



HONG KONG TRANSPORT SERVICES TRANSPORT OPERATIONS



1.8+
billion
Total Patronage



5.52 million
Average Weekday
Patronage



99.9%+
Passenger
Journeys On-time on
Heavy Rail Network



AIM

Our mission is to Keep Cities Moving with safe, reliable, accessible and environmentally friendly mass transit services. MTR's transport operations provide revenue that generates shareholder value while also funding the maintenance, improvement and expansion of its world-class rail networks, thus enabling the Company to grow sustainably alongside the communities it serves.

CHALLENGES

The Company is in the midst of managing major asset upgrades and replacements without compromising safety, service performance or the customer experience. This includes implementing railway asset renewal and maintenance initiatives as well as accelerating our application of the latest innovations and technologies to maintain our railway assets at an even higher standard. Meanwhile, we are monitoring economic, lifestyle and demographic changes that could impact travel patterns within our communities.

OUTLOOK

Patronage has largely recovered since the removal of pandemic-related restrictions and the resumption of cross-boundary traffic. However, continued growth remains dependent on economic recovery in an uncertain global environment.

Following the conclusion of the Fare Adjustment Mechanism ("FAM") review, the existing direct-drive formula has been retained with certain new arrangements that will maintain fare affordability for passengers while ensuring MTR's financial sustainability, its capacity to maintain, upgrade and renew the existing railway system, and its ability to embark upon new projects that enhance connectivity.

Elsewhere, we are now implementing the recommendations from the comprehensive review of our railway asset management and maintenance regime, which was completed in June 2023. Also, we are increasing our use of innovation and technology, including comprehensive programmes to upgrade our trains and signalling system.

Going forward, the Company remains prepared to work with Government on the upcoming phase of the city's transit infrastructure development and always stands ready to "Go Beyond Boundaries" to help expand and enhance the local railway network and build thriving communities around rail stations.

STRATEGIES

The resumption of cross-boundary services has provided an opportunity to capitalise on increased travel between Hong Kong and Mainland China. The Company also continues to devise attractive marketing and promotional offers for passengers in light of higher traffic in the post-pandemic era. Meanwhile, our efforts to "Go Smart Go Beyond" by incorporating smart, sustainable technologies throughout our operations are on-going.

SAFETY

Safety is always our top priority. In 2023, the number of reportable events on our heavy rail and light rail networks increased by 48% and 14%, respectively, compared to 2022. These incidents were largely related to escalators.

Our Escalator Safety Special Task Force launched a number of initiatives during the year targeted primarily at youth and the elderly; in particular, our newly established Elderly Caring Programme is designed to focus on incident prevention and reduction as well as safety education for seniors. We also began introducing new creative publicity content focused on escalator safety and deployed additional Escalator Safety Ambassadors starting from April 2023.

Important operational safety initiatives during the year included the full launch of a supervisory system for train speed and position; installing smart flashing bollards with flashing yellow strips at the pedestrian crossings of 20 Light Rail locations; installing CCTVs to monitor platform and track safety; and launching smart tunnels along the Tsuen Wan and East Rail lines.

Further details about our safety performance can be found in the Ten-Year Statistics of this Annual Report. For details on our corporate safety strategies, please refer to the “Environmental & Social Responsibility” section (page 73) of this Annual Report.



PATRONAGE AND REVENUE

	Patronage In millions		Revenue HK\$ million	
	2023	Inc./(Dec.) %	2023	Inc./(Dec.) %
Hong Kong Transport Operations				
Domestic Service	1,586.7	18.9	13,995	24.5
Cross-boundary Service	71.5	n/m	2,206	n/m
High Speed Rail (“HSR”)	20.1	n/m	2,503	78.7
Airport Express	10.8	249.6	664	418.8
Light Rail and Bus	207.7	15.4	658	17.3
	1,896.8	24.9	20,026	50.1
Others			105	61.5
Total			20,131	50.2

