



*(left) Unique sports content provides a key differentiation from the competition for Hong Kong Cable
(middle) Sundream's very successful first film, "49 Days"
(right) Ko Lai Chak and Lee Ching, Hong Kong's silver medallists in table tennis doubles at the 2004 Olympics, partnering at Wharf T&T's 'Strictly Business' ceremony to overcome the competition
(bottom) Hong Kong's first ever Digital News Centre in full swing*



i-CABLE

2005 was full of competitive challenge and i-CABLE responded with reasonable success. Amid intense competition, total revenue rose by 3% to HK\$2,441 million and operating profit declined by 5% to HK\$282 million.

Despite the more competitive landscape, i-CABLE continued to build market position and both core businesses reported healthy subscription growth, although not as robust as in 2004. Efforts to open new markets also bore fruit. *Newsline Express*, an outdoor news medium on KCR trains, has started to bring in revenue and contribution to profit since August. Subsidiary Sundream's first theatrical production, "49 Days", completed in December 2005 and subsequently released in Hong Kong and Southeast Asia in February 2006.

Pay TV

In the face of keener competition in the marketplace, total revenue from Pay TV was virtually unchanged at HK\$1,884 million for the year under review. Operating profit fell by 28% to HK\$337 million.

Underpinned by unique and attractive content as well as effective marketing, CABLE TV reported a year-on-year subscription growth of 5% to 738,000 at the end of 2005 despite aggressive competition. Unbundled mini-packages were

Balance Sheet (Extract)

as at December 31, 2005

	HK\$M
Non-current assets	2,424
Net current liabilities	(47)
Non-current liabilities	(129)
Net assets	2,248
Capital and reserves	
Share capital	2,019
Reserves	229
	2,248

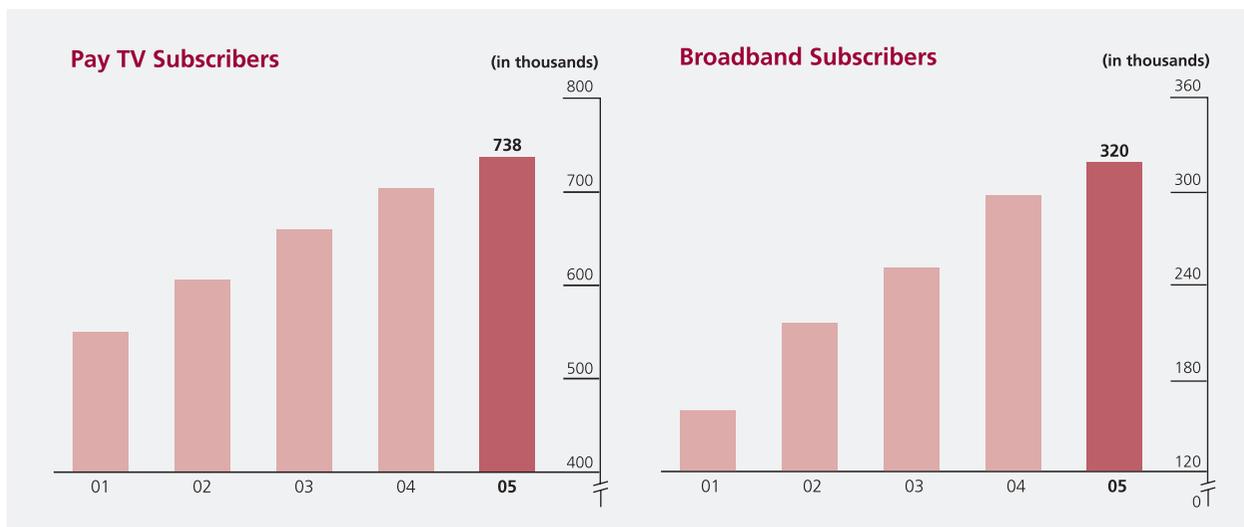
introduced during the year, as a key strategy of market segmentation, to avert a direct price war and were successful in meeting the needs of the market and maintaining subscription growth. In terms of content enrichment, 12 new channels were added to bring the total carried by CABLE TV to 100.

Content differentiation, particularly fresh and local production, has been the key to success in the Pay TV sector. To stay one step ahead of the competition, a new initiative to optimise its content capability was implemented in early 2006. Three new content subsidiaries were formed, namely, i-CABLE News, i-CABLE Sports and i-CABLE Entertainment, to enhance competitiveness to respond to market changes and to facilitate expansion into new markets.

During the year, i-CABLE also strengthened its Horizon Channel's branding and reputation outside of Hong Kong. The channel is now distributed in the USA, South America and Malaysia, on top of the Mainland and Hong Kong.

Internet & Multimedia

This segment achieved solid performance during 2005. Turnover rose by 16% to HK\$558 million. Operating profit improved by a remarkable HK\$122 million to HK\$78 million.



i-CABLE's Broadband business continued its recovery during the year, even as the general market further consolidated, and the subscriber base grew by 10% to 320,000 at the end of 2005. To benefit from triple-play bundling, closer co-operation was developed with fellow subsidiary Wharf T&T in both marketing and operation of voice lines provided over i-CABLE's network infrastructure, installed base more than quadrupled in 2005 to 120,000 versus 29,000 as at the end of 2004.

Wharf T&T

During the year under review, Wharf T&T group, including COL and EC Telecom, increased its total revenue by 2% to HK\$1,478 million with operating profit grew by 89% to HK\$104 million. Free cashflow rose by 511% to HK\$94 million. This was achieved in an increasingly competitive marketplace.

