

Enriching Living

# Quality



We build *homes*

for Hong Kong people  
which connect to  
our network



Quality living  
experience



Award winning

property  
management  
ensures a high  
quality of life



# Executive Management's Report



## Hong Kong Property and Other Businesses





Our shopping malls offer an exciting shopping experience to customers

In 2013, the Hong Kong property market continued to reflect Government measures intended to stabilise prices and curb speculation. Transaction volumes in both residential and commercial property were markedly lower than in 2012, although residential flat prices remained relatively stable during the year, supported by the low interest rate environment. Primary flat sales volumes shrank to a historical low, owing to the delayed sales launches of new residential projects after the Residential Properties (First-hand Sales)

Ordinance took effect in late April 2013. Office leasing in Central saw moderate activity, given weaker demand from financial services companies. The retail property market remained solid as a result of inbound tourism, despite this sector also witnessing slowing growth in 2013.

### Property Development in Hong Kong

Profit from Hong Kong property developments in 2013 was HK\$1,396 million. This was mainly comprised of the sale of inventory units at The Riverpark at Che Kung Temple Station and car parking spaces at various developments.

During 2013, we continued to sell inventory units at The Riverpark, with 99% of 981 units sold by year end. Meanwhile, the strong sales at The Austin (Austin Station Site C), in November 2013 with all 576 units sold, bode well for other presale projects in the pipeline. Profit will be recognised upon issuance of the Occupation Permit, which is expected later this year.



# Executive Management's Report

## *Hong Kong Property and Other Businesses*

For West Rail projects, where we act only as agent for the relevant subsidiaries of Kowloon-Canton Railway Corporation ("KCRC"), we launched the pre-sale of Century Gateway II (Phase 2 of the Tuen Mun Station property development), and by January 2014, 99% of the 911 units had been sold. Century Gateway (Phase 1 of the Tuen Mun Station property development), comprising 1,080 units, was completed and units sold were handed over to purchasers in August 2013.

In our tendering activities, for West Rail projects where we act as agent for the relevant subsidiaries of KCRC, the Long Ping Station (South) site was tendered in May 2013 and awarded to a member company of Chinachem Group on 5 June 2013. We invited tenders for the Tin Wing Stop (Light Rail) property development site, with three tenders received upon tender closing on 21 January 2014. As none of the tenders received met the financial requirement, we decided not to accept any of the tenders. We are currently examining the development packages at the LOHAS Park and Tai Wai Station sites, with a

view to putting these sites out to tender, subject to market conditions. Other property development packages include the Wong Chuk Hang Depot site along the South Island Line (East) and the Ho Man Tin Station site along the Kwun Tong Line Extension. The Master Layout Plan for the Wong Chuk Hang Depot site was approved by the Town Planning Board in February 2013.

We continue to explore opportunities for other new developments along our railway lines in response to market conditions as well as Government's request.

### **Property Rental and Management Businesses in Hong Kong**

Revenue from our Hong Kong property rental and management businesses in 2013 grew by 11.1% to HK\$3,778 million. Operating costs rose by 7.3% to HK\$673 million, resulting in operating profit increasing 11.9% to HK\$3,105 million, representing an operating margin of 82.2%.

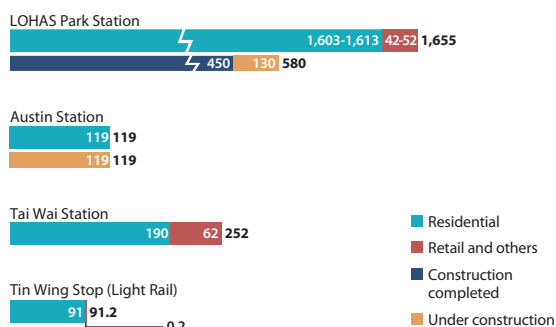


Over 1,000 units of Century Gateway were handed over in August

### Property Development Packages for Operating Network – Plan and Progress

The pre-sale of The Austin (Austin Station Site C) launched, with all 576 units sold.

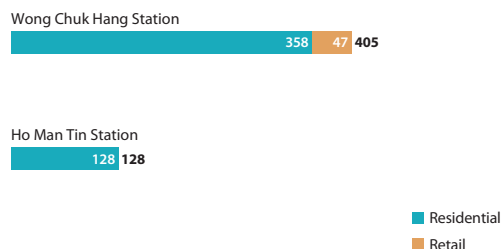
Gross floor area (thousand sq. m.)



### Property Development Packages for Future Extensions

Master Layout Plan for the Wong Chuk Hang Depot site along the South Island Line (East) was approved by the Town Planning Board in February 2013.

