



48,148
Advertising Units



4G
Data Access
along the
Journey



1,492
Station Shops with
67,337m²

HONG KONG STATION COMMERCIAL BUSINESSES

AIM

Our aim is to provide an enhanced travel experience for our customers by offering a variety of railway related services, particularly through our station retail outlets, advertising and telecommunications services.

CHALLENGES

Station Retail

- Damage caused to MTR stations during public order events curtailed the business of our retail tenants
- New forms of e-commerce presented increasing challenges to traditional retailers

Advertising

- A weakened local and global economy caused advertising revenue to decline as advertisers tightened spending
- Damaged station environments due to public order events led to booking postponements
- Competition with mobile advertising continued to grow at the expense of traditional media

Telecommunications

- Rapidly growing demand for mobile data has put a strain on the telecom systems

STRATEGIES

Station Retail

- Maintain goodwill among our tenants during public order events by offering rental concessions, giving priority to sole proprietors and small to medium sized tenants
- Optimise trade floor space and retail value on existing and new lines

- Broaden the tenant base and maximise growth opportunities
- Refine the trade mix to enhance customer service and rentals

Advertising

- Offer more aggressive and flexible sales packages as well as extra sales incentives
- Promptly repair the damaged advertising units
- Continue the digital transformation of advertising products

Telecommunications

- Work with telecom operators to explore the provision of 5G services in MTR in order to enhance mobile communications for our customers within the railway network
- Continue to facilitate operators to upgrade the telecommunications infrastructure

OUTLOOK

In an uncertain economic environment affected by the public order events and the recent COVID-19 outbreak, our Hong Kong station commercial businesses will face additional challenges in the year ahead.

Over the longer term, demand for space in MTR stations should remain robust, given the high traffic from millions of commuters travelling through our stations each day. Along with the 35 shops opened in 2018 at Hong Kong West Kowloon Station, the opening of the Tuen Ma Line Phase 1 on 14 February 2020 added 32 new shops.

703 new advertising units from the opening of the Tuen Ma Line Phase 1 will bring incremental contributions, while digitisation will ensure the longer term growth of advertising revenue.



BUSINESS REVIEW

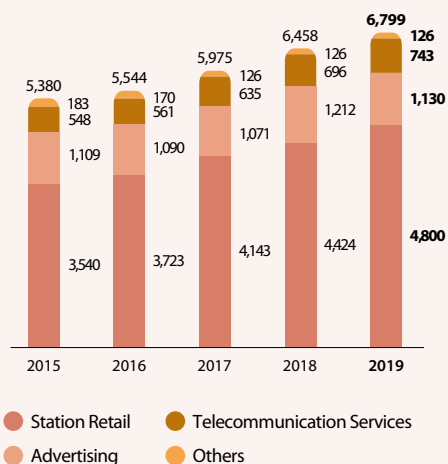
HONG KONG STATION COMMERCIAL BUSINESSES

FINANCIAL PERFORMANCE

In HK\$ million	Year ended 31 December		Inc./ (Dec.) %
	2019	2018	
Hong Kong Station Commercial Businesses			
Station Retail Rental Revenue	4,800	4,424	8.5
Advertising Revenue	1,130	1,212	(6.8)
Telecommunication Income	743	696	6.8
Other Station Commercial Income	126	126	–
Total Revenue	6,799	6,458	5.3
EBITDA	6,119	5,891	3.9
EBIT	5,122	5,025	1.9
EBITDA Margin (in %)	90.0%	91.2%	(1.2)% pts.
EBIT Margin (in %)	75.3%	77.8%	(2.5)% pts.

Revenue from Hong Kong Station Commercial Businesses

(HK\$ million)



Total revenue of the Hong Kong station commercial businesses in 2019 was 5.3% higher than in 2018 at HK\$6,799 million, mainly attributable to the incremental contribution from HSR in station retail rental revenue.



STATION RETAIL

Station retail rental revenue during the year rose by 8.5% to HK\$4,800 million, mainly due to the full-year effect of new Duty Free Shops at Hong Kong West Kowloon Station, rate increases derived from refinements to the trade mix, and renewals by tenants, the majority of which were concluded before mid-2019. Rental reversion and

the average occupancy rate in 2019 in our station kiosks were 3.7% and over 99% respectively.

As at 31 December 2019, there were 1,492 station shops occupying 67,337 square metres of retail space, representing an increase of 22 shops and 1,045 square metres of lettable space when compared with

31 December 2018. The increases were mainly due to the new opening of shops in University, North Point, Kowloon, Lo Wu, Tsuen Wan West, Austin, Nam Cheong and Hong Kong West Kowloon stations.

To support non-governmental organisations and social enterprises to provide caring services for the community, we rent selected station shops to them along West Rail Line at a nominal rate to run their businesses. In 2019, a total of 10 station shops were leased on this basis.

ADVERTISING

Advertising revenue decreased by 6.8% to HK\$1,130 million in 2019 as both tourism and retail markets contracted in the second half of the year. To offset the slump in advertising sales, we launched a series of aggressive and flexible sales packages as well as sales incentive programmes. We are also continuing our digital strategy on the advertising formats for longer term growth.

As at 31 December 2019, the number of advertising units in stations and trains had increased to 48,148, including new 108" LED Zones installed at Central, Causeway Bay and Kowloon Tong stations. MTR continued to provide free advertising space to 51 non-profit organisations to support their work during 2019.



TELECOMMUNICATIONS

Revenue from telecommunications in 2019 rose by 6.8% to HK\$743 million as a result of incremental revenue from new service contracts and capacity enhancement projects.

To provide more capacity, a new commercial telecom system is being installed by operators at 31 stations.

By 31 December 2019, the works had been completed at 21 stations.

We continued to work with telecom operators to explore the provision of 5G services in our stations.