

Access to Your Quality Home

5 property
development
tenders awarded

91,434
managed
residential flats





13 Shopping Malls

in our portfolio



Hong Kong Property and Other Businesses

The Hong Kong property market remained stable during the first half of 2014, while showing improvement in the latter half of the year... Residential prices remained resilient, supported by low interest rates. The office leasing market and retail property market both remained relatively stable.



The Hong Kong property market remained stable during the first half of 2014, while showing improvement in the latter half of the year. Developers adopted an active sales approach during 2014, and a number of new residential projects came onto the market. The response from buyers was positive, resulting in significantly higher primary home sales than in 2013. Residential prices remained resilient, supported by low interest rates. The office leasing market and retail property market both remained relatively stable.

Property Development in Hong Kong

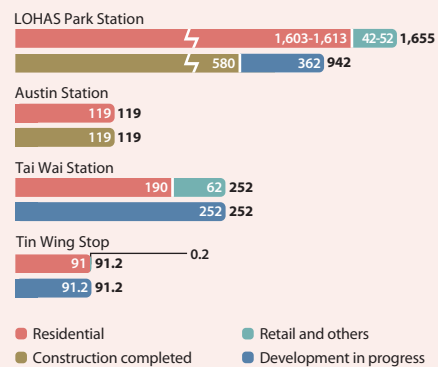
Profit from Hong Kong property developments in 2014 was HK\$4,216 million comprising mainly profits from The Austin (Austin Station Site C) and Grand Austin (Austin Station Site D), for which Occupation Permits were obtained during the year.

Following the successful presale of The Austin in 2013, we launched the presale of Grand Austin in 2014 which was also well received, with 99% of 691 units sold by the year end. In total, 99% of the City Point's 1,717 units at Tsuen Wan West Station, where we act as agent for the relevant subsidiary of Kowloon-Canton Railway Corporation ("KCRC"), were also sold. The Occupation Permit for City Point was obtained in September 2014. The Occupation Permit for LOHAS Package 3 was obtained in December 2014 and sales of the residential units are scheduled to commence in the first half of 2015.

Property Development Packages for Operating Network – Plan and Progress

The pre-sale of Grand Austin (Austin Station Site D) launched, with 99% of 691 units sold.

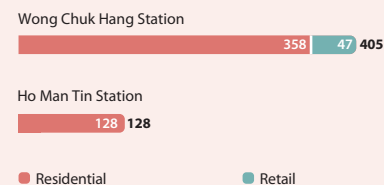
Gross floor area (thousand sq. m.)



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.

Gross floor area (thousand sq. m.)



In our property tendering activities, LOHAS Park Package 4 was awarded in April to Globaluck Limited, a subsidiary of Sun Hung Kai Properties Limited. In October, the Tai Wai Station site was awarded to Lucrative Venture Limited, a subsidiary of New World Development Company Limited. This was followed by LOHAS Park Package 5, which was awarded in November 2014 to Leading Elite Limited, a subsidiary of Wheelock and Company Limited. In January 2015, LOHAS Park Package 6 was awarded to Great Team Development Limited, a subsidiary of Nan Fung Group Holdings Limited, and the Tin Wing Stop site was awarded to Best Vision Development Limited, a subsidiary of Sun Hung Kai Properties Limited in February 2015.

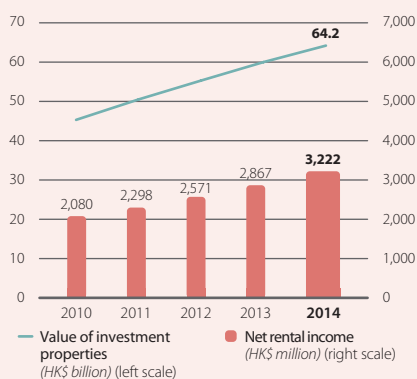
At LOHAS Park, to enhance the flexibility of development's flat mix in order to meet market demands, we received approval from the Town Planning Board in February 2015 allowing us to increase the number of residential units by 4,000 under the approved Master Layout Plan to a maximum of 25,500 units.

Executive Management's Report

Hong Kong Property and Other Businesses

Investment Properties

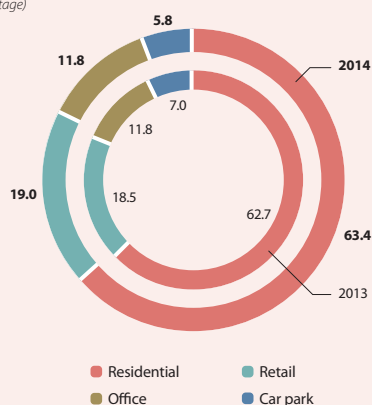
Rental income continued to grow with good rental reversion in our shopping malls.



