



Pay TV subscribers surpassed the 600,000 mark during the World Cup period in summer 2002.



Wharf Communications Limited

With its focus on the area of communications, media and entertainment (CME), Wharf Communications Limited's main operations include i-CABLE and Wharf T&T.

i-CABLE Communications Limited

i-CABLE, a listed subsidiary of the Group, continued to achieve double-digit year-on-year growth in most major business performance benchmarks – 16 per cent more total Pay TV and broadband subscribers, total turnover higher by 12 per cent, and net profit before investment provision up 14 per cent – against the backdrop of a weak economy and poor consumer sentiment.

Consolidated turnover increased by 12 per cent to HK\$2,161 million. Pay TV turnover grew by 7 per cent to HK\$1,711 million due to increases in both subscription and airtime sales. Internet & Multimedia turnover increased by 34 per cent to HK\$450 million as the growth in broadband subscribers was partly offset by a fall in ARPU. The Internet & Multimedia segment's share of total turnover rose to 21 per cent in 2002, as compared to 17 per cent in 2001.

i-CABLE's Pay TV and broadband businesses came under much pressure last year because of the economic downturn, high unemployment, weak consumer sentiment and keener competition. The unfavourable operating environment weakened growth momentum. Aggressive marketing and pricing were necessary to acquire and retain subscribers.

BALANCE SHEET as at December 31, 2002

	HK\$M
Non-current assets	2,472
Net current liabilities	(820)
Other non-current liabilities	(140)
Net assets	1,512
Capital and reserves	
Share capital	2,019
Reserves	(507)
	1,512

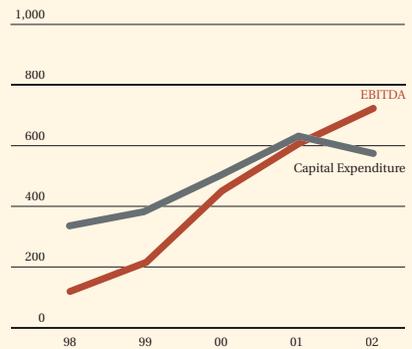


A total of 25 channels were added to CABLE TV's digital platform by end of 2002.



i-CABLE Communications Limited

**EBITDA AND CAPEX
HISTORICAL TREND
HK\$M**



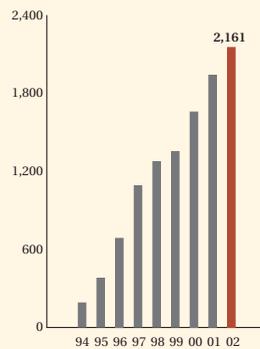
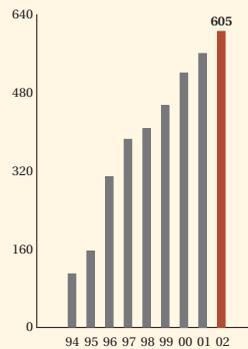
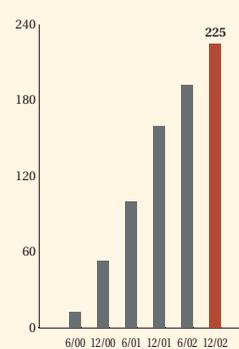
Pay TV subscriptions recorded year-on-year growth of 8 per cent at December 31, 2002, surpassing the 600,000 mark achieved during the World Cup period last summer. Anti-piracy measures such as migration to digital broadcasting helped to control subscriber churn at 1.6 per cent per month, compared with 1.8 per cent a year earlier.

The new digital technology also expanded network capacity, allowing us to deliver many more channels to subscribers. Our team has begun to make use of this expanded capacity to enhance subscriber satisfaction and create new revenue opportunities. New channels were introduced beginning in April last year. By the end of December, 25 new channels had been added to the digital platform and several new tiering packages had been introduced. The response has been very encouraging.

Plans are also afoot to introduce new locally produced programmes to enhance the entertainment platform.

CABLE TV is a leading news broadcaster in Hong Kong.



TOTAL TURNOVER
HK\$M**PAY TV SUBSCRIBERS**
In thousands**BROADBAND SUBSCRIBERS**
In thousands

Shoppers enjoy free broadband Internet access at an i-CABLE Station in Plaza Hollywood.

Competition for broadband service began to catch up in 2002. In the face of this new threat, more aggressive subscription packages were offered on a selective basis. Moreover, a new programme to boost network capacity and enhance performance was implemented. With the introduction of these initiatives to maintain subscriber growth momentum, broadband subscriber numbers grew 42 per cent year-on-year, surpassing 225,000 at the end of December, but ARPU declined to about HK\$180 per month from HK\$224 the year before.



WharfT&T reported a record gain in market share and a more than five-fold increase in net profit in 2002.

