



i-CABLE Communications Limited

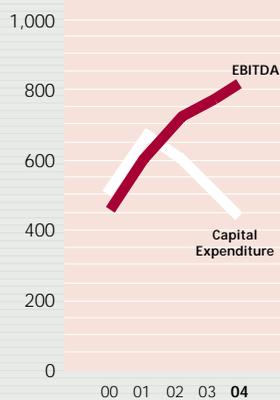
Balance Sheet (Extract)

as at December 31, 2004

| | HK\$M |
|-------------------------|-------|
| Non-current assets | 2,297 |
| Net current liabilities | (360) |
| Non-current liabilities | (109) |
| Net assets | 1,828 |
| Capital and reserves | |
| Share capital | 2,019 |
| Reserves | (191) |
| | 1,828 |

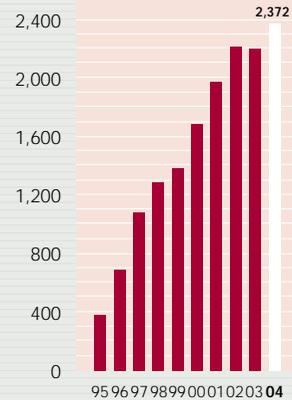
EBITDA and CAPEX Historical Trend

(HK\$M)



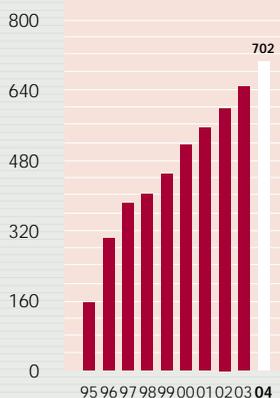
Total Turnover

(HK\$M)



Pay TV Subscribers

(in thousands)



Broadband Subscribers

(in thousands)



With 22 new channels launched in 2004, CABLE TV now offers a total of 92 channels.

Buoyed by an improving economy, consolidated net profit of the listed **i-CABLE** rose by 29 per cent in 2004, surpassing all previous records, despite intensified competition in its core markets. Respectable subscription growth in both Pay TV and Broadband sectors through strong programming and effective marketing initiatives enabled **i-CABLE** to weather pressures from competition with a degree of success. The timely introduction of the company's own triple-play service (viz, broadband, television and voice) during the last quarter of the year, further enhanced its competitiveness.

At the same time as the core businesses reported healthy growth, **i-CABLE**'s content service has been reaching out, both within the domestic market and beyond Hong Kong, beyond residential homes and commercial places. These developments, which leveraged on the company's content production and aggregation capabilities, have

begun to add new dimensions to its potential market. The company's content has now reached the mainland, the Americas and passengers on flights and will soon be available in Southeast Asia.

Pay TV

Spurred on by strong programming, subscription growth and airtime sales growth, performance of this core business continued to be robust.

Pay TV subscribers grew by seven per cent year-on-year to 702,000 at the end of 2004, attributable to the exclusive broadcast of the popular EURO 2004 football tournament in the summer and other programming and marketing initiatives during the rest of the year.

During the year under review, **i-CABLE** continued to expand its programming platform with the introduction of more channels and packages, with a view to enhancing its attractiveness to viewers. Important acquisition in 2004 included English Premier League telecasting rights, which gave rise to **i-CABLE**'s revamp of the sports platform in August. Further enhancing the programme offering of the company's Pay TV service, a total of 22 new channels were launched, including the EPL Channel, Soccer Betting Channel and NBA TV, allowing viewers 24-hour access to the most popular basketball tournament in Hong Kong, etc. for inclusion in the Basic Package or for premium subscription. CABLE TV now offers a total of 92 channels with 48 channels included in the basic package. Apart from launching new channels, a Digitised Sports Centre particularly catering for the upcoming FIFA World Cup 06 was also in full operation during 2004.

During mid-year, **i-CABLE** substantially completed its migration to the digital transmission platform, which enabled the deployment of more efficient countermeasures against the perennial problem of piracy.



i-CABLE's introduction of its own triple-play service further enhanced its competitiveness.



i-CABLE's Pay TV subscribers grew by 7% year-on-year to 702,000 at the end of 2004.

Throughout 2004, the company has also made efforts to expand its business beyond the conventional residential and commercial markets. Leveraging on its content production capability, **i-CABLE** is now the sole supplier of local news service to Hong Kong's flag carrier, Cathay Pacific Airways, with an in-flight channel on its planes. The company has also reached an agreement with KCRC to be the sole content provider and exclusive commercial-airtime sales agent for television service on board its trains.

2004 saw remarkable growth of the commercial airtime sales business, with total revenue growing 54 per cent over 2003. Such growth was driven by the company's on-target multi-channel advertising approach and more successful penetration among advertisers.

i-CABLE will continue to explore other media exposure for new business opportunities both within and outside of Hong Kong while at the same time, continuing to expand its market share in the local Pay TV market through programme enhancement and innovative marketing. The company is confident that with its proprietary content, inclusive of the English Premier League and the FIFA World Cup 06 attraction, it can prevail over the competition.