Distribution of Hong Kong Property Management Income

At the end of the year, the Company had 91,434 residential units and 763,018 sq.m. of commercial and office space under management in Hong Kong.

(Percentage)



Total property rental income in Hong Kong was HK\$3,945 million, which was 11.2% higher than in 2013. Our shopping mall portfolio achieved an average 13% increase in rental reversion for the year. As at 31 December 2014, our shopping malls in Hong Kong and the Company's 18 floors at Two International Finance Centre ("Two ifc") remained close to 100% let, with a major tenant at Two ifc renewing its lease in July 2014.

As at 31 December 2014, the Company's attributable share of investment properties in Hong Kong was 212,500 square metres of lettable floor area of retail properties, 41,006 square metres of lettable floor area of offices, and 14,282 square metres of property for other use.

We continue to invest in our retail properties to enhance their attractiveness and financial performance. In 2014, renovation works for the common area of PopCorn2 were completed. Luk Yeung Galleria completed the ground floor repartitioning and trademix enhancement project to rejuvenate the mall and create a more exciting shopping experience for those visiting the mall. Paradise Mall also underwent a partial revamp during the year, with the aim of achieving a more conducive mix of lifestyle offerings in its West Commercial Block. Construction works for the Maritime Square Extension project also commenced in 2014 and we target to open this extension in the fourth quarter of 2017. This will add about 12,100 square metres to our retail properties at a cost of approximately HK\$2.4 billion (excluding capitalised interest).

In relation to the Tai Wai Station property development tender, the Company has contributed HK\$7.5 billion to the land premium payment and the additional fit-out costs for the shopping centre. We will take ownership of the shopping mall of about 62,000 square metres (including 1,380 square metres of bicycle park and cycle track) and a share of profits from the residential development. This mall is expected to start operations in 2021.

In view of market demand for more land supply, we will continue to explore opportunities for other property developments along our railway lines.

Property Rental and Management Businesses in Hong Kong

Revenue from the Hong Kong property rental and management businesses in 2014 grew by 10.9% to HK\$4,190 million. Operating costs increased by 11.0% to HK\$747 million, resulting in operating profit rising 10.9% to HK\$3,443 million, representing an operating margin of 82.2%.



Our properties are desirable for their excellent facilities and convenient locations



Luk Yeung Galleria provides an exciting shopping experience following its revamp

The outstanding performance of MTR Malls has been widely recognised during 2014 with the winning of various awards. These included the “Top 10 My Favourite Shopping Mall in Hong Kong” in the *Hong Kong Economic Times*, “Customer Caring Service Award” and “Luxurious Experience Shopping Centre Award” in the “Hong Kong Service Awards 2014” given by *East Week*, as well as the “Best PR / Guerilla Marketing Campaign – Gold” award in the “Marketing Events Awards 2014” from *Marketing Magazine*.

We also received recognition for our programmes to put into practice Government’s “Energy Saving Charter” and reduce environmental impacts at our properties, for example through the installation of energy saving equipment and commitment to waste reduction programmes. MTR shopping malls again won the “Platinum Prime Award for Eco-Business 2014” given by *Prime Magazine* and the Business Environment Council. Energy saving initiatives have been extensively explored during the design of the Maritime Square Extension. These include advanced air conditioning systems that feature demand management controls, as well as energy efficient lighting. In addition to supporting the “Food Wise Charter”, MTR Malls are also participating in the Steering Committee of the Food Wise Hong Kong Campaign set up by the Environment Bureau. We have also

implemented the self-initiated “MTR Malls Food Waste Reduction Pledge” to support food waste reduction at source.

Hong Kong property management revenue in 2014 increased by 6.1% to HK\$245 million. As at 31 December 2014, the area of managed commercial space was 763,018 square metres. The number of managed residential flat units rose by 911 to 91,434 units following additions from Century Gateway II in October 2014.

To promote food waste recycling and reduce pressure on landfill, our managed properties Heng Fa Chuen, The Capitol of LOHAS Park and Tierra Verde have implemented the Food Waste Recycling Scheme.

