





INVESTMENT PROPERTIES



PROPERTY MANAGEMENT



PROPERTY DEVELOPMENT



OTHER BUSINESSES

Hong Kong Property and Other Businesses

Our Aims and Achievements

In our property businesses, we aim to be an industry leader in creating integrated communities for Hong Kong citizens. The route to success is the creation of sustainable communities through developing sites along our rail network, combined with excellent service as manager of these developments. This relies on expertise that covers all aspects of property development and management of residential, offices and retail malls, together with strong community engagement and commitment.

In 2016, two new property development packages, LOHAS Park Package 10 and Ho Man Tin Station Package 1 were awarded. We continue to look for new development opportunities along our railway network that would increase housing supply in Hong Kong. Our property management business continued to win awards during the year. Work also pressed ahead on our major investment in expanding the retail property portfolio. Two of the four projects, namely the extension of Maritime Square and the conversion project of Telford Plaza II, are both on schedule to open in 2017.



Our Strategies

Property Safety

- Safety of our construction sites, investment and managed properties and adjoining railway facilities is our top priority

Property Development

- Optimising, through building good quality property developments that offers seamless integration with railway and other modes of transport
- Expanding, through seeking rezoning of feasible existing railway sites, and through applying the proven “Rail plus Property” integrated development model to the implementation of new lines announced under the Railway Development Strategy 2014
- Delivering property developments awarded to a good quality standard, on time and within budget
- Pursuing continuous improvement against our standards through innovation and capturing new development opportunities

Property Rental

- Sustaining profit and value growth in our property portfolio in Hong Kong
- Sustaining the value of our investment property portfolio through optimising both existing and new shopping malls, and achieving 40% growth of attributable GFA through new investment properties, while creating high quality and customer-centric shopping mall environments for the community

Property Management

- Enhancing our property management service so as to provide excellent services that meet or exceed customer requirements and expectations
- Promoting green projects with greater energy efficiency to foster health and sustainability in our managed properties

Property Tendering Activities

- LOHAS Park Package 10 awarded in March 2016
- Ho Man Tin Station Package 1 awarded in December 2016
- Wong Chuk Hang Station Package 1 awarded in February 2017

11 MTR Property Development Packages Awarded

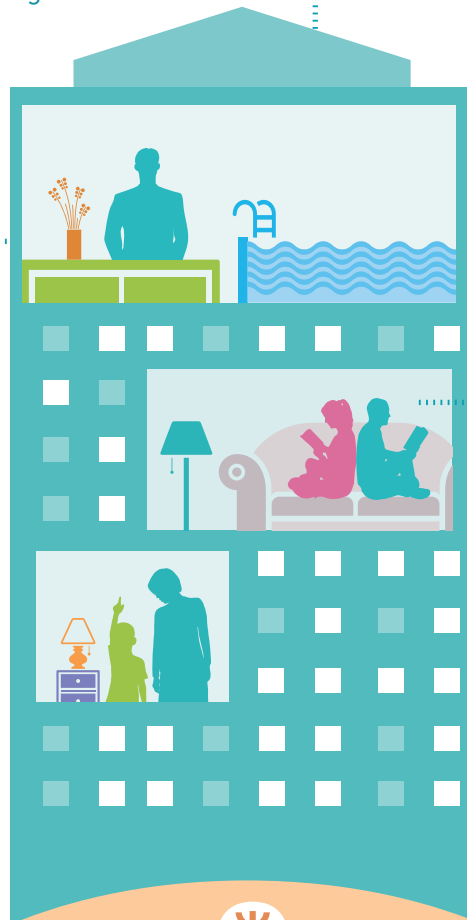
About 18,000 residential units to be built

Our investment properties portfolio will be expanded by 40% attributable GFA and over

120,000 square metres GFA

Over 96,000 residential flats managed

13 Shopping Malls in our investment properties portfolio



Financial Performance

The financial performance of our Hong Kong property rental and property management businesses is summarised as follows:

In HK\$ million	Year ended 31 December		Inc./[Dec.] %
	2016	2015	
Hong Kong property rental and property management businesses			
Revenue from Property Rental	4,451	4,267	4.3
Revenue from Property Management	290	266	9.0
Total Revenue	4,741	4,533	4.6
Operating profit before depreciation, amortisation and variable annual payment ("EBITDA")	3,930	3,668	7.1
Operating profit before interest and finance charges and after variable annual payment ("EBIT")	3,912	3,650	7.2
EBITDA Margin (in %)	82.9%	80.9%	2.0% pts.
EBIT Margin (in %)	82.5%	80.5%	2.0% pts.

Property Rental Business in Hong Kong

Our shopping mall portfolio in Hong Kong achieved rental reversion averaging 3.4% during the year. At the year end, our shopping malls in Hong Kong and the Company's 18 floors in Two International Finance Centre office building remained close to 100% let.

The demographics of the eastern side of Hong Kong Island are changing and in response we have revamped the first floor of the East Wing of Paradise Mall, where a new sports and "well-being" zone opened in September 2016 with a positive market response.

During 2016, MTR Malls made the "Favourite Shopping Mall" lists of the Hong Kong Economic Times and Atnext Action News. Elements, Telford Plaza, Maritime Square and PopCorn received accreditation during 2016 for their Barrier Free Accessibility Management Systems from the Hong Kong Quality Assurance Agency.

As at 31 December 2016, the Company's attributable share of investment properties in Hong Kong was 212,538 square metres of lettable floor area of retail properties, 39,410 square metres of lettable floor area of offices, and 15,267 square metres of property for other use.

Investment Property Portfolio in Hong Kong (as at 31 December 2016)

Location	Type	Lettable floor area (sq. m.)	No. of parking spaces	Company's ownership interest
Telford Plaza I, Kowloon Bay, Kowloon	Shopping centre	39,305	–	100%
	Car park	–	993	100%
Telford Plaza II, Kowloon Bay, Kowloon	Shopping centre	19,328	–	50%
	Car park	–	136	50%
Luk Yeung Galleria, Tsuen Wan, New Territories	Shopping centre	11,107	–	100%
	Car park	–	651	100%
Paradise Mall, Heng Fa Chuen, Hong Kong	Shopping centre	18,284	–	100%
	Wet market	1,216	–	100%
	Car park	–	415	100%
Maritime Square, Tsing Yi	Shopping centre	29,161	–	100%
	Kindergarten	920	–	100%
	Car park	–	220	100%
	Motorcycle park	–	50	100%



Investment Property Portfolio in Hong Kong (as at 31 December 2016) (continued)

Location	Type	Lettable floor area (sq. m.)	No. of parking spaces	Company's ownership interest
The Lane, Hang Hau	Shopping centre	2,629	–	100%
	Car park	–	16	100%
	Motorcycle park	–	1	100%
PopCorn 2, Tseung Kwan O	Shopping centre	8,456	–	70%
	Car park	–	50	70%
PopCorn 1, Tseung Kwan O	Shopping centre	12,173	–	50%
	Car park	–	115	50%
	Motorcycle park	–	16	50%
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	540	–	100%
	Car park	–	126	100%
International Finance Centre (“ifc”), Central, Hong Kong – Two ifc – One and Two ifc	Office	39,410	–	100%
	Car park	–	1,308	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	Shop unit	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%
Choi Hung Park & Ride Public Car Park, No. 8 Clear Water Bay Road, Choi Hung, Kowloon	Car park	–	54	100%
	Motorcycle park	–	10	100%
	Park & ride	–	450	100%
Elements, No. 1 Austin Road West, Kowloon	Shopping centre	45,800	–	81%
	Car park	–	898	81%
Cross Border Coach Terminus, No. 1 Austin Road West, Kowloon	Coach terminus	5,113	–	100%
Kindergarten, No. 1 Austin Road West, Kowloon	Kindergarten	1,045	–	81%
Plaza Ascot, Fo Tan	Shopping centre	7,720	–	100%
Royal Ascot, Fo Tan	Residential	2,784	–	100%
	Car park	–	20	100%
Ocean Walk, Tuen Mun	Shopping centre	6,083	–	100%
	Car park	–	32	100%
Sun Tuen Mun Shopping Centre, Tuen Mun	Shopping centre	9,022	–	100%
	Car park	–	421	100%
Hanford Plaza, Tuen Mun	Shopping centre	1,924	–	100%
	Car park	–	22	100%
Retail Floor and 1-6/F, Citylink Plaza, Shatin	Shopping centre	12,054	–	100%
The Capitol, LOHAS Park	Shop unit	391	–	100%
	Residential care home for the elderly	2,571	–	100%
Le Prestige, LOHAS Park	Kindergarten	800	2	100%
The Riverpark, Che Kung Temple	Shop unit	154	–	100%
	Kindergarten	708	–	100%
Hemera, LOHAS Park	Kindergarten	985	–	100%