n/m: not meaningful

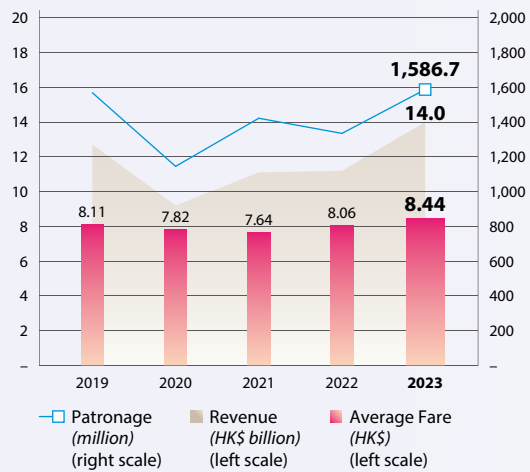
MTR rail and bus passenger services recorded 1,896.8 million passenger trips in 2023, a year-on-year increase of 24.9%. Average weekday patronage increased by 24.3% to 5.52 million passenger trips.

Total patronage for Domestic Service was 1,586.7 million in 2023, a year-on-year increase of 18.9%. Average weekday patronage for Domestic Service increased by 19.1% to 4.67 million. Domestic Service patronage for the year was close to returning to pre-pandemic levels. Meanwhile, other railway services experienced significant rebounds in patronage after anti-pandemic restrictions were lifted and services resumed. The Cross-boundary

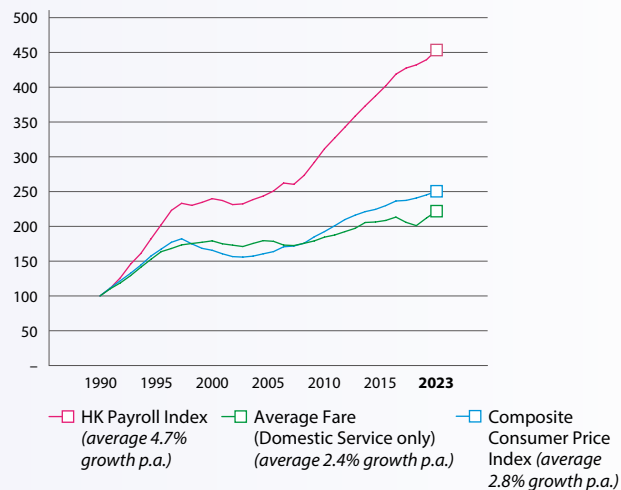
Service to Lo Wu and Lok Ma Chau recorded patronage of 71.5 million in 2023 following service resumptions in January and February, respectively. Patronage of our Cross-boundary Service has yet to return to pre-pandemic levels, although we are still encouraged by the service’s on-going recovery. HSR patronage reached 20.1 million for the year – exceeding the pre-COVID level of 2019 – following the gradual resumption of service starting from mid-January that included higher frequencies and coverage to more destinations. Airport Express patronage saw a significant increase, rising to 10.8 million compared to 2022.



Domestic Service – Patronage and Average Fare



Fare Trend



MARKET SHARE

In 2023, our overall share of the franchised public transport market in Hong Kong was 50.1%, 1.8% percentage points increase compared to the 48.3% recorded in 2022.

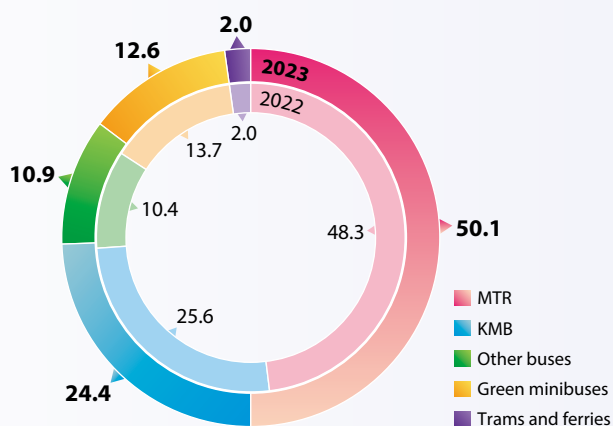
This was mainly due to additional patronage from the opening of the East Rail Line cross-harbour extension in May 2022 coupled with continued patronage recovery for Cross-boundary Service, HSR and Airport Express – in which we have a relatively higher market share than

other franchised public transport operators – after the gradual lifting of anti-pandemic measures. Our share of cross-harbour traffic was 72.3% compared to the 70.1% recorded in 2022.