Gross floor area (thousand sq. m.)



### 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) Period of packages awarded	Expected completion date
<b>Property Development Packages awarded</b>			
Tuen Mun	2.65	Aug 2006	By phases from 2012 – 2014
Tsuen Wan West (TW7)	2.37	Sep 2008	2014
Nam Cheong	6.18	Oct 2011	By phases from 2017 – 2019
Tsuen Wan West (TW5) Cityside	1.34	Jan 2012	2018
Tsuen Wan West (TW5) Bayside	4.29	Aug 2012	2018
Long Ping (North)	0.99	Oct 2012	2018
Tsuen Wan West (TW6)	1.38	Jan 2013	2018
Long Ping (South)	0.84	Jun 2013	2019
	<b>20.04</b>		
<b>Property Development Packages to be awarded</b>			
Yuen Long	About 3.46	Under review	Under review
Kam Sheung Road	About 9.37	Under review	Under review
Pat Heung Maintenance Centre	About 23.56	Under review	Under review
	<b>36.39</b>		
<b>Total</b>	<b>56.43</b>		

“Our shopping mall portfolio achieved an average 16% increase in rental reversion for the year.”

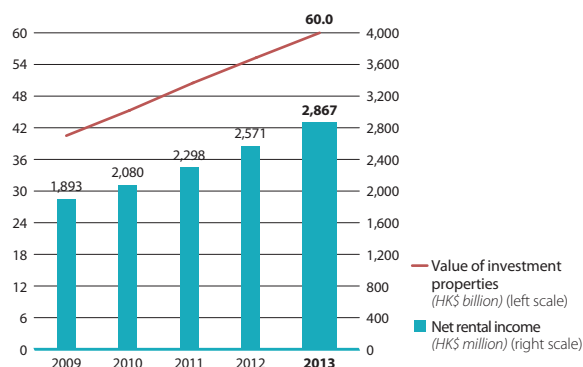
Total property rental income in Hong Kong was HK\$3,547 million, 10.9% higher than in 2012. Our shopping mall portfolio achieved an average 16% increase in rental reversion for the year. At the end of December 2013, our shopping malls in Hong Kong and the Company's 18 floors of office space at Two International Finance Centre (“Two ifc”) remained close to 100% let.

# Executive Management's Report

## Hong Kong Property and Other Businesses

### Investment Properties

Rental income continued to grow with good rental reversion in our shopping malls.



As at 31 December 2013, the Company's attributable share of investment properties in Hong Kong was 213,334 square metres of lettable floor area of retail properties, 40,969 square metres of lettable floor area of offices, and 14,282 square metres of property for other use.

We continued to invest in our retail properties to enhance their attractiveness to both tenants and shoppers, thereby enhancing financial returns. We have also made further efforts to optimise the environment and performance of these buildings.

A major project during the year was to revamp the trade mix and rebrand The Edge as PopCorn 2. To ensure the branding and experiential consistency of the entire PopCorn, renovation works for ceilings and floors of the common areas of PopCorn 2 commenced in October 2013, with a target for completion in 2014.

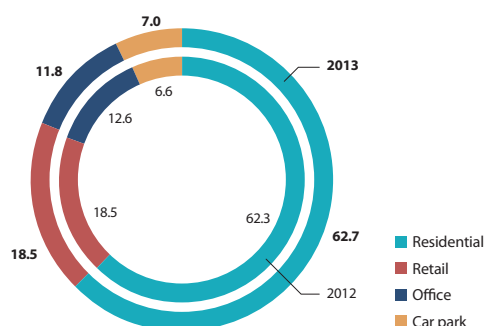
Our efforts in committing to Government's Energy Saving Charter and reducing environmental impacts through continual improvements to our property management systems has gained wide recognition, including our shopping malls winning the "Platinum Prime Award for Eco-Business 2013" awarded by Prime Magazine and the Business Environment Council. Having joined the Quality Water Recognition Scheme of the Water Supplies Department, we secured Gold Certificates for Elements and Maritime Square and a Blue Certificate for Telford Plaza II, Ocean Walk, Hanford Plaza and Citylink Plaza.

Other awards received during 2013 include the "Experiential Marketing Excellence Awards Hong Kong 2013 - Top Ten Experiential Marketing Excellence Awards Hong Kong" by Metro Finance and the "Best Shopping Mall Flower Arrangement Award" of Elements by Fusion Flowers Magazine and Hong Kong Flower Arranging Association.

### Distribution of Hong Kong Property Management Income

At the end of the year, the Company had 90,523 residential units and 763,018 sq.m. of commercial and office space under management in Hong Kong.