Balance Sheet (Extract)

as at December 31, 2005

	HK\$M
Fixed assets	2,838
Net current liabilities	(166)
Other non-current liabilities	(39)
Net business assets (before debt)	2,633

Results Summary

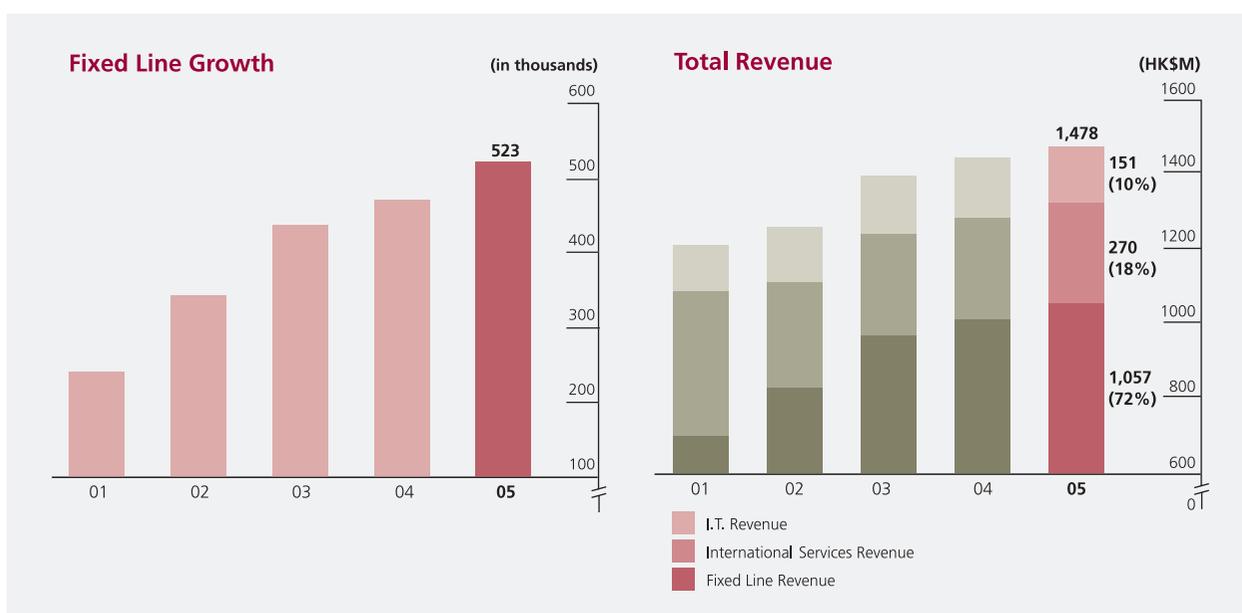
	2005 HK\$M	2004 HK\$M	Change %
Turnover	1,478	1,448	2
Cost of Sales	(505)	(543)	7
Gross Profit	973	905	8
Operating Expenses	(533)	(487)	-9
EBITDA	440	418	5
Depreciation	(336)	(363)	7
Operating profit	104	55*	89

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

The fixed line installed base grew by 48,000 or 10% to reach 523,000, representing an overall market share of 13%. Business lines grew by 18,000 or 6% to reach 337,000 (for an 18% market share) while residential lines grew by 29,000 or 19% to 186,000 (for a 9% market share).

Total outgoing IDD volume grew by 11% in 2005 to 558 million minutes, compared with 505 million minutes in 2004. With a sharp focus on IDD and a more sophisticated service engine in place, subsidiary EC Telecom started to rebuild the Home007 business during the year. It plans to leverage on a dual brand strategy to re-establish Wharf T&T as a leader in the marketplace.

To enhance its competitiveness in a highly commoditised market and to provide impetus for new growth, two organisational changes were initiated in the second half of the year. In the residential sector, the fixed line business was transferred to i-CABLE Telecom Limited, a wholly-owned subsidiary of the Group, and is being branded as i-CABLE. The move would facilitate the bundling of voice with broadband service in the residential sector, giving rise to an immediate improvement in sales and operational performance.

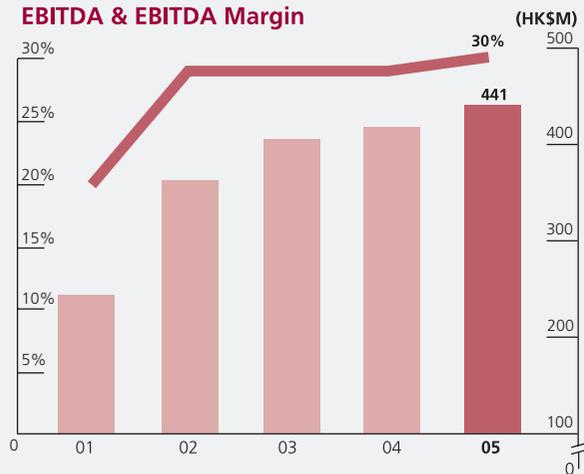


In the business sector, COL was made a wholly-owned subsidiary of Wharf T&T. This would enable the companies to be positioned as an integrated IT and Telecom solution and services provider, with substantial enhancement in its core competence on addressing customer's growing IT and Telecom needs, particularly in data services.

Fixed Line Market Share



EBITDA & EBITDA Margin



Free Cash Flow