Other Businesses

Ngong Ping cable car (“Ngong Ping 360”)

Ngong Ping 360 and associated theme village achieved an 18.7% increase in revenue in 2014 to HK\$375 million. Visitor numbers for the year grew to approximately 1.83 million while reliability remained high at 99.8%. Growth in business was supported by a number of new attractions, including Stage 360, Motion 360 and various new tour packages. During 2014, Ngong Ping 360 received both local and international awards, including being named one of the “Ten Amazing Cable Car Rides Around the World” by the UK’s *Daily Telegraph newspaper*.

Executive Management's Report

Hong Kong Property and Other Businesses

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	Actual/Expected completion date
Property Development Packages awarded			
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
	20.04		
Property Development Packages to be awarded			
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
	36.39		
Total	56.43		



Excellent property management services are provided to residents

Consultancy Business

We 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 our consultancy business in 2014 was HK\$180 million, 40.6% higher than in 2013. This was mainly attributable to the Automated People Mover projects at the Hong Kong International Airport.

Octopus

The Company's share of Octopus' net profit for 2014 increased slightly by 0.4% to HK\$226 million. By 31 December 2014, more than 6,000 service providers in Hong Kong were accepting the Octopus service. Total Octopus cards and other stored-value Octopus products in circulation during the year reached 27.6 million. Average daily transaction volumes and value reached 13.4 million and HK\$152.1 million respectively.

Project Management

Income from providing project management services to Government, relating to the entrustment works on the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and Shatin to Central Link, was HK\$1,561 million in 2014, an increase of 6.8% over 2013. Income from the entrustment works is currently booked on a cost recovery basis.

Property Development Packages Completed during the year and Awarded

Location	Developers	Type	Gross floor area (sq. m.)	Period of package tenders	Actual/Expected completion date
LOHAS Park Station					
Package Three (Hemera)	Cheung Kong (Holdings) Ltd.	Residential Kindergarten	128,544 1,000	Awarded in November 2007	2014
Package Four	Sun Hung Kai Properties Ltd.	Residential	122,302	Awarded in April 2014	2020
Package Five	Wheelock and Company Ltd.	Residential	102,336	Awarded in November 2014	2020
Package Six	Nan Fung Group Holdings Limited	Residential	136,970	Awarded in January 2015	2021
Tai Wai Station					
Tai Wai	New World Development Co. Ltd.	Residential Retail	190,480 62,000	Awarded in October 2014	2022
Austin Station					
The Austin and Grand Austin	New World Development Co. Ltd. and Wheelock Properties Limited	Residential	119,116	Awarded in March 2010	2014
Tin Wing Stop					
Tin Wing Stop	Sun Hung Kai Properties Ltd.	Residential Retail	91,051 205	Awarded in February 2015	2021
Tuen Mun Station[#]					
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
Tsuen Wan West Station[#]					
City Point	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
Nam Cheong Station[#]					
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
Long Ping Station[#]					
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

[#] as a development agent for the relevant subsidiaries of KCRC

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	663,612 – 673,612		
	Retail	39,500 – 49,500		
Wong Chuk Hang Station				
	Residential	357,500	2015 – 2020	2020 – 2024
	Retail	47,000		
Ho Man Tin Station				
	Residential	128,400		

Notes:

- Property development packages for which we are acting as development agent for the relevant subsidiaries of KCRC are not included.
- 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 2014)

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	11,107	–	100%
	Car park	–	651	100%
Paradise Mall, Heng Fa Chuen, Hong Kong	Shopping centre	18,050	–	100%
	Wet market	1,216	–	100%
	Car park	–	415	100%
Maritime Square, Tsing Yi	Shopping centre	29,171	–	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	Office	39,410	–	100%
– Two ifc	Car park	–	1,308	51%
– One and Two ifc				
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	6,083	–	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	1,932	–	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 2014) (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 Handford 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 and MTR Hung Hom Building 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 2014)

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	–	119	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	–	33	55%
	Motorcycle park	–	8	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	–	105	92.88%
	Motorcycle park	–	–	92.88%
Festival City, No. 1 Mei Tin Road, Shatin	Car park	–	231	100%
Le Prestige, LOHAS Park, Tseung Kwan O	Car park	–	25	52.93%
The Riverpark, No. 8 Che Kung Miu Road, Shatin	Residential	2,254.5***	–	87%
	Car park	–	29	87%
	Motorcycle park	–	–	87%
The Austin, 8 Wui Cheung Road, Kowloon	Car park	–	17	67.5%
Grand Austin, 9 Austin Road West, Kowloon	Car park	–	10	67.5%

* Lettable floor area

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

*** Saleable area

Managed properties in Hong Kong (as at 31 December 2014)

Number of managed residential flats	91,434 units
Area of managed commercial and office space	763,018 sq.m.