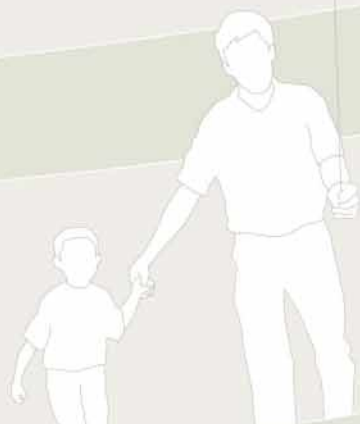




Transporting tourists and Hong Kong people alike to new worlds of leisure and pleasure



# Future Projects

During 2003, MTR continued to make progress on projects that will add to its integrated rail-property infrastructure and to the quality of life of Hong Kong people, whilst ensuring adherence to schedules and completion on or below budget.

Whilst we firmly believe that MTR's existing "rail plus property" model is one of the most effective for the financing and development of railways in Hong Kong and elsewhere, we recognise that changes in the social and economic structure in Hong Kong may require amendments to the model. We will work with Government to develop acceptable structures for funding new rail developments in Hong Kong which we believe should still retain a component of property development. As an example, given strong social and economic returns from new railways, a proportion of the capital cost of new railways could be funded by the Government, with the remaining proportion and all of the operating costs paid for by the Company from property development and rail operations. This would help MTR to earn a commercial return for new projects and provide a more level playing field between rail transport and road based transport.

For all projects, MTR has continued to consult with the full range of stakeholders on how best to minimise impacts during construction and maximise convenience of use when operating. This approach necessarily includes environmental considerations and in 2003 the Company achieved and maintained ISO 14001 certification for an Environmental Management System in our operations and project divisions,



in recognition of its commitment to responsible environmental management.

### Penny's Bay Rail Link

Work on the Penny's Bay Rail Link that will connect the new Hong Kong Disney Theme Park with the MTR network saw substantial progress. All major civil and electrical and mechanical contracts were either generally on or ahead of schedule for both the line itself and the two stations, one at the theme park and one at Yam O in North West Lantau, the interchange for the Tung Chung Line. We are fully confident of meeting our target completion in mid-2005 within our original budget estimate.

### Tung Chung Cable Car

The main focus of activity on the Tung Chung Cable Car project during the year was to reach agreement with the Government on the terms of the Project Agreement and to develop the design sufficiently to obtain all necessary Government approvals. Following enactment of the Tung Chung Cable Car Ordinance in June we entered an intensive period of consultations with the Government and other stakeholders.

As a result of these discussions and MTR's success in balancing the views of different parties, the overall project agreement, as well as entrustment agreements for related works at Ngong Ping that include a landscaped piazza and a Public Transport Interchange, were signed with the Government in November, together with a private treaty grant for the themed village adjacent to the Ngong Ping terminal. The environmental permits for the cable car and the stream diversion were also granted in November and subsequently the contract for the building and civil engineering works was awarded.

The project to build the cable car and the associated theme village, creating a major new tourism attraction for Hong Kong, is estimated to require a 26-month construction period and a total outlay of HK\$950 million including capitalised interest. Construction will begin in early 2004, with a target completion date of early 2006.

### Railway extensions

In January 2003, the Government requested MTR to proceed with planning for the West Island Line and the South Island Line, as extensions to the existing MTR urban network. Consultants and MTR staff began work on the feasibility study in mid-2003. Alternative proposals have been considered and a project proposal will be submitted to the Government in the second quarter of 2004.

The proposed alignment will provide a more cost-effective solution with better integration of the two new lines as well as improved interchanges with the existing network. It is proposed that the Island Line extend from Sheung Wan Station to a new interchange station at Sai Ying Pun with the West Island Line, which will travel through Kennedy Town and Aberdeen to Wong Chuk Hang. The South Island Line will comprise stations at South Horizons and Lei Tung on Ap Lei Chau, linking with the West Island Line at Wong Chuk Hang before running through Happy Valley and interchanging with the Island Line at Wan Chai and Admiralty stations.

Design will commence as soon as Government support is secured. Construction is estimated to require approximately 48 months.

The two lines will require direct Government funding support towards the capital cost. Independent assessments of the economic benefits show that these far outweigh the cash

contribution required and that the rail valuation would be significantly cheaper and more environmental friendly than the proposed Route 7 Highway.

In November 2003, the Company was requested by Government to submit a proposal for an extension of the Kwun Tong Line from Yau Ma Tei Station to Whampoa.

### Pedestrianisation

The Company continued to identify and build new pedestrianisation projects designed to increase potential patronage. These included both new pedestrian links to MTR stations and enhanced pedestrianisation adjacent to stations.

During 2003 new pedestrian entrances were completed at Kowloon Tong Station to provide access from the new Education Resource Centre and Passenger Transport Interchange which is currently under construction, and also to the KCRC station southern concourse that is expected to be completed in early 2004.

A new entrance was completed at Mong Kok Station to reduce the previous passenger congestion, while a further integrated entrance is under construction as part of the Urban Renewal Authority redevelopment and is due for completion in mid-2004.

Work began on alterations to the southern concourse of Tsim Sha Tsui Station to form part of the subway network linking to the KCRC East Rail extension project and is due for completion by the end of 2005.

Work commenced on a pedestrian link project at Admiralty Station in December 2003 while projects at Lai Chi Kok and Choi Hung stations are expected to begin in early 2004.

### Airport developments

Negotiations and the preliminary design were substantially completed for a new station to be constructed at the end of



When Disney opens, the fun will begin on the train

the AEL at Chek Lap Kok airport, to serve the proposed AsiaWorld-Expo development. Subject to concluding a satisfactory agreement this new station should be completed by the end of 2005.

### Transit links

The Company continued to explore opportunities for potential application of above-ground light rail transit links to serve as a feeder service to the MTR mainline network, from population or employment centres located beyond the walk-in catchment of the network. These lower capacity but efficient transit technologies would improve MTR patronage in a cost effective and environmentally friendly manner.

In 2003, we undertook preliminary studies to determine the feasibility of introducing a light rail solution for the Kowloon Bay Industrial Area and the West Kowloon Cultural District.