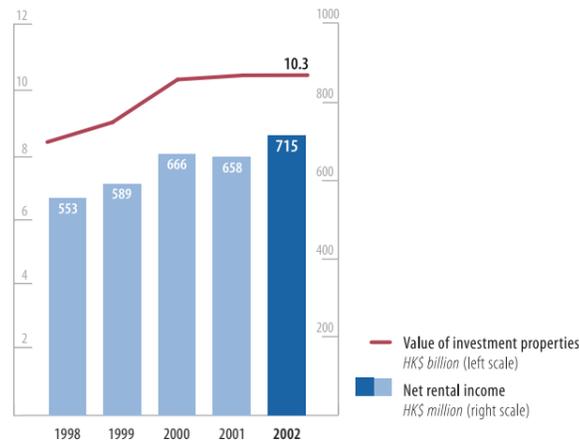


She feels glad to have use of the extensive Club House facilities at Terra Verde.

After a hard week at work, there's nothing better than a game of tennis before relaxing with a juice.



Investment properties

With shopping centres maintained at 100% occupancy levels, strong growth in rentals was recorded.

Early in the year, we also launched an innovative centre-wide "Total Quality Service Regime" service enhancement programme to promote excellent customer service at our retail centres. The programme was well received by tenants, who recognised its relevance in today's highly competitive conditions. Its first specific objective was to raise awareness of the importance of service quality. The regime also sought to increase the competitiveness of our shopping centres and our tenants' businesses through implementing industry-leading service standards. Finally, the programme sought to establish quantifiable service benchmarks to promote better tenant selection and management.

Property management

We are already one of the largest property management companies in Hong Kong, a testament to the quality of service we offer at a competitive price and our ability continuously to add value for clients. Our successes throughout 2002 led income from property management to rise 16.4% to HK\$85 million. The encouraging result

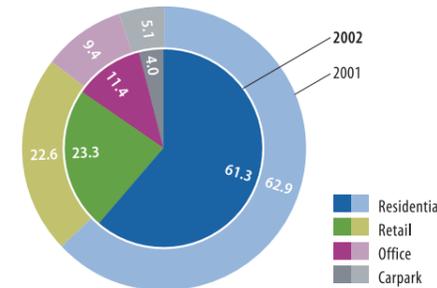
was achieved through managers' remuneration income from newly completed Airport Railway properties and from other property management services such as Octopus Access business and MTR Property Agency Company Limited, a wholly-owned subsidiary of the Company that provides agency services for the sale, purchase and leasing of properties in Hong Kong.

During the year, our property management-related business continued to expand and diversify. At Olympic Station, the Central Park development of 1,312 residential flats was completed and units handed over to individual owners, in the process coming under MTR management. At Tung Chung Station, completion of Phase 1 of Seaview Crescent added a further 1,149 residential units to our management portfolio. These together have brought the number of residential units now managed by the Company to 42,074, from 39,613 in 2001, in addition to the 370,022 square metres of retail space in our portfolio.

The Octopus Card Building Access Control system was adopted in the commercial car parks owned by the Company at three of our shopping malls and the car park at One International Finance Centre, as well as all Airport Railway residential developments. This state-of-the-art card access system has gradually extended to properties not managed by the Company.

Property agency

To diversify our earnings from property by leveraging our considerable base of expertise, in late 2001 we established the MTR Property Agency Company Limited to provide a one-stop agency service to residents of the residential developments we manage. The success of this venture added a total of HK\$5 million in revenue during 2002.



Percentage

Distribution of property management income

More properties came under MTR management in 2002 with more to follow in 2003.

Overseas property businesses

Our respected property business contains a wealth of expertise in very diverse areas and we see many opportunities to capitalise on these skills outside Hong Kong, particularly in Mainland China. The year 2002 saw us take our first successful step in this area.

We succeeded in penetrating the property management market in Shenzhen, signing contracts to manage the prestigious East Pacific Garden Clubhouse, part of a luxury residential complex, and the King's Lodge residential development. In addition, a multi-disciplinary team of professionals from all departments provided pre-leasing and pre-management advisory services to East Pacific (Holdings) Limited, the developer of East Pacific Garden. The work included advice on market positioning, conceptual design, tenant mix, leasing strategy, marketing and management planning for three retail development sites in Shenzhen, the East Pacific Shopping Centre Phases 1 and 2 and Jing Tian Yinzuo. We also provided pre-management advisory services to Beijing Century Sun Real Estate Development Company for its Palm Springs International Apartments in Beijing.

In Singapore, we won our first property development consultancy contract. The Company was selected by the Land Transport Authority of Singapore to provide consultancy services for the packaging and marketing of a 24,980 square metre site situated above a proposed Singapore Mass Rail Transit station at Serangoon Central, a residential area located north of the city centre.