All Properties are held by the Company and its subsidiaries under Government Leases for over 50 years except for:

- Telford Plaza I and II, Luk Yeung Galleria, Maritime Square, New Kwai Fong Gardens, ifc, Olympian City, Elements, Cross Border Coach Terminus and Kindergarten at No. 1 Austin Road West, Plaza Ascot, Royal Ascot, Ocean Walk, Sun Tuen Mun Shopping Centre and Hanford Plaza where the Government Leases expire on 30 June 2047
- Choi Hung Park & Ride where the Government Lease expires on 11 November 2051
- The Lane where the Government Lease expires on 21 October 2052
- PopCorn 2 where the Government Lease expires on 27 March 2052
- LOHAS Park where the Government Lease expires on 16 May 2052
- Citylink Plaza where the Government Leases expire on 1 December 2057
- The Shop Units and Kindergarten of The Riverpark, Che Kung Temple where the Government Lease expires on 21 July 2058



Properties held for sale (as at 31 December 2016)

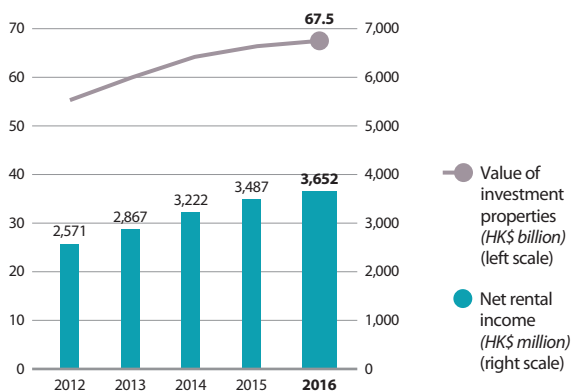
Location	Type	Gross floor area (sq.m.)	No. of parking spaces	Company's ownership interest
Olympian City One, No. 11 Hoi Fai Road, Kowloon	Shopping centre	6,026*	–	40%
	Car park	–	330	40%
Bank of China Centre, No. 11 Hoi Fai Road, Kowloon	Car park	–	117	40%
The Arch, No. 1 Austin Road West, Kowloon	Residential	548**	–	38.5%
	Car park	–	12	38.5%
Residence Oasis, No. 15 Pui Shing Road, Hang Hau, Tseung Kwan O	Motorcycle park	–	18	71%
The Grandiose, No. 9 Tong Chun Street, Tseung Kwan O	Motorcycle park	–	24	70%
Harbour Green, No. 8 Sham Mong Road, Kowloon	Car park	–	24	35%
	Kindergarten	1,299	–	50%
The Palazzo, No. 28 Lok King Street, Shatin	Residential	1,022**	–	55%
	Retail	2,000	–	55%
	Car park	–	15	55%
	Motorcycle park	–	5	55%
Lake Silver, No. 599 Sai Sha Road, Shatin	Residential	1,674**	–	92.88%
	Retail	3,000	–	92.88%
	Kindergarten	1,000	–	92.88%
	Car park	–	38	92.88%
Festival City, No. 1 Mei Tin Road, Shatin	Car park	–	231	100%
Hemera, LOHAS Park, Tseung Kwan O	Car park	–	240	100%
The Riverpark, No. 8 Che Kung Miu Road, Shatin	Residential	766***	–	87%
	Car park	–	11	87%

