



Managing over  
**104,000**  
Residential Units



**13**  
Shopping  
Malls in our  
Portfolio



About **22,000**  
Residential Units and  
3 Shopping Malls  
Under Development

# HONG KONG PROPERTY AND OTHER BUSINESSES

## AIM

In addition to connecting communities, we aim to be an industry leader by creating integrated communities along our rail network. To provide excellent service for these developments, we apply our expertise in all aspects of property development and management, as well as engaging the community.

## CHALLENGES

### Property Rental

- Expanding our investment property portfolio without affecting existing railway operations and new railway projects
- Changes in customer behaviour and retail space demand due to the evolving market environment such as e-commerce development
- Uncertainties arising from US-China trade tensions, public order events and the recent COVID-19 outbreak in Hong Kong affected sentiment and tourist spending

### Property Management

- Statutory changes are impacting the residential property management industry in Hong Kong, ranging from licensing to procurement and maintenance

### Property Development

- The property development market is vulnerable to the recent COVID-19 outbreak and to fluctuations in global capital flows

## STRATEGIES

### Property Safety

- Safety at our construction sites, investment and managed properties and adjoining railway facilities is our top priority
- Closely monitor the public order events and take appropriate measures in our malls

### Property Rental

- Enhance the capital value of our investment property portfolio by optimising the trade mix in existing malls and achieving growth in attributable gross floor area through the addition of retail space
- Develop sustainable and innovative strategies to combat the impact of e-commerce

### Property Management

- Offer a world-class property management service that meets or exceeds customer requirements and expectations
- Develop and promote more green projects with greater energy efficiency for the health of our residents and tenants

### Property Development

- Optimise the integration between our property developments and the railway network, as well as other modes of transport
- Expand by seeking the rezoning of feasible existing railway sites and by applying our proven Rail plus Property integrated development model to potential new rail projects
- Deliver property developments of a high standard, on time and within budget
- Continuously improve our standards through innovation and by capturing new development opportunities

## OUTLOOK

Property rental income will be subject to market conditions, though partly moderated by the stable rent structure in the typical three-year tenancy cycle. Retail sales in Hong Kong are expected to be negatively affected by the public order events and the recent COVID-19 outbreak. For current leases, the Company has been implementing a number of rental relief measures, particularly for small to medium sized tenants (by waiving half of their rent in February and March 2020). For leases to be renewed, we expect there will be downward pressure on the rentals. The LOHAS, our new mall at LOHAS Park, is expected to be opened in the second half of 2020. However the pre-leasing is slower than expected as a result of the COVID-19 outbreak. Revenue from property management is recurrent and dependent on the properties under management, which will increase as new projects are completed.

Profit from property development is dependent on the sale of property developments and construction progress, and will vary from year to year. The booking of development profits of LOHAS Park Package 6 is now dependent on construction progress. After the award of LOHAS Park Package 12 in February 2020, in the next 12 months or so, subject to market conditions, we aim to tender out three property development packages, which are likely to be our last package at LOHAS Park and our fifth and sixth packages at Wong Chuk Hang Station. These packages are expected to provide about 4,050 residential units in total.



## FINANCIAL PERFORMANCE

In HK\$ million	Year ended 31 December		Inc./ (Dec.) %
	2019	2018	
<b>Hong Kong Property Rental and Property Management Businesses</b>			
Revenue from Property Rental	<b>4,833</b>	4,748	1.8
Revenue from Property Management	<b>304</b>	307	(1.0)
Total Revenue	<b>5,137</b>	5,055	1.6
EBITDA	<b>4,286</b>	4,242	1.0
EBIT	<b>4,264</b>	4,225	0.9
EBITDA Margin (in %)	<b>83.4%</b>	83.9%	(0.5)% pt.
EBIT Margin (in %)	<b>83.0%</b>	83.6%	(0.6)% pt.

## PROPERTY RENTAL

In 2019, property rental revenue increased by 1.8% to HK\$4,833 million, mainly due to rental growth in our shopping malls, and partly offset by the rent concessions granted to some tenants whose business had been adversely affected by the public order events. Our shopping malls in Hong Kong achieved a positive rental reversion rate of 3.1% during the year (or 7% including a special rental case), mainly due to the fact that leases

expiring in 2019 had already been renewed or re-let in late 2018 and early 2019 when market sentiment was more positive.