Broadband subscribers reached 291,000 at the end of 2004.

Broadband and Internet Service

The core Broadband Internet access business is back on a growth track despite increasing commoditisation in the market as a result of keen competition. Broadband subscribers grew by 13 per cent to 291,000 at the end of 2004 as subscription picked up in the second half through successful service enhancement and the introduction of new bundled packages. ARPU for the full year recorded a nine per cent growth to HK\$140 but downward pressure resumed in the second half of the year.

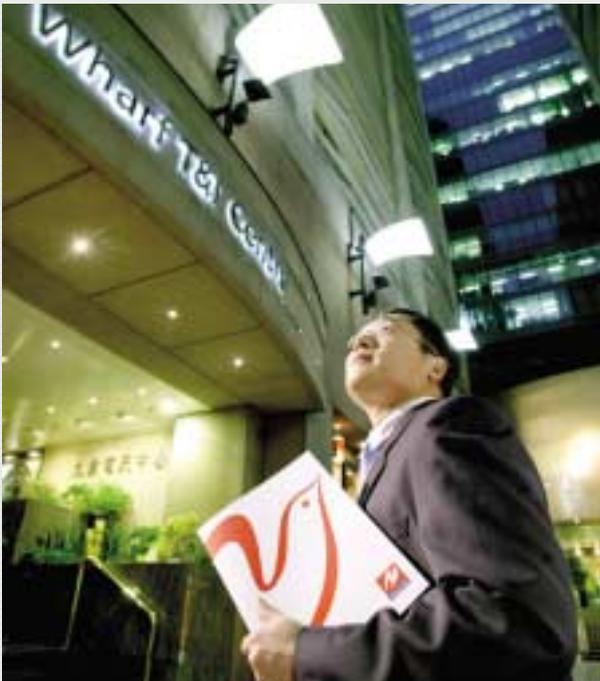
During the year under review, the company's timely introduction of its triple-play offers, which followed the launch of VoIP service, further enhanced its competitiveness. Furthermore, **i-CABLE's** leading content-provision position was further enhanced with the conclusion of additional carriage agreements with mobile operators to open up mobile content opportunities in the mainland.

Wharf T&T

The economic recovery did not put the FTNS market back on the growth curve. Continuing over-capacity for what has become largely a commodity drove competition even harder. With customer "liquidity" diminishing further, the battle for market share intensified but changes in market share slowed down.

In response to the new Type II regime, the company embarked on a major business transformation in the third quarter of 2004. In the residential sector, the company rolled out Digital HomeLine over **i-CABLE**'s HFC network. In the business sector, a new network rollout and sales strategy was adopted. Migration of existing customer lines away from Type II also started in earnest in both the residential and business sectors. Though the need to transform affected performance in the short term, it has helped pave the way for a more rewarding business model in the longer term.

Wharf T&T has achieved the milestone of free cash flow during the year.



Balance Sheet (Extract)

as at December 31, 2004

| | HK\$M |
|------------------------------------|-------|
| Fixed assets | 2,808 |
| Net current liabilities | (200) |
| Other non-current liabilities | (25) |
| Net business assets (before debts) | 2,583 |

Results Summary

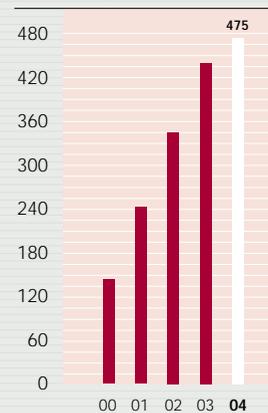
| | 2004 HK\$M | 2003 HK\$M | Change % |
|--------------------|---------------|---------------|----------|
| Turnover | 1,252 | 1,235 | 1 |
| Cost of Sales | (488) | (472) | -3 |
| Gross Profit | 764 | 763 | 0 |
| Operating Expenses | (377) | (376) | 0 |
| EBITDA | 387 | 387 | 0 |
| ITD&A | (350) | (333) | -5 |
| Operating profit | 37* | 54* | -31 |

* Before non-recurring fixed assets write off of HK\$85 million

Before non-recurring fixed assets write off of HK\$298 million

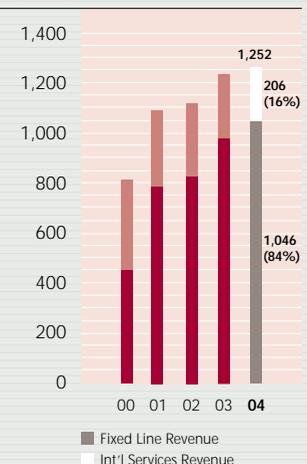
Fixed Line Growth

(in thousands)