* Lettable floor area

** Brochure gross floor area as per previously issued marketing brochures

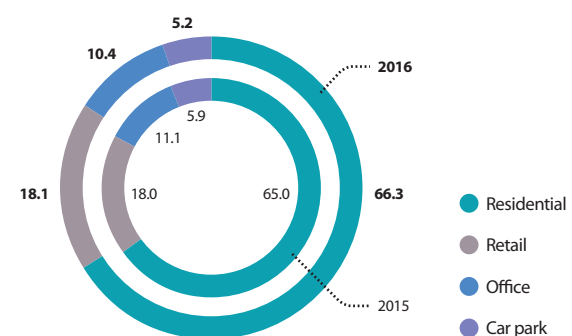
*** Saleable area

Investment Properties



Distribution of Hong Kong Property Management Income

(Percentage)





Hong Kong Property Investment Projects

Over the next five years or so our investment properties portfolio in Hong Kong will expand significantly as we add about 120,620 square metres gross floor area (“GFA”) to our retail portfolio, increasing attributable GFA by approximately 40%.

Tai Wai shopping centre

- GFA: 60,620 square metres
- Target opening: 2022

The Company has already contributed HK\$7.5 billion to this development package, and will retain ownership of the mall when completed and bear the fit-out costs.

Foundation works are in progress. The Tai Wai shopping centre has been impacted by difficult foundation works in between two operating rail lines and hence has suffered some delays. However, delay recovery measures are being implemented in order to mitigate this delay. Superstructure works will commence in the first half of 2017.

LOHAS Park shopping centre

- GFA: 44,500 square metres
- Target opening: second half of 2020

The Company will contribute a total of HK\$4.98 billion to the development package, of which HK\$2.44 billion has already

been invested. The remaining HK\$2.54 billion will be paid upon the completion of mall construction, which is expected to be in 2019. MTR will also retain ownership and bear the fit out cost of the shopping centre.

Foundation works are making good progress and superstructure works are expected to begin in the first half of 2017.

The extension of Maritime Square

- GFA: 12,100 square metres
- Target opening: second half of 2017

The cost of the extension of Maritime Square is approximately HK\$2.4 billion. The superstructure was topped out in December 2016 and electrical and mechanical installation is underway.

Telford Plaza II – floors seven and eight

- GFA: 3,400 square metres
- Target opening: second half of 2017

The cost of the conversion of floors seven and eight of our offices above Telford Plaza II to retail use is estimated to be HK\$550 million. Conversion works commenced in December 2015 and have achieved good progress.

Property Management Business in Hong Kong

As at 31 December 2016, 96,066 residential units and over 758,000 square metres of commercial space were managed by MTR.

During 2016, eight of our managed properties achieved recognition by the Quality Lift Service Recognition Scheme run by the Electrical and Mechanical Services Department.

Two International Finance Centre won the Grand Award (Office Building Management) while The Cullinan received the Excellence Award (Medium-Scale Residential Property Management) in the Quality Property & Facility Management Award 2016 organised by The Hong Kong Association of Property Management Companies and The Hong Kong Institute of Surveyors.

Property Development in Hong Kong

Profit from Hong Kong property development in 2016 was modest at HK\$311 million, and derived largely from sundry sources such as the sharing in kind of the kindergarten at Hemera.

