

## Hong Kong Passenger Services

Our Hong Kong fare revenue, including both rail and bus passenger services, was HK\$11,498 million in 2009, an increase of 0.3% over 2008.

### Patronage

For the year as a whole, total patronage for all of our rail and bus passenger services in Hong Kong increased by 1.4% to 1,506.6 million as compared to last year.

Our Domestic Service, comprising the Kwun Tong, Tsuen Wan, Island, Tung Chung, Tseung Kwan O, East Rail (excluding Cross-boundary Service), West Rail, Ma On Shan and Disneyland Resort lines, recorded total patronage of 1,218.8 million for 2009, an increase of 1.1% when compared with 2008.

For the Cross-boundary Service at Lo Wu and Lok Ma Chau, patronage was 94.0 million for 2009, representing an increase of 0.7% when compared with 2008 as a result of the growth in cross-boundary traffic.

Passengers using the Airport Express fell by 6.9% to 9.9 million in 2009 due to a decrease in air travellers as a result of the human swine influenza and the economic downturn. Passenger volume on Light Rail, Bus and Intercity was 183.9 million in 2009, an increase of 4.7% compared with 2008.

Our overall share of the franchised public transport market rose from 42.0% for 2008 to 42.6% for 2009. Our share of cross-harbour traffic rose to 64.0% in 2009 from 63.4% in 2008 whilst our market share in the Cross-boundary business declined to 55.3% in 2009 from 56.2% in 2008 due to increased competition.

### Service Promotions

The Company continues to launch well-targeted and innovative service promotions to generate incremental patronage growth. These included a new branding and customer service campaign "caring for life's journeys" and "Train' for life's journeys", an educational programme for high school students.

To show the Company's commitment to building a better community and appreciating Hong Kong's heritage, the "Art in MTR" series was expanded with a series of exhibitions at MTR stations to share images of the role the railways have played in the community both past and present.

Ticket promotions continued to enhance customer loyalty. To support the Hong Kong Summer Spectacular 2009 organised by the Hong Kong Tourism Board, a tailor-made "MTR Summer Super Value Pack" consisting of 16 shopping and dining offers was distributed to tourists purchasing either an MTR Day Pass

or Airport Express Travel Pass. Also during the summer, Airport Express launched group ticket promotions in partnership with the movie "Transformers: Revenge of the Fallen".

In addition to the 26 popular fare saver machines serving domestic travellers, two new fare saver machines were installed at Shenzhen Metro Fu Tian Kou An Station and the restricted area of Hung Hom Station Intercity Through Train Arrival Hall to serve Cross-boundary passengers. Other fare promotions included the one-year extension of the Sheung Shui-East Tsim Sha Tsui Monthly Pass and the Tuen Mun-Nam Cheong Monthly Pass and the introduction of the Tuen Mun-Hung Hom Monthly Pass in August.

### Service Performance

Passenger safety, comfort and service reliability remain the cornerstone of our passenger service. We exceeded all the performance levels required by Government and our own more stringent Customer Service Pledges targets in 2009. Train service delivery, passenger journeys on time and train punctuality were at 99.7% level or above.

Customer satisfaction recorded by our regular surveys remained at high levels during the year. In 2009, the Service Quality Index for the Domestic/Cross-boundary services and Airport Express stood at 70 and 82 respectively while the Fare Index of the two segments, which measures the level of satisfaction of customers with our fares, stood at 61 and 63 respectively. In the benchmarking performed by the 12-member international Community of Metros (CoMET) for 2008, we maintained our leading position.

The high level of achievement reached by our service performance was once again recognised in our winning of numerous awards, including the Gold Award in The Hong Kong Association for Customer Service Excellence Limited's "Customer Service Excellence Award - Grand Award 2008" and "Top Service Award - Category Award of Public Transportation" presented by Next Magazine.

### Service Improvements

We continue to make improvements to our services and network infrastructure.