Wharf T&T Limited

Since the beginning of year 2003, the Group's wholly-owned subsidiary Wharf New T&T has been renamed as **Wharf T&T** which serves to better reflect the company's current market position as an established and major carrier for both local and international telecommunications.

Defying the unfavourable business environment and intense competition, **Wharf T&T** reported a record gain in market share and a more than five-fold increase in net profit to HK\$53 million for the year 2002.

A very weak economy and a global meltdown within the industry brought no excitement to the overall telecommunications market during the year under review. Factors such as excessive bandwidth supply, demand shrinkage, business closures, downsizing and keen competition led to both revenue declines and margin shrinkage throughout the industry during 2002.

In spite of this environment, **Wharf T&T** continued to gain market share, control costs and improve operating efficiency in different aspects of its business, including sales productivity, order provisioning and customer service. As a result, it reported healthy improvement in customer numbers, business volume, revenue and operating margin.

BALANCE SHEET (EXTRACT) as at December 31, 2002

	HK\$M
Fixed assets	3,071
Net current liabilities	(215)
Other non-current liabilities	(22)
Net business assets (before debts)	2,834



Wharf T&T Limited

RESULTS SUMMARY

	2002 HK\$M	2001 HK\$M	Change %
Turnover	1,117	1,089	3
Cost of Sales	(388)	(483)	-20
Gross Profit	729	606	20
Operating Expenses	(399)	(379)	5
EBITDA	330	227	45
ITD&A	(277)	(219)	26
Profit	53	8	540

While the overall market continued to contract, **Wharf T&T's** installed base of fixed lines grew by 100,000 to reach 340,000 lines, a record gain in market share to 9 per cent overall. Revenue from fixed lines increased by 6 per cent to HK\$833 million.

Total revenue rose by 3 per cent to HK\$1,117 million, with the fixed-line segment accounting for 75 per cent. IDD revenue, which fell 6 per cent to HK\$284 million, accounted for the remaining 25 per cent. While operating expenses went up moderately by 5 per cent to about HK\$399 million, EBITDA margin improved from 21 per cent to 30 per cent, with EBITDA 45 per cent higher at HK\$330 million.



The fibre “backhaul” market, however, continued to be extremely weak. The margin contributions of both International Private Leased Circuit and IDD were further squeezed despite volume growth. Together they neutralized some of the growth from local voice and data lines. The business broadband market grew at a fast pace from a small base.

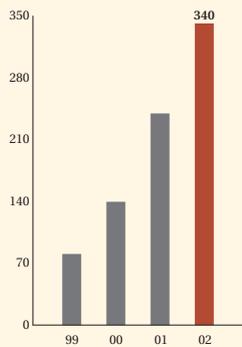


BUSINESS MARKET

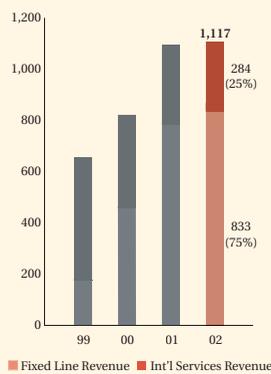
The installed base of fixed lines for business customers grew by 28 per cent year-on-year to over 250,000 lines by the end of December 2002. This number represents a 15 per cent market share in the business sector.

During the period, the company continued to successfully penetrate the market for high-value voice and data lines, as well as broadband fibre lines.

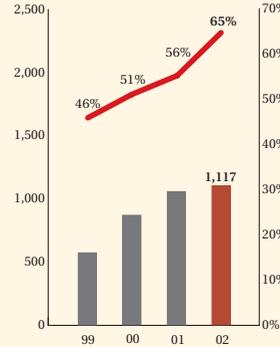
FIXED LINE GROWTH
In thousands



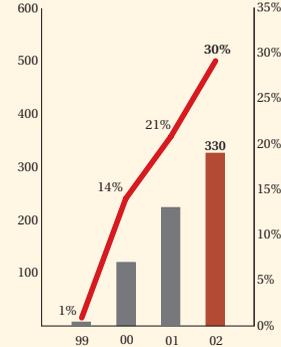
TOTAL REVENUE
HK\$M



NET REVENUE & GROSS MARGIN
HK\$M



EBITDA & EBITDA MARGIN
HK\$M



Cumulative retail IDA-P lines reported a 61 per cent growth to 12,750 channels, compared with the same period of 2001. Cumulative retail high-value data lines exceeded 2,330 lines, more than three times as many as a year ago.

CONSUMER MARKET

The number of residential fixed lines continued to grow. The installed base of over 85,000 lines at the end of December represented a growth rate of 111 per cent over 2001. Despite keen competition, residential IDD volume increased by around 5 per cent.



Wharf T&T's installed base of fixed lines grew by over 100,000 to reach 340,000 lines.

FIXED LINE MARKET SHARE