As at 31 December 2019, our shopping malls in Hong Kong and the Company's 18 floors in Two International Finance Centre were close to 100% let.

As at 31 December 2019, the Company's attributable share of investment properties in Hong Kong was 217,774 square metres of lettable floor area of retail properties, 39,410 square metres of lettable floor area of offices and 17,764 square metres of property for other use.

Our retail portfolio won many awards during the year. Telford Plaza received the "Top 25 My Favourite Shopping Mall Events" award at Shopping Mall Awards 2019, organised by Hong Kong Economic Times. ELEMENTS received the "Digital EX 2019 Awards" in the Top Ten Malls competition organised by Metro Finance.

Reducing energy consumption is an important goal for us. In 2013, we set a target to reduce energy use in our investment properties portfolio by 12% by 2023. As of 2019, the target reduction of 12% had been achieved. Further discussion can be found in our Sustainability Report 2019.



## Investment Property Portfolio in Hong Kong (as at 31 December 2019)

Location	Type	Lettable floor area (sq. m.)	No. of parking spaces	Company's economic interest
Telford Plaza I, Kowloon Bay, Kowloon	Shopping Centre	39,331	–	100%
	Car Park	–	993	100%
Telford Plaza II 7-8/F, Kowloon Bay, Kowloon	Shopping Centre	2,397	–	100%
Telford Plaza II 3-6/F, Kowloon Bay, Kowloon	Shopping Centre	19,057	–	50%
	Car Park	–	136	50%
Luk Yeung Galleria, Tsuen Wan, New Territories	Shopping Centre	11,094	–	100%
	Car Park	–	651	100%
Paradise Mall, Heng Fa Chuen, Hong Kong	Shopping Centre	15,410	–	100%
	Wet Market	1,216	–	100%
	Kindergarten	2,497	–	100%
	Car Park	–	415	100%
Maritime Square 1, Tsing Yi	Shopping Centre	28,547	–	100%
	Kindergarten	920	–	100%
	Car Park	–	220	100%
	Motorcycle Park	–	50	100%
Maritime Square 2, Tsing Yi	Shopping Centre	6,448	–	100%
	Car Park	–	65	100%
	Motorcycle Park	–	21	100%
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	39,410	–	100%
	– One and Two ifc	–	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	13,512	–	100%
Olympian City Two, Tai Kok Tsui, Kowloon	Shop Unit	1,096	–	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	45,510	–	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%
	Car Park	–	67	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%

## BUSINESS REVIEW

### HONG KONG PROPERTY AND OTHER BUSINESSES

#### Investment Property Portfolio in Hong Kong (as at 31 December 2019)(continued)

Location	Type	Lettable floor area (sq. m.)	No. of parking spaces	Company's economic interest
Hanford Plaza, Tuen Mun	Shopping Centre	1,924	–	100%
	Car Park	–	22	100%
Retail Floor and 1-6/F., Citylink Plaza, Shatin	Shopping Centre	12,154	–	100%
The Capitol, LOHAS Park	Shop Unit	391	–	100%
	Residential Care Home for the Elderly	2,571	–	100%
Le Prestige, LOHAS Park	Kindergarten	800	–	100%
	Car Park	–	2	100%
The Riverpark, Che Kung Temple	Shop Unit	154	–	100%
	Kindergarten	708	–	100%
	Car Park	–	5	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 1 and 2, 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 15 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 2019)

