



# HONG KONG TRANSPORT SERVICES

## STATION COMMERCIAL BUSINESSES



**1,550**  
Station Shops with  
68,279m<sup>2</sup>

**44,755**  
Advertising Units

**5G**  
Data Access in  
70 Stations

Composite photograph at Kowloon Station

## AIM

We aim to enhance the customer experience and add value for our business partners by providing an array of quality retail, advertising and telecommunications services throughout our railway network.

## CHALLENGES

### ■ Station Retail

COVID-19 and its wider economic effects continued to impact MTR's station retail business. Boundary station closures, downward market pressure on rentals and rental concessions provided to tenants resulted in rental income decrease during the year.

### ■ Advertising

Advertising revenue rebounded considerably in 2021 as retail spending showed signs of recovery. However, the outlook remains uncertain and is subject to changes in the pandemic situation (in particular, with the fifth wave of infections).

### ■ Telecommunications

Our telecommunications systems continued to face rising customer demand for enhanced network speed and coverage. Contract renewals remained under pressure due to uncertainties regarding the pandemic situation.

## STRATEGIES

### ■ Station Retail

During the year, we offered flexible and/or shorter-term leases to help tenants through the pandemic and nurture tenant relationships. We also reviewed our station tenant mix to drive rental revenue and ensure that our portfolio meets the changing needs of our customers. This included introducing new brands into our station shops to enhance the appeal of our retail offerings.

### ■ Advertising

To satisfy advertiser needs, MTR continued to increase its digital media offerings. The Company also continued to design targeted sales packages, integrating them with MTR Mobile to provide online-to-offline ("O2O") solutions for advertisers and meet market demand.

### ■ Telecommunications

To address growing customer demand, the Company continued to develop a new commercial telecommunications network while working with telecom operators to launch 5G services.

## OUTLOOK

While we anticipate a return of domestic foot traffic to our retail outlets, rental reversions are likely to keep facing downward economic pressure. We will continue to review our rental concessions for tenants by keeping a close eye on the development of the fifth wave of infections as well as the prevailing economic climate, striving to generate rental revenue while also ensuring that we help our partners through this difficult time. Meanwhile, our Duty Free businesses remain dependent on the resumption of cross-boundary travel and its future performance is expected to be impacted by contracts that were renewed in adverse market conditions.

The opening of the full Tuen Ma Line has had a positive impact on our station commercial operations. Station retail traffic should continue to increase with the opening of more lines and stations, in turn driving revenue for the Company and its tenants.

In accordance with its Corporate Strategy, MTR's increased focus on New Growth Drivers such as digital and online marketing tools will continue to guide the Company's strategic direction as it strives to generate advertising revenue through mobile commerce and digital media packages.

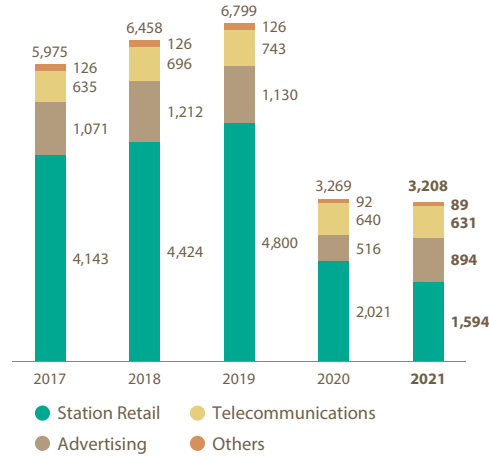
Meanwhile, the on-going roll-out of a robust telecommunications infrastructure throughout our network, replete with high-speed 5G, is expected to contribute to both increased customer satisfaction as well as faster access to attractive offers and promotions from business partners.



In 2021, total revenue from all Hong Kong station commercial activities decreased by 1.9% to HK\$3,208 million. This was mainly attributable to the loss of rental revenue resulting from the on-going suspension of cross-boundary rail services and station closures, rental

### Revenue from Hong Kong Station Commercial Businesses

(HK\$ million)



concessions granted to other station shop tenants who have been affected by the pandemic, and less favourable rental reversion rates, all of which was partially mitigated by the increase in advertising revenue.