Outlook

We maintain a cautious outlook for the property market in 2003. Any sustained improvements in demand for Grade A office space will await an upturn in the global economy. Residential sector recovery will be restrained by a perceived supply overhang in the mass market. In the medium-term, however, the moratorium on land sales in 2003 should allow the property market to stabilise, enhancing the Company's profitability.

In the office sector, our 46,600 square metres gross of office space at Two International Finance Centre is expected to be ready for occupation in the third quarter of 2003 and pre-leasing of "The Central 18 Zone at Two IFC" should gain momentum towards that date. For our retail properties, anchor tenant marketing will start in 2003 for our future retail centre at Union Square and we will again work closely with retailers to maintain the competitiveness of our four existing investment properties.

Our property management portfolio will continue to expand, with Caribbean Coast and Coastal Skyline to be added during 2003. In addition, our Premier Management Services, which focuses on high-end residential and commercial properties, will extend its management to Two IFC, as well as Sorrento and The Harbourside at Union Square.

Overseas, the bridgeheads we have established during 2002 should enable us to expand our professional services work outside Hong Kong and explore further opportunities in Mainland China.



Being just a short ride by MTR to her parents in Heng Fa Chuen is a comfort.

She and her husband can even drop in at Paradise Mall, where they like to shop.

Airport Railway Property Developments (packages awarded)

Location	Developers	Type area	Gross floor area (sq. m.)	No. of parking spaces	Expected completion date
Hong Kong Station					
(International Finance Centre)	Sun Hung Kai Properties Ltd.	Office	254,190		By phases from 1998–2004
	Henderson Land Development Co. Ltd.	Retail	59,460		
	The Hong Kong & China Gas Co. Ltd.	Hotel	102,250		
	Bank of China Group Investment Ltd.	Car park		1,344	
Sub-total			415,900		
Kowloon Station					
Package One (The Waterfront)	Wing Tai Holdings Ltd.	Residential	147,547	1,332	Completed in 2000
	Temasek Holdings (Pte) Ltd.	Car park			
	Singapore Land Ltd.				
	Keppel Land Ltd.				
Package Two (Sorrento)	Lai Sun Development Co. Ltd.	Residential	210,319	1,270	By phases from 2002–2003
	The Wharf (Holdings) Ltd.	Car park			
Package Three	Sun Hung Kai Properties Ltd.	Residential	100,000	412	2004
		Cross border bus terminus	5,886		
Package Four (The Harbourside)	Hang Lung Properties Ltd.	Residential	128,845	864	2003
		Car park			
Packages Five, Six and Seven	Sun Hung Kai Properties Ltd.	Retail	82,750	1,743	By phases from 2005–2008
		Office *	231,778		
		Serviced apartment *	72,472		
		Hotel	95,000		
		Residential	21,300		
		Kindergarten	1,050		
Car park					
Sub-total			1,096,947		

Airport Railway Property Developments (packages awarded) continued

Location	Developers	Type area	Gross floor area (sq. m.)	No. of parking spaces	Expected completion date
Olympic Station					
Package One (Island Harbourview, HSBC Centre, Bank of China Centre and Olympian City One)	Sino Land Co. Ltd. Bank of China Group Investment Ltd. Kerry Properties Ltd. China Overseas Land and Investment Ltd. Capitaland Commercial Ltd.	Office	111,000	1,380	Fully completed in 2000
		Retail	14,900		
		Residential	169,950		
		Indoor sports hall	13,219		
Package Two (Park Avenue, Central Park and Olympian City Two)	Sino Land Co. Ltd. Kerry Properties Ltd. Bank of China Group Investment Ltd. China Overseas Land and Investment Ltd.	Retail	47,500	932	By phases from 2001–2002
		Residential	220,050		
		Market	1,100		
Package Three	Sun Hung Kai Properties Ltd.	Residential	103,152	300	2005
		Kindergarten	1,300		
Sub-total			682,171		
Tsing Yi Station					
(Tierra Verde and Maritime Square)	Cheung Kong (Holdings) Ltd. Hutchison Whampoa Ltd. CITIC Pacific Ltd.	Retail	46,170	920	Fully completed in 1999
		Residential	245,700		
		Kindergarten	925		
Sub-total			292,795		
Tung Chung Station					
Package One (Tung Chung Crescent, Citygate and Seaview Crescent)	Hang Lung Development Co. Ltd. Henderson Land Development Co. Ltd. New World Development Co. Ltd. Sun Hung Kai Properties Ltd. Swire Properties Ltd.	Office	14,999	2,037	By phases from 1999–2005
		Retail	48,491		
		Hotel	22,000		
		Residential	275,501		
		Kindergarten	700		
		Car park			
Package Two (Coastal Skyline)	HKR International Ltd. Hong Leong Holdings Ltd. Recosia Pte Ltd.	Retail	2,499	617 [†]	By phases from 2002–2005
		Residential	253,100		
		Kindergarten	350		
Package Three (Carribbean Coast)	Cheung Kong (Holdings) Ltd. Hutchison Whampoa Ltd.	Residential	4,996	1,211	By phases from 2002–2005
		Wet market	508		
		Kindergarten	350		
		Car park			
Sub-total			1,030,794		
Grand Total:			3,518,607	14,362	