(Percentage)



We appreciate the convenience and choice that MTR shopping malls offer

**Mr. and Mrs. Chan**  
Resident



The Edge was upgraded and rebranded as PopCorn 2

Building on the success of Maritime Square in Tsing Yi, we shall convert the relevant portion of the adjacent Tsing Yi Lorry Park into a shopping mall, which will add another 12,100 square metres of gross floor area to Maritime Square. The conversion works are planned to commence in 2014, with a target completion towards the end of 2017.

Hong Kong property management revenue in 2013 rose by 13.8% to HK\$231 million. As at 31 December 2013, the number of residential units under the Company's management had risen to 90,523, following the addition of 4,257 units from The Wings, Century Gateway, The Riverpark and La Splendeur. The area of managed commercial and office space was 763,018 square metres.

MTR managed properties made use of Government's Buildings Energy Efficiency Funding Schemes. By the end of 2013 we had successfully assisted Owners' Committees to implement over 60 energy-saving projects that were funded by the Environment and Conservation Fund, while energy

audits were conducted for MTR office buildings, managed office buildings and MTR shopping malls to promote energy-saving projects.

Our efforts have gained wide recognition, with awards including the "Gold Level" under the scheme of Leadership in Energy and Environmental Design ("LEED") for Two ifc, the "Energywise label – Hong Kong Awards for Environmental Excellence" for The Cullinan, and "Wastewise HK Awards for Environmental Excellence" for Lake Silver and No. 8 Clear Water Bay Road, both given by the Environmental Protection Department. During the year, The Capitol obtained full sponsorship of its food waste recycling project under the Food Waste Recycling Projects in Housing Estates from the Environment and Conservation Fund and our managed residential properties implemented a glass-bottle recycling programme to encourage residents to adopt "green" living. Two ifc also gained a "Hearing Conservation Best Practices Award – Excellence Award" from the Occupational Safety and Health Council.

# Executive Management's Report

## *Hong Kong Property and Other Businesses*

### Other Businesses

#### Ngong Ping 360

The Ngong Ping cable car ("Ngong Ping 360") and associated theme village achieved a 26.9% increase in revenue in 2013 to HK\$316 million. Visitor numbers in 2013 reached approximately 1.65 million and reliability exceeded target and reached 99.8%. The growth in ridership was supported by innovations in ticketing schemes, such as the "360 Sky-Land-Sea Overnight Package". There were also a number of lively themed marketing events. These included the "360 Martial Arts Extravaganza" over the summer months, the "360 Breadtacular" event in autumn and the "Ngong Ping 360 Glittering Christmas Village" over the festive season. The new Galaxy Ticketing Systems that were introduced in December 2012 also helped increase efficiency and business growth as well as enhance customer service during 2013.

#### Consultancy Business

Revenue from our consultancy business in 2013 was HK\$128 million, 25.5% higher than in 2012. The Company entered into

a new seven-year Maintenance Agreement for the Automated People Mover System at Hong Kong International Airport in July 2013.

#### Octopus

Octopus continued to expand in Hong Kong's retail sector and the Company's share of Octopus' net profit for 2013 grew by 6.6% to HK\$225 million. As at 31 December 2013, more than 5,000 service providers in Hong Kong were using the Octopus service. The total number of Octopus cards and other stored-value Octopus products in circulation during the year was 24.84 million. The average daily transaction volume and value reached 13.0 million and HK\$139.6 million respectively.

#### Project Management

Income from providing project management services to Government, predominantly for entrustment works on the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("Express Rail Link") and the Shatin to Central Link, was HK\$1,461 million in 2013, an increase of 50.9% over 2012. Income from the entrustment works is currently booked on a cost recovery basis.



Residents in our managed properties enjoy excellent services and well-maintained facilities