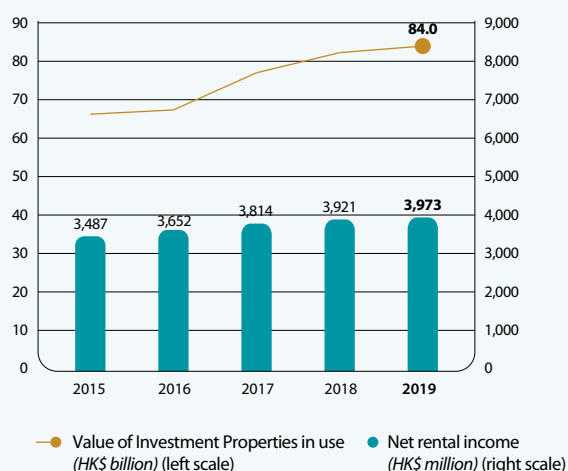
Location	Type	Gross floor area (sq. m.)	No. of parking spaces	Company's economic interest
Olympian City One, No. 11 Hoi Fai Road, Kowloon	Shopping Centre	6,026*	–	40%
	Car Park	–	330	40%
Bank of China Centre, No. 11 Hoi Fai Road, Kowloon	Car Park	–	117	40%
The Arch, No. 1 Austin Road West, Kowloon	Residential	548**	–	1%
	Car Park	–	12	1%
Harbour Green, No. 8 Sham Mong Road, Kowloon	Kindergarten	1,299	–	50%
Residence Oasis, No. 15 Pui Shing Road, Hang Hau, Tseung Kwan O	Motorcycle Park	–	5	71%
The Grandiose, No. 9 Tong Chun Street, Tseung Kwan O	Motorcycle Park	–	24	70%
Wings at Sea and Wings at Sea II, LOHAS Park, Tseung Kwan O	Residential	4,725***	–	20.1%
	Car Park	–	435	20.1%
	Motorcycle Park	–	46	20.1%
MALIBU, LOHAS Park, Tseung Kwan O	Residential	2,394***	–	47%
	Car Park	–	157	47%
	Motorcycle Park	–	7	47%
The Palazzo, No. 28 Lok King Street, Shatin	Residential	285***	–	55%
	Retail	2,000	–	55%
	Car Park	–	11	55%
	Motorcycle Park	–	5	55%
Festival City, No. 1 Mei Tin Road, Shatin	Car Park	–	79	100%
Lake Silver, No. 599 Sai Sha Road, Shatin	Residential	1,198***	–	92.88%
	Car Park	–	18	92.88%
The Riverpark, No. 8 Che Kung Miu Road, Shatin	Car Park	–	2	87%

\* Lettable floor area

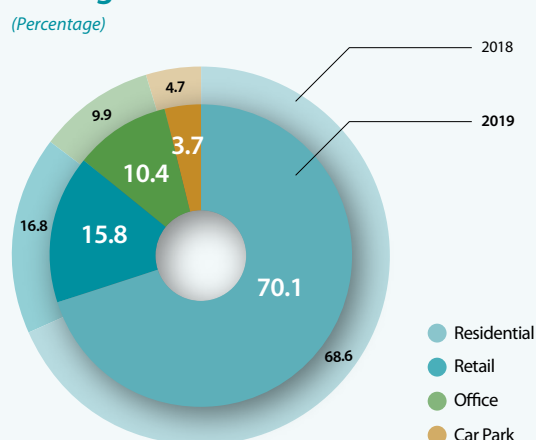
\*\* Brochure gross floor area as per previously issued marketing brochures

\*\*\* Saleable area

## Investment Properties in Hong Kong



## Distribution of Hong Kong Property Management Income



## EXPANDING THE RETAIL PORTFOLIO

Over the next few years, we will open three new malls that will add around 49% to the attributable GFA of our existing retail portfolio as of 31 December 2019, for a total of up to 152,120 square metres. Our target is to open The LOHAS in the second half of 2020 as well as new shopping centres in Tai Wai and Wong Chuk Hang in 2023.

The Company announced on 26 February 2020 that the Company had signed agreements with New World Development Company Limited and Chow Tai Fook Enterprises Limited to acquire their interests in Telford Plaza II shopping centre in Kowloon Bay and PopCorn 2 shopping centre in Tseung Kwan O for a total consideration of HK\$3 billion. Upon completion of the transactions on or before 31 March 2020, the Company will hold the entire economic interest of these two shopping centres, which helps to provide a sustainable funding solution to the Company's railway business.

### The LOHAS

The LOHAS is a three-storey, 44,500 square metre shopping centre at LOHAS Park that will connect seamlessly with the LOHAS Park Station and nearby residential buildings. It will

house Hong Kong's largest indoor ice rink, the largest cinema in Tseung Kwan O, and space for nearly 150 retail tenants providing entertainment, leisure and community services.

As at 31 December 2019, fitout work of The LOHAS is progressing, and is remained on track for its scheduled opening in the second half of 2020.