* This falls within the range of 231,778 to 235,778 sq.m. for offices and 68,472 to 72,472 sq.m. for serviced apartments as stipulated in the latest approved Master Layout Plan.

[†] This falls within the range of 617-745 as stipulated in the latest Master Layout Plan.



The surroundings are pleasant and there's always something new.

And some of their favourite restaurants are perfect for a family get together.

Tseung Kwan O Line Property Developments (Packages awarded)

Location	Developers	Type	Gross floor area (sq. m.)	No. of parking spaces	Status	Expected completion date
Tseung Kwan O Station						
Area 57a	Sun Hung Kai Properties Ltd.	Residential	26,005	75	Awarded in July 2000	2005
	Nan Fung Development Ltd.	Retail	3,637			
	Henderson Land Development Co. Ltd. Chime Corporation Ltd.	Car park				
Area 55b	New World Development Co. Ltd.	Residential	84,920	258	Awarded in January 2002	2006
	Chow Tai Fook Enterprises Ltd.	Retail	11,877			
	Wee Investments Pte. Ltd.	Car park				
Hang Hau Station						
	Sino Land Co. Ltd.	Residential	138,652	369	Awarded in June 2002	2005
	Kerry Properties Ltd.	Retail	3,500			
		Car park				
Tiu Keng Leng Station						
	Cheung Kong (Holdings) Ltd.	Residential	236,965	587	Awarded in October 2002	2007
		Retail	16,800			
		Car park				

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
Tseung Kwan O Station						
	2	Retail	60,000	1,291	2004–2005	2007
		Office	103,130			
		Car park				
Area 86 (Tseung Kwan O South Station)						
	14	Residential	1.6 million	4,131	2004–2009	2013
		Retail	40,000			
		Car park				

* Subject to review, 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
Choi Hung Station						
	Chun Wo Holdings Ltd.	Residential	19,182	54	Awarded in July 2001	2006
		Retail	2,400			
		Car park				
		Park and Ride	450			

Investment Property portfolio (As at 31 December 2002)

Location	Type	Lettable floor area (sq. m.)	No. of parking spaces	Company's ownership interest
Telford Plaza I, Kowloon Bay, Kowloon	Shopping centre	39,671	–	100%
	Car park	–	993	100%
Telford Plaza II, Kowloon Bay, Kowloon	Shopping centre	19,741	–	50%
	Car park	–	136	50%
Luk Yeung Galleria, Tsuen Wan, New Territories	Shopping centre	12,066	–	100%
	Car park	–	651	100%
Paradise Mall, Heng Fa Chuen, Chai Wan, Hong Kong	Shopping centre	18,468	–	100%
	Car park	–	415	100%
Maritime Square, Tsing Yi	Shopping centre	28,911	–	100%
	Kindergarten	920	–	100%
	Car park	–	220	100%
	Motorcycle park	–	50	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	540	–	100%
	Car park	–	126	100%
International Finance Centre, Central, Hong Kong	Car park	–	136	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, International Finance Centre and Olympian City where the leases expire on 30 June 2047.

Properties held for sale (As at 31 December 2002)

Location	Type	Gross floor area (sq. m.)	No. of parking spaces	Company's ownership interest
Island Harbourview, No. 11 Hoi Fai Road, Kowloon	Residential	20,534	–	40%
	Car park	–	579	40%
Olympian City One, No. 11 Hoi Fai Road, Kowloon	Shopping centre	5,898*	–	40%
	Car park	–	330	40%
Bank of China Centre, No. 11 Hoi Fai Road, Kowloon	Car park	–	117	40%
The Waterfront, Union Square, 1 Austin Road West, Kowloon	Residential	137	–	100%
	Car park	–	2	100%
Towers 3, 5 & 6, Sorrento, Union Square, 1 Austin Road West, Kowloon	Residential	–	–	20.11%
	– on or below 50/F	5,373	–	100%
	– on or above 51/F	4,484	–	100%
	Car park	–	314	100%

* Saleable floor area

Managed properties (As at 31 December 2002)

Number of managed residential flats	42,074 units
Area of managed commercial and office space	370,022 sq. m.