With the phased reopening of HSR and Cross-boundary Service, our share of the cross-boundary business for 2023 rebounded to 53.0% from 0% in 2022 (due to service closures). The Company’s market share to and from the airport rose to 19.9% from 18.2%.

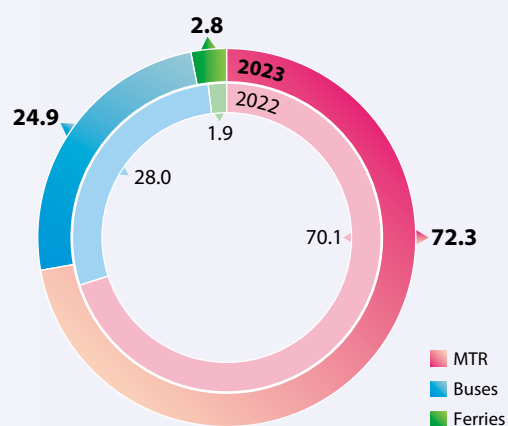
Market Shares of Major Transport Operators in Hong Kong

(Percentage)



Market Shares of Major Transport Operators Crossing the Harbour

(Percentage)



FARE ADJUSTMENTS, PROMOTIONS AND CONCESSIONS

MTR and Government concluded the FAM review in March 2023, retaining the current direct-drive FAM formula for the five-year cycle from 2023/2024 to 2027/2028 in order to provide a stable source of recurrent revenue for the maintenance, upgrading and renewal of railway assets. The existing “Affordability Cap” arrangement – by which the rate of any fare increase is capped at the change in the Median Monthly Household Income for the corresponding year – will also be kept in order to continue ensuring affordability. The formula’s “Productivity Factor”, meanwhile, has been enhanced to refer to MTR’s post-tax profit from its property developments in Hong Kong. As a result, the corresponding rate of the Productivity Factor will lower the fare adjustment rate by 0.6 to 0.8 percentage point.

The Overall Fare Adjustment Rate for 2023/2024 is +2.3% after a special reduction of 1.2 percentage points as well as a special deferral of 1.65 percentage points and a voluntary deferral of 0.2 percentage point – both deferrals to 2024/2025 – to support the post-pandemic recovery of the economy. In addition, the service performance rebate has been enhanced with a new “Thank You Day” arrangement featuring a half-price fare discount for passengers. Monthly Pass and City Saver tickets have been extended to benefit medium- and long-distance travellers. From November 2023, MTR also offered a HK\$0.5 interchange discount with Green Minibuses, up from HK\$0.3.

During the year, we supported Government in its efforts to boost the economy by giving away free rides and organising a number of promotions. In an effort to make

our services as accessible and affordable as possible, we also continued to offer approximately HK\$2.9 billion in on-going fare concessions in 2023 for the benefit of all passengers, including commuters, the elderly, children, eligible students and persons with disabilities.

During the year, we rolled out a number of marketing initiatives to support the reopened Cross-boundary and HSR services as well as Airport Express. These included large-scale advertising and social media campaigns, special fare offers, and rewards programmes. We also celebrated the 25th anniversary of Airport Express with a series of activities and promotions, including special giveaways and the launch of limited-edition souvenirs.

SERVICE PERFORMANCE

MTR takes its mission to provide safe, on-time rail transport services seriously. In 2023, we exceeded 99.9% train service delivery and passenger journeys on-time for our heavy rail network, even as patronage continued to increase following the lifting of anti-pandemic measures. This figure exceeded the targets set in MTR's Operating Agreement and the Company's own even more demanding Customer Service Pledges. Train service delivery is a measure of the actual train trips run against

those scheduled to be run. Passenger journeys on-time is a measure of all passenger journeys completed within five minutes of their scheduled journey times.

In 2023, we made more than 1.79 million train trips on our heavy rail network and more than 0.92 million trips on our light rail network. There were seven delays on the heavy rail network and three on the light rail network. Delays are defined as those lasting 31 minutes or more and attributable to factors within the Company's control. We closely review all incidents with the objective of preventing similar situations from occurring again.