For West Rail projects, where we act as agent for the relevant subsidiaries of Kowloon-Canton Railway Corporation, we launched the presale of The Spectra (the Long Ping Station (North) site) in March 2016, with about 91% of 912 units sold by the end of February 2017, and also THE PAVILIA BAY (the Tsuen Wan West Station (TW6) site) in January 2017 with about 78% of 983 units sold up to the end of February 2017.

In our property tendering activities we awarded LOHAS Park Package 10 to a subsidiary of Nan Fung Group Holdings Limited in March 2016, while Ho Man Tin Station Package 1 was awarded to a consortium led by Goldin Financial Holdings Limited in December 2016. In February 2017, Wong Chuk Hang Station Package 1 was awarded to a consortium formed by Road King Infrastructure Limited and Pingan Real Estate Capital Limited.

Over the past three years, 11 MTR property development packages have been tendered out and are now in various stages of planning and construction. They will provide about 18,000 residential units with a total GFA of over 1.1 million square metres when completed over the next four to six years.

To respond to the need for more housing supply in Hong Kong, we continue to look for possible property development sites along our railway lines. One is above our depot in Siu Ho Wan on Lantau Island where, with the necessary zoning and other statutory approvals, around 14,000 residential units could be built. MTR is close to completing the Environmental Impact Assessment for the Siu Ho Wan site and the statutory planning procedures are expected to commence in 2017. Another site is above the Yau Tong Ventilation Building, where around 500 residential units could be built. The site is currently undergoing rezoning. At this preliminary stage there can be no assurance that either project would be commercially viable.

Progress of Property Development Packages Awarded

Location	Project Status		
	Design	Foundation Works	Superstructure
LOHAS Park Package 4	Completed	Completed	In Progress
Tai Wai Station	Completed	In Progress	To be started in the first half of 2017
LOHAS Park Package 5	Completed	Completed	In Progress
LOHAS Park Package 6	Completed	Completed	To be started in the first half of 2017
Tin Wing Stop	Completed	To be started in the first half of 2017	
LOHAS Park Package 7	Completed	In Progress	To be started in the second half of 2017
LOHAS Park Package 8	In Progress		
LOHAS Park Package 9	In Progress	In Progress	
LOHAS Park Package 10	In Progress	To be started in the first half of 2017	
Ho Man Tin Station Package 1	In Progress		
Wong Chuk Hang Station Package 1	In Progress		



Property Development Packages Completed during the year and Awarded

Location	Developers	Type	Gross floor area (sq. m.)	Tender award date	Expected completion date
Ho Man Tin Station					
Package 1	Goldin Financial Holdings Limited	Residential	69,000	December 2016	2022
LOHAS Park Station					
Package 4	Sun Hung Kai Properties Limited	Residential	122,302	April 2014	2020
Package 5	Wheelock and Company Limited	Residential	102,336	November 2014	2020
Package 6	Nan Fung Group Holdings Limited	Residential	136,970	January 2015	2021
Package 7	Wheelock and Company Limited	Residential Retail Kindergarten	70,260 44,500 1,160	June 2015	2022
Package 8	Cheung Kong Property Holdings Limited	Residential	97,000	October 2015	2021
Package 9	Wheelock and Company Limited	Residential Kindergarten	104,110 810	December 2015	2022
Package 10	Nan Fung Group Holdings Limited	Residential	75,400	March 2016	2022
Tai Wai Station					
Tai Wai	New World Development Company Limited	Residential Retail	190,480 60,620*	October 2014	2022
Tin Wing Stop					
Tin Wing	Sun Hung Kai Properties Limited	Residential Retail	91,051 205	February 2015	2021
Wong Chuk Hang Station					
Package 1	Road King Infrastructure Limited and Pingan Real Estate Capital Limited	Residential	53,600	February 2017	2022
Long Ping Station#					
The Spectra	K. Wah International Holdings Limited and Sino Land Company Limited	Residential	48,675	October 2012	2017
Long Ping (South)	Chinachem Group	Residential	41,990	June 2013	2019
Nam Cheong Station#					
Cullinan West	Sun Hung Kai Properties Limited	Residential Retail Kindergarten	214,700 26,660 1,000	October 2011	By phases from 2017 – 2019
Tsuen Wan West Station#					
TW5 Cityside	Chinachem Group	Residential Retail	66,114 11,210	January 2012	2018
TW5 Bayside	Cheung Kong Property Holdings Limited	Residential Retail Kindergarten	167,100 40,000 550	August 2012	2018
THE PAVILIA BAY	New World Development Co. Ltd. and Vanke Property (Overseas) Limited	Residential	62,711	January 2013	2017
Yuen Long Station#					
Yuen Long	Sun Hung Kai Properties Limited	Residential Retail	126,455 11,535^	August 2015	2022