### Tai Wai shopping centre

Construction of the 60,620 square metre GFA shopping centre at Tai Wai Station made progress in 2019. Work on the foundation had been halted due to measures taken to address ground settlement at a localised area of the southbound platform on the East Rail Line at Tai Wai Station. However, this work resumed in January 2019, and the project was rescheduled for completion in 2023.

### Wong Chuk Hang shopping centre

Foundation works on this 47,000 square metres GFA shopping centre at Wong Chuk Hang commenced during the year, and the project is on target for completion at the end of 2023.

## PROPERTY MANAGEMENT

Hong Kong property management revenue in 2019 decreased slightly by 1.0% to HK\$304 million. As at 31 December 2019, MTR managed more than 104,000

residential units and more than 772,000 square metres of office and commercial space in Hong Kong.



## PROPERTY DEVELOPMENT

Hong Kong property development profit in 2019 totalled HK\$5,531 million, which was derived mainly from the share of surplus proceeds from MALIBU and sharing in kind from The LOHAS, as well as sales of inventory units.

### Pre-sales

During the year, the launch of our property development projects at LOHAS Park received a favourable response in the market:

- GRAND MARINI (Package 9B), launched in September 2019: about 49% of 503 units sold
- MARINI (Package 9A), launched in August 2019: about 83% of 647 units sold
- GRAND MONTARA (Package 7B), launched in June 2019: 100% of 504 units sold
- MONTARA (Package 7A), launched in May 2019: 100% of 616 units sold

Pre-sales of Wings at Sea (Package 4A), Wings at Sea II (Package 4B), MALIBU (Package 5) and LP6 (Package 6) continued throughout the year.

For the West Rail property development projects, where we act as agent for the relevant subsidiaries of KCRC, 75% of the 1,172 units at Cullinan West III (Nam Cheong Station) were presold as at 31 December 2019 while pre-sales for Sol City (Long Ping Station (South)) continued.

### Property tendering and future development

LOHAS Park Package 12 was awarded to a subsidiary of Wheelock and Company Limited in February 2020.

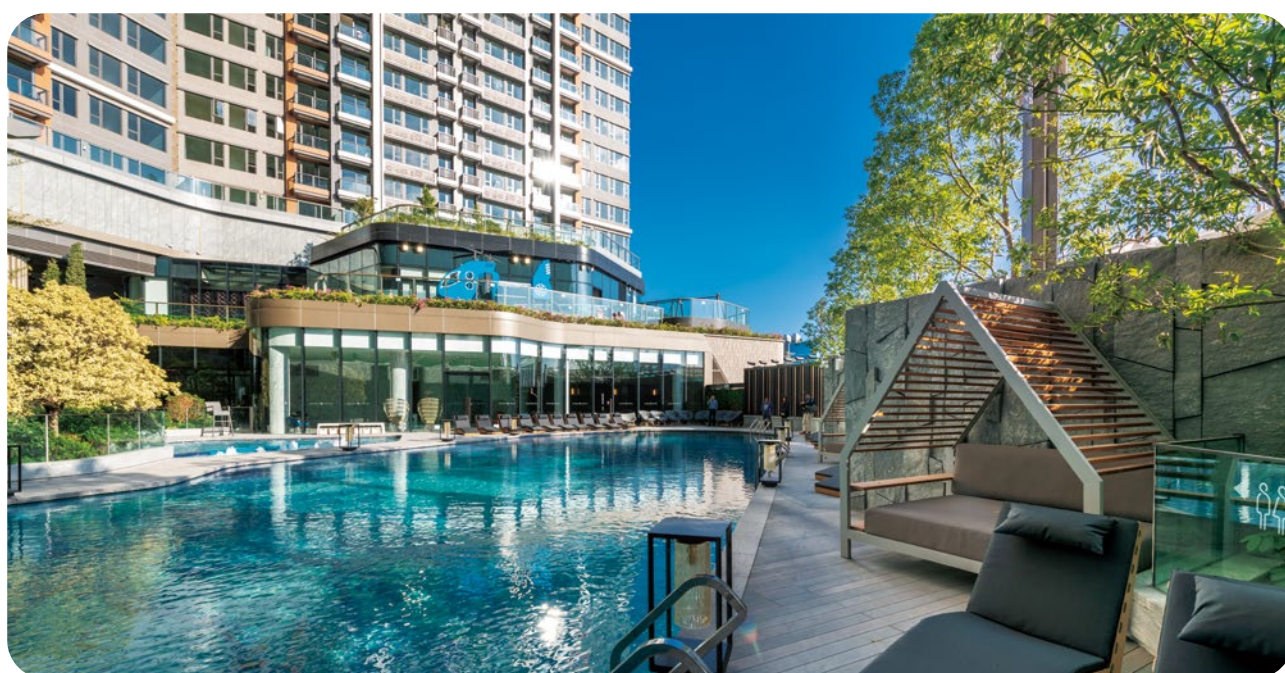
Wong Chuk Hang Station Package 4 was awarded to a consortium formed by Kerry Properties Limited, Swire Properties Limited and Sino Land Company Limited in October 2019.