MTR places the utmost priority on passenger safety. The Expert Panel that was appointed following two incidents in late 2022 completed a comprehensive review of the Company's railway asset management and maintenance regime in June 2023, and the Company is now implementing its recommendations. This includes investing in railway asset renewal and maintenance and accelerating the application of innovation and technology to maintain railway assets at an even higher standard.

MTR conducts regular surveys and research to gauge customer satisfaction levels regarding its services and fares, the results of which are published in the Company's Service Quality Index and Fare Index, respectively.



Operations Performance in 2023

Service Performance Item	Performance Requirement	Customer Service Pledge Target	Actual Performance
Train service delivery			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line and South Island Line	98.5%	99.5%	99.9%
– Tung Chung Line, Disneyland Resort Line and Airport Express	98.5%	99.5%	99.9%
– East Rail Line ⁽¹⁾	N/A	N/A	N/A
– Tuen Ma Line ⁽²⁾	98.5%	99.5%	99.9%
– Light Rail	98.5%	99.5%	99.9%
Passenger journeys on-time			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line and Disneyland Resort Line	98.5%	99.5%	99.9%
– Airport Express	98.5%	99.0%	99.9%
– East Rail Line ⁽¹⁾	N/A	N/A	N/A
– Tuen Ma Line ⁽²⁾	98.5%	99.0%	99.9%
Train punctuality			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line and South Island Line	98.0%	99.0%	99.7%
– Tung Chung Line, Disneyland Resort Line and Airport Express	98.0%	99.0%	99.9%
– East Rail Line ⁽¹⁾	N/A	N/A	N/A
– Tuen Ma Line ⁽²⁾	98.0%	99.0%	99.9%
– Light Rail	98.0%	99.0%	99.9%
Train reliability: train car-km per train failure causing delays ≥5 minutes			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	N/A	1,000,000	3,694,324
– East Rail Line and Tuen Ma Line	N/A	1,000,000	6,044,970
Ticket reliability: smart ticket transactions per ticket failure			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line, Airport Express, East Rail Line and Tuen Ma Line	N/A	18,000	41,328
Add value machine reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.0%	99.0%	99.9%
– East Rail Line	98.0%	99.0%	99.8%
– Tuen Ma Line	98.0%	99.0%	99.9%
Ticket machine reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	97.0%	99.0%	99.8%
– East Rail Line	97.0%	99.0%	99.8%
– Tuen Ma Line	97.0%	99.0%	99.8%
– Light Rail	N/A	99.0%	99.8%
Ticket gate reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	97.0%	99.0%	99.9%
– East Rail Line	97.0%	99.0%	99.9%
– Tuen Ma Line	97.0%	99.0%	99.9%
Light Rail platform Octopus processor reliability	N/A	99.0%	99.9%
Escalator reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.0%	99.0%	99.9%
– East Rail Line	98.0%	99.0%	99.9%
– Tuen Ma Line	98.0%	99.0%	99.9%
Passenger lift reliability			
– Kwun Tong Line, Tsuen Wan Line, Island Line, Tseung Kwan O Line, South Island Line, Tung Chung Line, Disneyland Resort Line and Airport Express	98.5%	99.5%	99.8%
– East Rail Line	98.5%	99.5%	99.9%
– Tuen Ma Line	98.5%	99.5%	99.9%
Temperature and ventilation			
– Trains, except Light Rail: to maintain a cool, pleasant and comfortable train environment generally at or below 26°C	N/A	97.5%	99.9%
– Light Rail: on-train air-conditioning failures per month	N/A	<3	0
– Stations: to maintain a cool, pleasant and comfortable environment generally at or below 27°C for platforms and 29°C for station concourses, except on very hot days	N/A	94.0%	99.8%
Cleanliness			
– Train compartment: cleaned daily	N/A	99.0%	99.9%
– Train exterior: washed every two days (on average)	N/A	99.0%	100%
Northwest transit service area bus service			
– Service Delivery	N/A	99.0%	99.6%
– Cleanliness: washed daily	N/A	99.0%	100%
Passenger enquiry response time within six working days	N/A	99.0%	100%

Notes:

1 The performance requirement, customer service pledge target and actual performance results will be available upon the completion of two years of revenue operations for the East Rail Line cross-harbour extension.