as a development agent for the relevant subsidiaries of KCRC

* excluding a bicycle park with cycle track

^ including a 24-hour pedestrian walkway and a covered landscape plaza

Property Development Packages to be Awarded Notes 1 and 2

Location	Type	Gross floor area (sq. m.)	Period of package tenders	Expected completion date
LOHAS Park Station	Residential	About 320,000		
Wong Chuk Hang Station	Residential Retail	303,900 47,000	2017 – 2020	2020 – 2025
Ho Man Tin Station	Residential	59,400		

Notes:

1 Property development packages for which we are acting as development agent for the relevant subsidiaries of KCRC are not included.

2 These property development packages are subject to review in accordance with planning approval, land grant conditions and completion of statutory processes.



West Rail Line Property Development Plan

The Company acts as development agent for the West Rail property projects.

Station/Site	Site Area (hectares)	Actual/Expected tender award date	Actual/Expected completion date
Property Development Packages awarded			
Tuen Mun	2.65	August 2006	By phases from 2012 – 2014
Tsuen Wan West (TW7)	2.37	September 2008	2014
Nam Cheong	6.18	October 2011	By phases from 2017 – 2019
Tsuen Wan West (TW5) Cityside	1.34	January 2012	2018
Tsuen Wan West (TW5) Bayside	4.29	August 2012	2018
Long Ping (North)	0.99	October 2012	2017
Tsuen Wan West (TW6)	1.38	January 2013	2017
Long Ping (South)	0.84	June 2013	2019
Yuen Long	3.91	August 2015	2022
	23.95		
Property Development Packages to be awarded			
Kam Sheung Road	About 9.37	2017 – 2024	2025 – 2031
Pat Heung Maintenance Centre	About 23.56	Under review	Under review
	32.93		
Total	56.88		

Other Businesses

Ngong Ping 360

The Ngong Ping Cable Car and associated theme village (“Ngong Ping 360”) saw revenue increased by 12.7% in 2016 to HK\$391 million. Visitor numbers during the year rose by 5.5% to 1.71 million, mainly attributable to the growth in overseas visitors from Asia and Western countries as well as 7.5 more operating days compared with last year.

As part of the long-term asset replacement programme designed to ensure safety and service reliability, the rope replacement project was commenced on 9 January 2017, with target completion in June 2017.

Octopus

The Company’s share of Octopus’ net profit in 2016 grew by 6.0% to HK\$249 million. As at 31 December 2016, more than 8,000 service providers in Hong Kong were accepting Octopus for payment. Total cards and other stored-value

Octopus products in circulation were 32.8 million, with average daily transaction volumes and value reaching 14.1 million and HK\$179.2 million respectively.

Consultancy Business

We continue to leverage our experience as one of the world’s leading railway operators to offer consultancy services to clients in Hong Kong and overseas. Revenue from the consultancy business in 2016 was HK\$216 million, an increase of 14.3% over 2015.

Project Management

Income from project management services to Government is predominately for entrustment works on the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and Shatin to Central Link. This income increased by 3.1% in 2016 to HK\$1,790 million. Income from the entrustment works is currently booked on a cost recovery basis.