LOHAS Park Package 11 was awarded to a consortium formed by Sino Land Company Limited, K. Wah International Holdings Limited and China Merchants Land Limited in April 2019.

With the successful tendering of LOHAS Park Package 11 and 12, the majority of the packages at LOHAS Park have now been awarded and are in various stages of development.

A total of 16 new residential property projects now under development will come on stream to provide about 22,000 new units in the market, which will be delivered over the next six years or so.

At the Siu Ho Wan Depot Site, approval was received on 12 February 2019 from the Chief Executive in Council for the draft Outline Zoning Plan to develop this area into a community, comprising about 14,000 public and private housing units together with a 30,000 square metre shopping mall. We are currently conducting detailed technical studies of this project, and our discussions with Government are ongoing. At this early stage, there is no assurance that the project will be commercially viable.



## Progress of Property Development Packages Awarded

Location	Project Status		
	Design	Foundation Works	Superstructure
Ho Man Tin Station Package 1	Completed	In Progress	
Ho Man Tin Station Package 2	In Progress		
LOHAS Park Package 4	Completed	Completed	Completed
LOHAS Park Package 5	Completed	Completed	Completed
LOHAS Park Package 6	Completed	Completed	In Progress
LOHAS Park Package 7	Completed	Completed	In Progress
LOHAS Park Package 8	Completed		In Progress
LOHAS Park Package 9	Completed	Completed	In Progress
LOHAS Park Package 10	Completed	Completed	In Progress
LOHAS Park Package 11	In Progress		
Tai Wai Station	Completed	Completed	In Progress
Tin Wing Stop	Completed	In Progress	
Wong Chuk Hang Station Package 1	Completed	Completed	In Progress
Wong Chuk Hang Station Package 2	Completed	Completed	In Progress
Wong Chuk Hang Station Package 3	Completed	In Progress	
Wong Chuk Hang Station Package 4	In Progress		
Yau Tong Ventilation Building	In Progress		

## 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
<b>Property Development Packages Awarded</b>			
Tuen Mun	2.65	August 2006	By phases from 2012 – 2014
Tsuen Wan West (TW7) Nam Cheong	2.37 6.18	September 2008 October 2011	2014 By phases from 2017 – 2019
Long Ping (North)	0.99	October 2012	2017
Tsuen Wan West (TW5) Cityside	1.34	January 2012	2018
Tsuen Wan West (TW5) Bayside	4.29	August 2012	2018
Tsuen Wan West (TW6)	1.38	January 2013	2018
Long Ping (South)	0.84	June 2013	2019
Yuen Long	3.91	August 2015	2022
Kam Sheung Road Package 1	4.17	May 2017	2025
	<b>28.12</b>		
<b>Property Development Packages to be Awarded</b>			
Kam Sheung Road Package 2	About 5.17	2024 – 2025	2031 – 2032
Pat Heung Maintenance Centre	About 23.56	Under review	Under review
	<b>28.73</b>		
<b>Total</b>	<b>56.85</b>		