2 These figures reflect the actual performance of the Tuen Ma Line for the period between 27 June and 31 December 2023.

Service Quality Index	2023	2022
Domestic and Cross-boundary services	70	68 [^]
Airport Express	83*	N/A*
Light Rail	68	66
Bus	78	73
HSR	88*	N/A*

Fare Index	2023	2022
Domestic and Cross-boundary services	65	64 [^]
Airport Express	74*	N/A*
Light Rail	71	65
Bus	77	74
HSR	82*	N/A*

[^] This only measured Domestic Service as Cross-boundary Service to Lo Wu and Lok Ma Chau were closed from early February 2020 to early 2023.

* The Voice of Customer surveys for Airport Express and HSR were suspended from 2020 to the first half of 2023 due to the outbreak of the COVID-19 pandemic and resumed in the second half of 2023.

MTR also belongs to The Community of Metros (“COMET”), which establishes performance benchmarks from urban metro systems around the world with the aim of improving best practices in the industry. The 2022 COMET benchmarking exercise assessed data from 44 metro systems in 40 cities around the world. Results can be found in the “Performance Metrics” section of our sustainability website.

ENHANCING THE CUSTOMER EXPERIENCE

In 2023, MTR continued to “Go Smart Go Beyond” by adopting the latest technologies and innovations to provide safer, more efficient and accessible services, deliver a better and smarter customer experience, and increase sustainability across the Company’s operations.

As part of our efforts to advance our environmental objectives, we are also implementing numerous green initiatives. Further details can be found in the Environmental & Social Responsibility of this Annual Report.

To engage with our community and show our appreciation of passengers’ support over the years, we hosted celebrations for the 5th anniversary of HSR, 25th anniversary of Airport Express and 35th anniversary of Light Rail in 2023. On the occasion of the Light Rail celebration, we hosted a Light Rail Depot Open Day and put two “35th Anniversary Retro-themed Light Rail Vehicles” into service. We also reopened the MTR Gallery in December 2023 with a mix of exhibits, interactive games and photo spots showcasing MTR elements.

Boosting Passenger Convenience

Starting from 11 October 2023, we added five new destinations to our HSR service, including Jiangmen, Kaipingnan, Yangjiang, Maoming and Zhanjiangxi. Passengers can now travel to 73 Mainland destinations directly from Hong Kong.

Upgrade of Automatic Fare Collection System

In March 2023, the Company launched a HK\$1.3 billion asset renewal programme to upgrade its Automatic Fare Collection system by progressively replacing 2,400 entry/exit gates at MTR stations across Hong Kong. The new gates have a slimmer body that makes walkways wider, and they also feature software that supports more e-payment options for the convenience of passengers and tourists. We are also gradually expanding the payment functions at in-station Customer Service Centres to include cash, Octopus, QR code e-wallets and credit cards for purchasing products such as Monthly Pass Extra, City Saver tickets and MTR souvenirs.

New Trains and Light Rail Vehicles

Our programme to replace existing trains with newer, more comfortable models continued in 2023 as 13 new SACEM Q-trains were put into service along the Kwun Tong Line. Overall, we have ordered 93 new heavy rail eight-car trains; as at 31 December 2023, we had received delivery of 29.





The Company also ordered 40 new light rail vehicles (“LRVs”) to replace older vehicles and expand its fleet. All of the new LRVs have been in passenger service since August 2023.

Replacement of Signalling System

During the year, we continued our programme to replace our existing SACEM signalling system with a communication-based train control signalling system (“CBTC System”). Once this important asset renewal project is completed, our train services can be enhanced to boost our overall carrying capacity, increasing convenience for passengers while fulfilling our long-term operational needs. The new CBTC System is expected to commence service on the Tsuen Wan Line between 2025 and 2026, followed by the Island, Kwun Tong and Tseung Kwan O lines, after testing is completed to confirm that it meets the requirements of relevant Government departments. Overall project completion is expected between 2028 and 2029.

