



More retail zone, shop renovation and new trade mix helped to increase customer satisfaction and revenue.

Station Commercial and Rail Related Businesses

Our station commercial and rail related businesses continued to benefit from rising patronage in 2008 and a robust economy, particularly in the first half of the year. The Rail Merger brought about increased scale and strengthened revenue growth as well as new business opportunities in the form of freight transportation and Duty Free shops.

Revenue Performance

Revenue for our station commercial and rail related businesses increased by 98.1% in 2008 to HK\$3,449 million. The increase would have been 33.4% over the comparable combined revenue of MTR Corporation and pre-merger KCRC for such businesses in 2007 (Combined Non-fare Revenue).

Station Retail

Station retail revenue, comprising duty free shops and kiosk rental, increased by 209.8% in 2008 to HK\$1,546 million, a 42.3% increase over the equivalent Combined Non-fare Revenue. This increase was mainly due to the inclusion of retail shops along the KCR Lines, particularly the 10 duty free shops serving Cross-boundary customers. Further growth was provided by increased new retail area and new rental contracts being awarded at higher rents. To enhance customer satisfaction and increase revenue, 45 shops were renovated at 9 stations and 18 new trades were added. With repossession of shops to facilitate renovation works, the total number of shops as at 31 December 2008 was 1,186, a slight reduction from 1,230 as at the end of 2007 with such retail area totaling 51,539 square metres of which 9,510 square metres relates to Duty Free businesses. We completed renovation works for shops at Ngau Tau Kok, Wong Tai Sin, Tai Po Market, Kowloon, Tiu Keng Leng, Kowloon Tong, Kwun Tong, Mong Kok East stations and Lo Wu Arrival Concourse Hall by the end of the year.



Advertising points increased to 20,539 in the MTR stations after the Rail Merger.

Over 47,000
Advertising Points
in Stations and Trains

HK\$9.04 million
Advertising Revenue
Per Station

1,186 Kiosks
in Stations

18 New Trades Added
in Station Kiosks

30 Stations with Brands
Wi-Fi Access,
first Wi-Fi train introduced
in August

Station Commercial and
Rail Related Revenue Comprised
19.6% of Total Revenue
for the Year 2008





A series of 1-minute TV segments was launched in September and October to reinforce the public's awareness of MTR Shops. To further stimulate customer spending, a MTR Shops Lucky Draw Promotion "Tokyo Group Shopping Extravaganza" was the finale of our 2008 consumer programmes.

Advertising

Advertising revenue grew by 25.0% in 2008 to HK\$741 million when compared with 2007, a 11.3% increase over the equivalent Combined Non-fare Revenue. In addition to the merger benefits, there were higher advertising rates and advertising innovations, which included the renovated "The Galleria" launched at the lower adit of Causeway Bay Station in May and the Digital Escalator Crown Bank at Causeway Bay, Tsim Sha Tsui and Central stations, the first of its kind in Asia's metro systems. At the end of 2008, there were 20,539 advertising points in stations, 26,619 in trains (including 4,341 Liquid Crystal Displays) and 228 on buses.

Telecommunications

Revenue from telecommunications services increased by 49.0% in 2008 to HK\$356 million as compared to 2007 (a 27.6% increase over the equivalent Combined Non-fare Revenue). The

key reason for the increase of revenue was a one-off payment received on termination of a telecommunications license. Excluding this one-off income, revenue still grew by 13.0% to HK\$270 million as compared to 2007 but would have shown a decline of 3.2% compared with the equivalent Combined Non-fare Revenue, since 3G usage continues to increase at the expense of 2G usage. The full launch of 3G mobile phone coverage along the East Rail Line and Ma On Shan Line took place in June and October respectively while preparation works for 3G coverage on the West Rail Line are in progress with expected completion in phases during 2009. There was also an increase in one-off revenue generated from operators' mobile equipment migration projects along the stations.

During the year, TraxComm Limited achieved higher revenue with expanded growth in the market. Key achievements included the extension of Wi-Fi coverage to 9 MTR Lines stations, as well as all 5 Airport Express stations and Airport Express train sets, bringing the total of MTR stations with Wi-Fi coverage to 30.

External Consultancy

During the year, we made good progress in existing consultancy projects and signed various new contracts in line with our focused strategy of using consultancies to enhance skill-sets



MTR's spacious interchanges are ideal for creative advertising.

and to seek new investment opportunities. As a result, revenue from external consultancy activities was HK\$158 million during 2008, a decrease of 18.1% when compared with 2007, mainly due to the completion of the majority of works on Shanghai Metro Line 9 Phase 1, which was opened in December 2007.

In India, our consultancy business won an HK\$128 million engineering and project management contract for the construction of the Delhi Airport Metro Express Line. Leveraging our competency in non-fare business, we secured a consultancy contract with Dubai Roads and Transport Authority (RTA) on the retail outlets leasing for the Red and Green lines of Dubai Metro Stations. We secured a consultancy project to provide technical advice to Metro Rio in Brazil for rolling stock procurement from China.

In 2008, we also extended the Automated People Mover operations and maintenance agreement with the Airport Authority of Hong Kong for five more years, whilst our existing consultancy works for Kaohsiung Rapid Transit Corporation in Taiwan proceeded well.

Freight Services

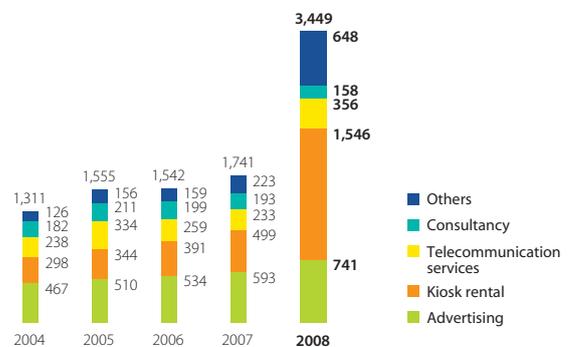
Revenue from freight services was HK\$37 million during 2008, a decrease of 10% over the equivalent Combined Non-fare Revenue.

“At the end of 2008, there were 20,539 advertising points in stations, 26,619 in trains (including 4,341 Liquid Crystal Displays) and 228 on buses.”

Revenue from Station Commercial and Rail Related Businesses

Growth in revenue from station commercial and other activities was led by advertising income and kiosk rental.

in HK\$ million



Innovations include Asia metro's first digital escalator bank.



3G coverage was launched on East Rail and Ma On Shan lines.