Land and Investment Ltd. Capitaland Residential Ltd.	Indoor sports hall Car park	13,219	1,380	
Package Two	Sino Land Co. Ltd.	Retail	47,500		Completed by phases from 2001–2002
(Park Avenue, Central	Kerry Properties Ltd.	Residential	220,050		
Park and Olympian	Bank of China Group Investment Ltd.	Market	1,100		
City Two)	China Overseas Land and Investment Ltd.	Car park		932	
Package Three	Sun Hung Kai Properties Ltd.	Residential	103,152		2005
		Kindergarten	1,300		
		Car park		294	
Sub-total			682,171		
<b>Tsing Yi Station</b>					
(Tierra Verde and Maritime Square)	Cheung Kong (Holdings) Ltd.	Retail	46,170		Completed in 1999
	Hutchison Whampoa Ltd.	Residential	245,700		
	CITIC Pacific Ltd.	Kindergarten	925		
		Car park		920	
Sub-total			292,795		
<b>Tung Chung Station</b>					
Package One	Hang Lung Development Co. Ltd.	Office	14,999		By phases from 1999–2005
(Tung Chung Crescent,	Henderson Land Development Co. Ltd.	Retail	48,331		
Citygate and Seaview Crescent)	New World Development Co. Ltd.	Hotel	22,000		
	Sun Hung Kai Properties Ltd.	Residential	275,501		
	Swire Properties Ltd.	Kindergarten	855		
		Car park		2,041	
Package Two	HKR International Ltd.	Retail	2,499		By phases from 2002–2007
(Coastal Skyline)	Hong Leong Holdings Ltd.	Residential	253,100		
	Recosia Pte Ltd.	Kindergarten	350		
		Car park		617 <sup>†</sup>	
Package Three	Cheung Kong (Holdings) Ltd.	Retail	4,996		By phases from 2002–2007
(Caribbean Coast)	Hutchison Whampoa Ltd.	Residential	407,300		
		Wet market	508		
		Kindergarten	350		
		Car park		1,211	
Sub-total			1,030,789		
Grand Total:			3,518,596	14,360	

\* This falls within the range of 181,778 to 235,778 sq.m. for offices, 68,472 to 72,472 sq.m. for serviced apartments and 95,000 to 145,000 sq.m. for hotel as stipulated in the latest approved Master Layout Plan. The number of car parking spaces is subject to review.

<sup>†</sup> This falls within the range of 617–745 as stipulated in the latest Master Layout Plan.



Round-the-clock service at Two IFC

### Tseung Kwan O Line property developments (packages awarded)

Location	Developers	Type	Gross floor area (sq. m.)	No. of parking spaces	Status	Expected completion date
<b>Tseung Kwan O Station</b>						
Area 57a	Sun Hung Kai Properties Ltd.	Residential	26,005		Awarded in July 2000	2005
	Nan Fung Development Ltd.	Retail	3,637			
	Henderson Land Development Co. Ltd. Chime Corporation Ltd.	Car park		74		
Area 55b	New World Development Co. Ltd.	Residential	84,920		Awarded in January 2002	2006
	Chow Tai Fook Enterprises Ltd.	Retail	11,877			
	Wee Investments Pte. Ltd.	Car park		249		
<b>Hang Hau Station</b> (Residence Oasis, The Link)	Sino Land Co. Ltd.	Residential	138,652		Awarded in June 2002	2005
	Kerry Properties Ltd.	Retail	3,500			
		Car park		369		
<b>Tiu Keng Leng Station</b>	Cheung Kong (Holdings) Ltd.	Residential	236,965		Awarded in October 2002	2006
		Retail	16,800			
		Car park		587		

### Tseung Kwan O Line property developments (packages to be awarded)\*

Location	No. of packages envisaged	Type	Gross floor area (sq. m.)	No. of parking spaces	Expected period of package tenders	Expected completion date
<b>Tseung Kwan O Station</b>	2	Retail	60,000		2005–2006	2009
		Office	103,130			
		Car park		1,291		
<b>Area 86 (Tseung Kwan O South Station)</b>	14	Residential	1.6 million		2004–2010	2013
		Retail	40,000			
		Car park		4,131		

\* Subject to review in accordance with planning approval, land grant conditions and completion of statutory processes.

### Choi Hung Park and Ride Development

Location	Developers	Type	Gross floor area (sq. m.)	No. of parking spaces	Status	Expected completion date
<b>Choi Hung Station</b>	Chun Wo Holdings Ltd.	Residential	19,182		Awarded in July 2001	2005
		Retail	2,400			
		Car park		54		
		Park and Ride		450		

**Investment property portfolio (as at 31 December 2003)**

Location	Type	Lettable floor area (sq. m.)	No. of parking spaces	Company's ownership interest
Telford Plaza I, Kowloon Bay, Kowloon	Shopping centre Car park	39,671 –	– 993	100% 100%
Telford Plaza II, Kowloon Bay, Kowloon	Shopping centre Car park	19,741 –	– 136	50% 50%
Luk Yeung Galleria, Tsuen Wan, New Territories	Shopping centre Car park	12,066 –	– 651	100% 100%
Paradise Mall, Heng Fa Chuen, Hong Kong	Shopping centre Car park	18,468 –	– 415	100% 100%
Maritime Square, Tsing Yi	Shopping centre Kindergarten Car park Motorcycle park	28,911 920 – –	– – 220 50	100% 100% 100% 100%
G/F, No. 308 Nathan Road, Kowloon	Shop unit	70	–	100%
G/F, No. 783 Nathan Road, Kowloon	Shop unit	36	–	100%
New Kwai Fong Gardens, Kwai Chung, New Territories	Kindergarten Car park	540 –	– 126	100% 100%
International Finance Centre (IFC), Central, Hong Kong – Two IFC – One and Two IFC	Office Car park	39,529 –	– 1,308	100% 51%
Phase I, Carpark Building, Kornhill, Quarry Bay, Hong Kong	Car park	–	292	100%
Roof Advertising Signboard, Admiralty Centre, No. 18 Harcourt Road, Hong Kong	Advertising signboard	–	–	100%
Ten Shop Units, First Floor Podium, Admiralty Centre, No. 18 Harcourt Road, Hong Kong	Shops	286	–	50%
Olympian City One, Tai Kok Tsui, Kowloon	Indoor sports hall	13,219	–	100%
Olympian City Two, Tai Kok Tsui, Kowloon	Shop unit	1,252	–	100%

Note: The above properties are let to tenants for commercial use except Heng Fa Chuen Residents' Club House. All properties are held by the Company under leases for over 50 years except for Telford Plaza I and II, Luk Yeung Galleria, Maritime Square, New Kwai Fong Gardens, IFC and Olympian City where the leases expire on 30 June 2047.

**Properties held for sale (as at 31 December 2003)**

Location	Type	Gross floor area (sq. m.)	No. of parking spaces	Company's ownership interest
Island Harbourview, No. 11 Hoi Fai Road, Kowloon	Residential Car park	14,085 –	– 579	40% 40%
Olympian City One, No. 11 Hoi Fai Road, Kowloon	Shopping centre Car park	5,898* –	– 330	40% 40%
Bank of China Centre, No. 11 Hoi Fai Road, Kowloon	Car park	–	117	40%
Sorrento, Union Square, 1 Austin Road West, Kowloon – Phase One	Residential Car park	3,905 –	– 240	51.92% 100%
– Phase Two	Residential	18,148	–	36.22%

\* Saleable floor area

**Managed properties (as at 31 December 2003)**

Number of managed residential flats	46,915 units
Area of managed commercial and office space	558,796 sq. m.