Replacement of Air Conditioning Systems

We have begun our new programme to replace 31 of our existing chillers with newer, more energy-efficient models. This project is expected to enhance comfort for commuters within stations while simultaneously reducing energy consumption. It is targeted for completion in 2025.

Enhancing Station Facilities

In 2023, we continued our extensive efforts to make our stations as comfortable and accessible as possible. Our escalator enhancement programme to improve the comfort and safety of passengers is making excellent progress. We will invest over HK\$450 million to refurbish more than 100 escalators throughout our stations from 2024 to 2028 and over HK\$260 million to replace more than 30 escalators from 2024 to 2026. We also continued to renovate public toilets in stations and improve accessibility for the elderly and disabled. Five stations are now equipped with a smart toilet management system, providing passengers with digital display information on toilet cubicle availability and indoor air quality.

In May 2023, we embarked on a programme to install automatic platform gates along the Lo Wu/Lok Ma Chau to Mong Kok East section of the East Rail Line. As part of this initiative, gates were successfully installed at Racecourse and Lok Ma Chau stations over the course of the year. Our team is diligently working towards the targeted completion date of 2025 for this project, which involves installing gates at 35 platforms across 13 stations.

ENHANCING PASSENGER JOURNEYS THROUGH TECHNOLOGY

Smart Mobility

MTR is committed to “Go Smart Go Beyond” for its customers by incorporating the latest technological trends and innovations to enhance service and convenience. In 2023, the Company expanded coverage of the MTR Mobile app’s “Next Train” function to provide estimated arrival times for all lines (except the Disneyland Resort Line), making it easier for passengers to plan their trips. In April, we began introducing digitalised leaflets that allow passengers to scan QR codes for access to a new mini website containing station-specific information, an initiative that helps meet our objective to reduce paper waste. In May, we worked with Octopus Cards Limited to launch the Personalised Mobile Octopus with student status (“Student Mobile Octopus”), which allows people holding physical Student Octopus cards to transfer them onto Mobile Octopus for a more digitalised experience – the first time Mobile Octopus has carried an MTR concessionary fare discount. We were also proud to introduce new features to the “MTR • Care” app, including “Barrier-free Facilities Information” as well as a simplified, elderly-friendly version of “Trip Planner” that now has real-time information on lift maintenance.

Smart Operations and Maintenance

We also work behind the scenes to ensure that our railway operations and maintenance processes are updated with the latest technological advancements, enabling our

passengers to continue benefitting from world-class train service, safety and efficiency. In July 2023, we launched the “Train Performance and Health Monitoring System” on the R-train of the East Rail Line to monitor fleet health and performance, optimise our maintenance regime, and increase train availability and reliability. In October 2023, we completed deployment along the East Rail Line of “Smart Train Planning”, a cloud-based AI platform co-developed with Alibaba that optimises train mileage regulation and planning. We also continued to install the AI-powered SACEM Remote Monitoring and Alarm Detection system, which helps perform real-time analysis of operations to prevent potential service issues, on trains and at depots across our network.

MTR is one of the first enterprises in Hong Kong to experience AI with the Copilot system for Microsoft 365. We plan on utilising these AI-enabled solutions to enhance operations, customer service and internal workflows.

Leveraging other advancements in AI, we also applied video analytic technology at platforms to detect passengers standing or moving beyond yellow lines and on tracks in order to ensure that operators can respond in a timely fashion and ensure passenger safety. This technology was launched along the East Rail Line (from Mong Kok East to Lo Wu/Lok Ma Chau stations) in 2023. It was also piloted at selected Light Rail platforms in 2023 and will be progressively put in service in 2024.

In Barcelona on 4 June 2023, MTR was honoured with a prestigious UITP (International Association of Public Transport) Award at the UITP Global Public Transport Summit, the world’s foremost biennial gathering of public transport authorities, operators and industry suppliers. The Company’s “Go Smart Go Beyond – Smart and Inclusive Journey” programme was a joint winner in the “Technological Innovation” category for its integration of the latest innovations and technologies to improve the customer experience, create an inclusive travelling experience, and incorporate sustainability and energy-saving initiatives across the Company.