



# HONG KONG TRANSPORT SERVICES STATION COMMERCIAL BUSINESSES



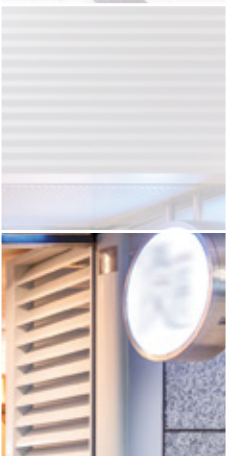
**1,569**  
Station Shops covering  
70,503 Square Metres



**42,484**  
Advertising Units



**5G**  
Data Access in  
79 Stations



## AIM

MTR strives to provide high-quality retail, advertising and telecommunications services throughout its network, bringing value to customers, business partners and shareholders.

## CHALLENGES

### Station Retail

While the Hong Kong economy is emerging from the pandemic, our station retail business is still being impacted by negative rental reversion.



### Advertising

Although the market has benefitted from economic recovery, advertisers are still taking a cautious approach towards spending.



### Telecommunications

Rising customer demand for faster connections and wider coverage continues to place pressure on MTR to upgrade the telecommunications infrastructure across its network.

## STRATEGIES

### Station Retail

During the year, attractive marketing promotions designed for the MTR Mobile app and MTR Points loyalty programme once again helped drive traffic to station retail outlets. Regular reviews of our tenant mix helped drive rental revenue by ensuring that our retail offerings are up to date.



### Advertising

To drive sales in a still-conservative market, MTR continued to launch competitive packages while also devising innovative, targeted solutions for marketers.



### Telecommunications

The Company progressed its plans for a new commercial telecom network that can support more 5G services and faster mobile communications for customers.

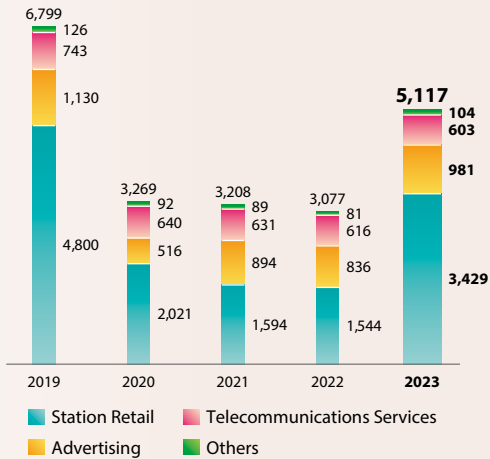
## OUTLOOK

Despite Hong Kong's general progress towards economic recovery following the lifting of anti-pandemic measures in late 2022 and early 2023, the local retail sector still has a way to go before returning to pre-COVID times. At MTR, we continue to face certain challenges in our station retail business, primarily in regard to negative rental reversions on renewed rentals and new lets. The reopening of cross-boundary links enabled the welcome return of our Duty Free business, which began generating rental revenue for the first time since the pandemic began. However, the performance of our Duty Free business will be affected by current contracts that were renewed in adverse market conditions, and it will also be dependent on patronage and turnover levels. The advertising market is starting to turn the corner, but this business remains highly susceptible to changes in the economic environment and their effects on consumer sentiment and spending.

In the near term, we will continue to review the terms of our leases to ensure that the Company optimises its rental revenue while also helping tenants get back on their feet. We will keep assessing and optimising our retail mix to continue providing offerings that are on trend and in demand with customers, and we will support our station retail shops and their businesses with effective marketing promotions delivered via our popular MTR Mobile app and MTR Points loyalty programme. Meanwhile, our emphasis on digital technologies will play a key role as always in the development of our advertising and telecommunications offerings.

### Revenue from Hong Kong Station Commercial Businesses

(HK\$ million)



Total revenue from Hong Kong station commercial activities increased by 66.3% to HK\$5,117 million in 2023. This was mainly due to rental revenue derived from our Duty Free business following the reopening of cross-boundary stations in early 2023.