## Property Development Packages Completed during the year and Awarded

Location	Developers	Type	Gross floor area (sq. m.)	Period of package tenders	Expected completion date
<b>LOHAS Park Station</b>					
Package 3	Cheung Kong (Holdings) Ltd.	Residential Kindergarten	128,544 1,000	Awarded in November 2007	2014
<b>Austin Station</b>					
The Austin and Site D	New World Development Co. Ltd. and Wheelock Properties Limited	Residential	119,116	Awarded in March 2010	2014
<b>Tuen Mun Station<sup>#</sup></b>					
Century Gateway and Century Gateway II	Sun Hung Kai Properties Ltd.	Residential Retail	119,512 25,000	Awarded in August 2006	By phases from 2012 – 2014
<b>Tsuen Wan West Station<sup>#</sup></b>					
TW7	Cheung Kong (Holdings) Ltd.	Residential	113,064	Awarded in September 2008	2014
TW5 Cityside	Chinachem Group	Residential Retail	66,114 11,210	Awarded in January 2012	2018
TW5 Bayside	Cheung Kong (Holdings) Ltd.	Residential Retail Kindergarten	167,100 40,000 550	Awarded in August 2012	2018
TW6	New World Development Co. Ltd. and Vanke Property (Overseas) Limited	Residential	62,711	Awarded in January 2013	2018
<b>Nam Cheong Station<sup>#</sup></b>					
Nam Cheong	Sun Hung Kai Properties Ltd.	Residential Retail Kindergarten	214,700 26,660 1,000	Awarded in October 2011	By phases from 2017 – 2019
<b>Long Ping Station<sup>#</sup></b>					
Long Ping (North)	K. Wah International Holdings Limited and Sino Land Company Limited	Residential	48,675	Awarded in October 2012	2018
Long Ping (South)	Chinachem Group	Residential	41,990	Awarded in June 2013	2019

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

## 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
<b>LOHAS Park Station</b>		Residential Retail	2014 – 2020	2020 – 2024
		1,025,220 – 1,035,220 39,500 – 49,500		
<b>Tai Wai Station</b>		Residential Retail		
		190,480 62,000		
<b>Tin Wing Stop (Light Rail)</b>		Residential Retail		
		91,051 205		
<b>Wong Chuk Hang Station</b>		Residential Retail		
		357,500 47,000		
<b>Ho Man Tin Station</b>		Residential		
		128,400		

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.

# Executive Management's Report

## Hong Kong Property and Other Businesses

### Investment Property Portfolio in Hong Kong (as at 31 December 2013)

Location	Type	Lettable floor area (sq. m.)	No. of parking spaces	Company's ownership interest
Telford Plaza I, Kowloon Bay, Kowloon	Shopping centre	39,461	–	100%
	Car park	–	993	100%
Telford Plaza II, Kowloon Bay, Kowloon	Shopping centre	19,363	–	50%
	Car park	–	136	50%
Luk Yeung Galleria, Tsuen Wan, New Territories	Shopping centre	11,232	–	100%
	Car park	–	651	100%
Paradise Mall, Heng Fa Chuen, Hong Kong	Shopping centre	18,772	–	100%
	Wet market	1,216	–	100%
	Car park	–	415	100%
Maritime Square, Tsing Yi	Shopping centre	29,129	–	100%
	Kindergarten	920	–	100%
	Car park	–	220	100%
	Motorcycle park	–	50	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	8,463	–	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	Office	39,373	–	100%
– One and Two ifc	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	51%
	Motorcycle park	–	10	51%
	Park & ride	–	450	51%
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	6,111	–	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	1,932	–	100%
	Car park	–	22	100%
Retail Floor and 1-6/F, Citylink Plaza, Shatin	Shopping centre	12,054	–	100%
Portion of G/F and portion of 1/F, MTR Hung Hom Building, Hung Hom	Office	1,596	–	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%

## Investment Property Portfolio in Hong Kong (as at 31 December 2013) (continued)

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
- Citylink Plaza and MTR Hung Hom Building where the Government Leases expire on 1 December 2057
- LOHAS Park where the Government Lease expires on 16 May 2052

## Properties held for sale (as at 31 December 2013)

Location	Type	Gross floor area (sq.m.)	No. of parking spaces	Company's ownership interest
Island Harbourview, No. 11 Hoi Fai Road, Kowloon	Car park	–	169	40%
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	–	55	55%
	Motorcycle park	–	8	55%
Lake Silver, No. 599, Sai Sha Road, Shatin	Residential	1,674**	–	93%
	Retail	3,000	–	93%
	Kindergarten	1,000	–	93%
	Car park	–	121	93%
	Motorcycle park	–	–	93%
Festival City, No. 1 Mei Tin Road, Shatin	Car park	–	231	100%
Le Prestige, LOHAS Park, Tseung Kwan O	Car park	–	82	52.93%
The Riverpark, No. 8 Che Kung Miu Road, Shatin	Residential	2,380***	–	87%
	Car park	–	30	87%
	Motorcycle park	–	–	87%

\* Lettable floor area

\*\* Brochure gross floor area as per the marketing brochures issued prior to the Residential Properties (First-hand Sales) Ordinance

\*\*\* Saleable area

## Managed properties in Hong Kong (as at 31 December 2013)

Number of managed residential flats	90,523 units
Area of managed commercial and office space	763,018 sq.m.