### STATION RETAIL

In 2021, station retail rental revenue saw a 21.1% decrease to HK\$1,594 million. This was mainly due to the fact that January 2020 was still a normal month before the COVID-19 outbreak. Despite the relaxing of anti-pandemic measures, increased station passenger flow and the roll-out of Government’s Consumption Voucher Scheme (“CVS”) that stimulated Domestic Service station retail sales, rentals continued to be affected by cross-boundary station closures, which have also profoundly impacted Duty Free business.

From January to February 2021, we continued to offer rental relief to small to medium tenants as well as some large corporations to help them face the business challenges posed by the pandemic. From March 2021, we began adjusting the scale of assistance on a case-by-case basis as passenger flow gradually began to recover. In 2021, rental reversion and average occupancy rates for our station kiosks were -17.0% and 98.0%, respectively. Rental reversions in respect of Duty Free Shops were adversely affected due to the challenging market conditions.

Throughout the year, we launched a series of promotional campaigns to leverage the large membership base of

our “MTR Points” customer loyalty programme and stimulate spending in station shops. These included sales promotion programmes featuring the distribution of shopping coupons at Hong Kong and Central stations, and various campaigns held during the release of CVS to capitalise the growth. To provide more convenience to our customers, we launched e-cash vouchers for MTR Shops through MTR Mobile. Elsewhere, we continued our “New Shop poster” initiatives, where we leverage our station light box advertising network to promote new brands at MTR stations. This year also saw the introduction of “Kerry Express @ MTR Shops”, an O2O new retail solution that enables customers to order products from quality partner brands of Kerry e-Commerce and pick them up in any “Kerry Express @ MTR Shops” outlet. 13 of these outlets have commenced service at MTR stations across Hong Kong since the brand launched in May 2021.

As at 31 December 2021, the lease expiry profile of our station kiosks (including Duty Free shops) by area occupied was such that approximately 45% will expire in 2022, 26% in 2023, 22% in 2024, and 7% in 2025 and beyond.



In terms of trade mix, food and beverage accounted for approximately 39% of the leased area of our station kiosks (excluding Duty Free shops), followed by cake shops at 12%, convenience stores at 12%, passenger services at 10% and others at 27%.

As at 31 December 2021, there were 1,550 station shops occupying 68,279 square metres of retail space, representing increases of 21 shops and 533 square metres of lettable space, respectively, when compared with

31 December 2020. The increases were mainly due to shop openings at Hung Hom Station and the newly opened stations along the Tuen Ma Line.

To help non-governmental organisations and social enterprises provide services for the community, we rent them certain station shops along the Tuen Ma Line at nominal rates. In 2021, a total of 12 station shops were leased on this basis.



## ADVERTISING

Advertising revenue increased by 73.3% to HK\$894 million in 2021 as the retail environment in Hong Kong began to stabilise and the CVS contributed to more consumer spending.

As at 31 December 2021, the number of advertising units in stations and trains had decreased to 44,755 when compared with 31 December 2020. This was mainly due to the reduction of in-train tube cards as the new nine-car trains have less in-train card space. A total of 86 additional large-size digital screens were added at 30 stations throughout our network. This year we continued the

digital transformation of MTR's advertising media by launching new digital formats; developing advertising solutions featuring customised digital solutions with real-time dynamic content and O2O applications; upgrading and expanding our distribution network to include automatic scheduling; and leveraging data to enhance our audience-targeting capacity and better compete for online advertising budgets.

In 2021, the Company provided free advertising space to 76 non-profit organisations to help them promote their services.

## TELECOMMUNICATIONS

In 2021, MTR's telecommunications revenue decreased by 1.4% to HK\$631 million. In September, we completed our new commercial telecom system, which covers 31 stations across our network. To meet the expectations of our customers and business partners for faster

connectivity, 5G services were launched at 70 stations in partnership with some telecom operators. In addition, a new business line, a data centre located at a partnership site at Tseung Kwan O, will be ready for service in the first quarter of 2022.