Following the opening of the Kowloon Southern Link, 22 new Light Rail Vehicles were ordered and the first two vehicles were put into service in December. In addition, 15 new double deck buses entered into service in August to replace retired vehicles and refurbishment of the interior of all Airport Express trains was completed in mid 2009.

The renovations at Mong Kok, Prince Edward and Mong Kok East stations were completed in October, and refurbishing of Tsing Yi Station was finished in December. Station ambience enhancements were completed and a wide gate for passengers with disabilities was installed at all East Rail Line stations (except Racecourse Station) by November. New integrated entrances were opened at Olympic, Tsim Sha Tsui, Tuen Mun and Tsing Yi stations.

We continue to provide additional value-added services for our frequent travellers. Following Wi-Fi coverage becoming fully available on all Airport Express trains in January, we extended 3G Mobile Phone coverage to all stations and tunnels on the line while also facilitating public Wi-Fi connectivity in 32 stations on the network, including all Airport Express stations.

### Human Swine Influenza

The human swine influenza pandemic remains a threat to public health. In response to the serious alert from May to July 2009, the Company took extensive measures to educate both customers and staff about taking precautions and implemented a series of risk mitigation initiatives. These included enhanced procedures to ensure the maintenance of a hygienic environment,

the provision of personal protective equipment and the establishment of a command team responsible for monitoring and managing the situation.

### Productivity

Improvement in efficiency and productivity continued to be a top priority for the Company in 2009. Over the past five years, we have successfully reduced our energy consumption by 18.2% from 5.94 kWh per revenue car-km in 2005 to 4.86 kWh in 2009, which is mainly attributable to the implementation of various energy saving initiatives such as the replacement of motor-alternators with static inverters for our trains, optimisation of train regulation, and optimisation of station environmental control systems. Overall, the operating costs per car-km were reduced by 7.5% from HK\$22.8 in 2005 to HK\$21.1 in 2009. Our staff productivity has also shown continuous improvement, with turnover per operating railway employee increasing from HK\$1.52 million in 2005 to HK\$1.62 million in 2009. Our environmental performance benefited from the replacement of diesel-powered locomotives with electric-powered locomotives on certain Guangzhou-Kowloon Through Trains.

## Station Commercial and Rail Related Businesses

### Revenue Performance

Revenue for our station commercial and rail related businesses in 2009 was HK\$3,328 million, representing a decrease of 3.5% over 2008 due mainly to lower advertising revenue as well as a one-off receipt in 2008 from an operator on termination of a telecommunications license, which was not repeated in 2009. Excluding this one-off impact, revenue would have decreased by 1.0%.

### Station Retail

Station retail revenue, comprising duty free shops and kiosk rental, increased to HK\$1,605 million, 3.8% more than the previous year. This increase was mainly due to growth in the number of shops, increase of rental rates upon contract renewals, and the repartition and renovation of shop areas in the Airport Express, Tung Chung Line and East Rail Line stations. Renovation works for 80 shops at 13 stations were completed and 23 new retailers were also added. The total number of shops, including Duty Free and other shops, was 1,228 as at 31 December 2009, with such retail area amounting to 52,788 square metres of which 9,540 square metres related to Duty Free businesses.

To celebrate the opening of LOHAS Park Station, coupon leaflets with discount offers from MTR shops at Tseung Kwan O Line stations were distributed to residents of major property estates along the rail line in mid-July 2009.

### Advertising

Advertising revenue decreased by 19.4% to HK\$597 million in 2009 when compared with 2008. The main cause of this decrease was a marked reduction in advertising spending due to the economic downturn. To address this challenge, more aggressive sales packages and incentive schemes to advertisers were launched. A series of new advertising formats were also introduced, including a Digital Panel Network at ten stations and enlarging and standardising escalator crown panels on the East Rail Line and West Rail Line. At the end of 2009, there were 20,742 advertising points in stations, 26,823 in trains (including 4,545 Liquid Crystal Displays) and 67 exhibition and display sites in 42 stations.