## BUSINESS REVIEW

### HONG KONG PROPERTY AND OTHER BUSINESSES

#### Property Development Packages Completed during the year and Awarded

Location	Developers	Type	Gross floor area (sq. m.)	Tender award date	Expected completion date
<b>Ho Man Tin Station</b>					
Package 1	Goldin Properties Holdings Limited	Residential	69,000	December 2016	2022
Package 2	Chinachem Group	Residential	59,400	October 2018	2024
<b>LOHAS Park Station</b>					
MALIBU	Wheelock and Company Limited	Residential	102,336	November 2014	2019
LP6	Nan Fung Group Holdings Limited	Residential	136,970	January 2015	2020
MONTARA and GRAND MONTARA	Wheelock and Company Limited	Residential Retail Kindergarten	70,260 44,500 1,160	June 2015	By phases in 2021 2019 2019
Package 8	CK Asset Holdings Limited	Residential	97,000	October 2015	2021
MARINI, GRAND MARINI and Phase 9C (OCEAN MARINI)	Wheelock and Company Limited	Residential Kindergarten	104,110 810	December 2015	By phases in 2021
Package 10	Nan Fung Group Holdings Limited	Residential	75,400	March 2016	2022
Package 11	Sino Land Company Limited, K. Wah International Holdings Limited and China Merchants Land Limited	Residential	88,858	April 2019	2025
Package 12	Wheelock and Company Limited	Residential	89,290	February 2020	2026
<b>Tai Wai Station</b>					
Tai Wai	New World Development Company Limited	Residential Retail	190,480 60,620*	October 2014	2022
<b>Tin Wing Stop</b>					
Tin Wing	Sun Hung Kai Properties Limited	Residential Retail	91,051 205	February 2015	2024
<b>Wong Chuk Hang Station</b>					
Package 1	Road King Infrastructure Limited and Ping An Real Estate Company Limited	Residential	53,600	February 2017	2022
Package 2	Kerry Properties Limited and Sino Land Company Limited	Residential	45,800	December 2017	2023
Package 3	CK Asset Holdings Limited	Residential Retail	92,900 47,000	August 2018	2024
Package 4	Kerry Properties Limited, Swire Properties Limited and Sino Land Company Limited	Residential	59,300	October 2019	2025
<b>Yau Tong Ventilation Building</b>					
Yau Tong Ventilation Building	Sino Land Company Limited and CSI Properties Limited	Residential	30,225	May 2018	2025
<b>Kam Sheung Road Station<sup>#</sup></b>					
Package 1	Sino Land Company Limited, China Overseas Land & Investment Limited and K. Wah International Holdings Limited	Residential	114,896	May 2017	2025
<b>Long Ping Station<sup>#</sup></b>					
Sol City	Chinachem Group	Residential	41,990	June 2013	2019
<b>Nam Cheong Station<sup>#</sup></b>					
Cullinan West	Sun Hung Kai Properties Limited	Residential Retail Kindergarten	214,700 26,660 1,000	October 2011	By phases from 2017 – 2019
<b>Yuen Long Station<sup>#</sup></b>					
Yuen Long	Sun Hung Kai Properties Limited	Residential Retail	126,455 11,535 <sup>^</sup>	August 2015	2022

<sup>#</sup> as a development agent for the relevant subsidiaries of KCRC

\* excluding a bicycle park with cycle track

<sup>^</sup> including a 24-hour pedestrian walkway and a covered landscape plaza

#### Property Development Packages to be Awarded <sup>Notes 1 and 2</sup>

Location	Type	Gross floor area (sq. m.)	Period of package tenders	Expected completion date
LOHAS Park Station	Residential	About 140,000	2020 – 2021	2025 – 2026
Wong Chuk Hang Station	Residential	105,900		

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.

## OTHER BUSINESSES

### Ngong Ping 360

Visitor numbers and revenue at the Ngong Ping Cable Car and associated theme village (“Ngong Ping 360”) dropped as a result of the public order events and decline in visitors to Hong Kong. Revenue decreased by 17.6% to HK\$392 million, and patronage dropped by 20.6% to 1.45 million.

Promotional activities launched during the year targeted different customer segments. These included special offers to Hong Kong residents as well as a joint promotion with High Speed Rail and Hong Kong-Zhuhai-Macao Bridge. Other promotions were held to attract families for the Chinese New Year, Easter and Christmas holidays.

### Octopus

The Company’s share of profit from Octopus Holdings Limited in 2019 increased by 5.9% to HK\$234 million, mainly due to higher revenue from transaction business, good sales of Octopus Ornaments, Sold Tourist Octopus and Corporate Octopus as well as higher investment income. As at 31 December 2019, more than 22,000 service providers in Hong Kong accepted Octopus payments. Total cards and other stored-value Octopus products in circulation stood at 35.9 million, while average daily transaction volumes and value were 14.9 million and HK\$214.9 million respectively.