Total Revenue

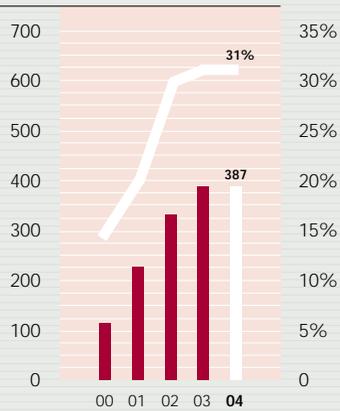
(HK\$M)





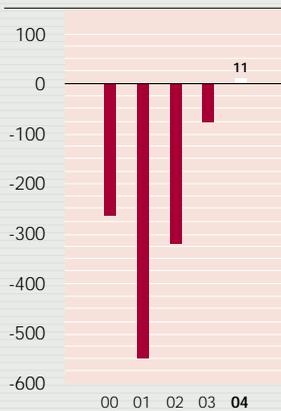
EBITDA & EBITDA Margin

(HK\$M)



Free Cash Flow

(HK\$M)



Wharf T&T has achieved the milestone of free cash flow during the year. The fixed line installed base grew by 42,000 or 10 per cent year-on-year to reach 475,000, representing an overall market share of 12 per cent. Of this installed base, 319,000 lines were for business service and 156,000 lines for residential service. Business lines increased by 26,000 or nine per cent during the year under review while residential lines grew by 16,000 or 11 per cent. The company's market share for business lines and residential lines was 18 per cent and seven per cent respectively.

Total outgoing IDD volume in 2004 increased by 23 per cent to 466 million minutes compared to the year before. With the establishment of EC Telecom Limited, a wholly-owned subsidiary focusing on IDD with a much more competitive cost structure, IDD007 retail activities subsided to preserve margin and protect the legacy customer base.

Business Market

As a group, business customers accounted for 76 per cent of **Wharf T&T's** total revenue in 2004.

Among the various carrier and wholesale sectors, **Wharf T&T** remained dominant in non-captive ETS hosting with a 95 per cent market share. A combination of service quality, pricing and account management enabled **Wharf T&T** to become more successful in the high-value data business of the international carrier sector. Significant progress was also achieved in the development of the wholesale/refilling IDD business. This business sector continued to demonstrate rapid growth during the year.

During the period, the company continued to successfully penetrate corporate and multi-national sectors through its superb services and innovative solutions. New premium customers included ATOS Origin, Statestreet Bank, Wang Tai, etc. New products including Supertone and Multipoint Video Conferencing services helped the company create reasons for change in this sector. As for the business Internet access market, the installed base of our Broadband Webtone service recorded significant growth during the year under review. In a bid to further strengthen the bond with **Wharf T&T's** customer base, a new Customer Contact Management Centre (CCMC) was established in 2004.

Consumer Market

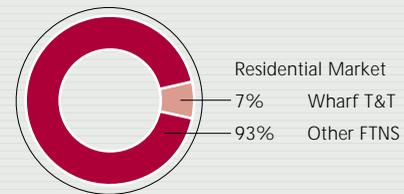
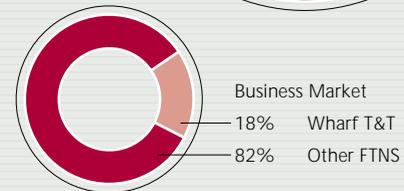
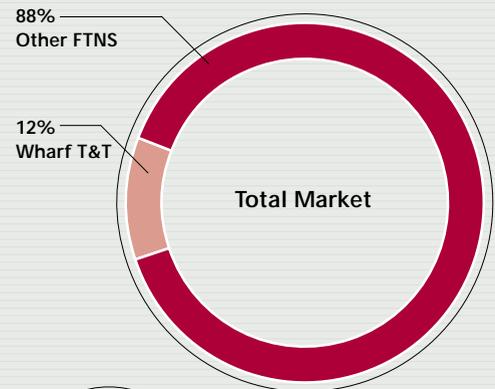
As a group, residential customers accounted for 24 per cent of Wharf T&T's total revenue in 2004.

Riding on the strategic repositioning of the company, Digital HomeLine (DHL) was rolled out with aggressive selling through various channels including direct sales, telesales and bundled offers via **i-CABLE** and CABLE TV. Simultaneously, a conversion programme was rolled out to migrate existing HomeLine customers, served via Type II Interconnection, to DHL over the HFC network. The prospect of DHL hinges on timely reduction of acquisition cost, rebuilding of the sales force and resolving certain technical glitches within the first quarter of 2005.

During the year under review, despite exchanges of winback programmes offered by the major players, IDD margins improved, which was attributable to the legacy customer base.



Fixed Line Market Share



Wharf T&T's business customers accounted for 76% of its total revenue in 2004.