### STATION RETAIL

In 2023, our station retail activities saw revenue increase by 122.1% to HK\$3,429 million on the back of rental

revenue from the Duty Free business, which resumed after cross-boundary stations were reopened in early 2023. The increase in station retail rental revenue was partially offset by negative rental reversions. During the year, we reviewed our tenant mix and introduced pop-up stores to drive rental revenue and optimise retail offerings. Rental reversion and average occupancy rates for our station kiosks were -6.9% and 97.3%, respectively.

In 2023, we rolled out a variety of promotions via our MTR Mobile app, MTR Points loyalty scheme and Stamp Reward programme. In April, we partnered with the Octopus App for the “Grab Coupon” promotion, distributing electronic shopping coupons for MTR Shops to passengers during the latest round of Government’s Consumption Voucher Scheme. In December, supporting Government’s efforts to stimulate local spending, we launched a new Grab Coupon event and big spender shopping reward programme. We also launched “Discover the Delights of Your Journey”, a thematic campaign featuring a local celebrity designed to increase brand awareness of MTR Shops.

In December 2023, we introduced the “MTR Shops Plastic Reduction Campaign” to help decrease the use of disposable plastic tableware among takeaway food and beverage tenants at stations. The campaign encourages food and beverage shops to sign the “Environmental Protection Pledge”, and it also includes the “Hong Kong Station Reusable Container Scheme”, which conveniently





lets members of the public borrow and return reusable food containers at automatic machines installed in Hong Kong Station.

As at 31 December 2023, the lease expiry profile of our station kiosks (including Duty Free shops) by area occupied was such that approximately 31% will expire in 2024, 33% in 2025, 26% in 2026, and 10% in 2027 and beyond.

In terms of trade mix, food and beverage accounted for approximately 45% of the leased area of our station kiosks (excluding Duty Free shops), followed by cake shops at 13%, convenience stores at 12%, passenger services at 12% and others at 18% as at 31 December 2023.

As at 31 December 2023, there were 1,569 station shops occupying 70,503 square metres of retail space, representing net increases of one shop and 1,838 square metres of lettable space, respectively, when compared with 31 December 2022. This was mainly due to the opening of new shops at Tung Chung, Lo Wu and Hong Kong West Kowloon stations.

As at 31 December 2023, 11 shops were being let at nominal rates under our “NGO & Social Enterprise Support Programme”.

## ADVERTISING

Revenue from advertising increased by 17.3% to HK\$981 million in 2023. This was mainly due to Hong Kong’s full reopening at the beginning of the year, which resulted in increased tourism from Mainland China and higher advertising spend at cross-boundary stations.

As at 31 December 2023, the number of advertising units in stations and trains had decreased to 42,484, primarily because of reduced in-train advertising card space in the new Q-trains as well as the revamp of advertising panels. As part of our commitment to driving growth through technology and innovation, we debuted our first L-shaped LED Panel with 3D effects at Shatin Station as well as 3-D advertising displays with hologram fans and LED screens at Admiralty and Hong Kong stations. We also launched three new digital zones at Hong Kong, Diamond Hill and Central stations and a new digital network along the Kwun Tong Line. Meanwhile, we continued to devise competitive solutions to meet market demand and increase market share, including flexible display options, dynamic content, and innovative and audience-targeting offerings for advertisers.

In 2023, MTR provided free advertising space to 79 non-profit organisations.

## TELECOMMUNICATIONS

In 2023, MTR’s revenue from telecommunications decreased by 2.1% to HK\$603 million. As at 31 December 2023, our 5G services had been introduced at 79 stations. In July, we awarded the tender for a new commercial system at 24 stations that can support more 5G services and provide even faster data throughput. Meanwhile, around 80% of the capacity at our data centre in Tseung Kwan O has been reserved as at 31 December 2023. We continue to seek opportunities for additional data centres elsewhere.