

Communications, Media & Entertainment and Other Investments

i-CABLE

Competition continued to be intense among telephony, broadband and Pay TV service operators. Nevertheless, the market enjoyed relative price stability for the best part of the year. At rates well within expectations, contraction of CABLE TV customer base continued largely attributable to the residual impact of the expiry of Barclays Premier League broadcast rights in May 2013. Such TV customer and revenue erosion, however, were milder than expected and more than compensated by substantial reduction of operating expenses. On top of producing and acquiring quality programming, CABLE TV has been investing in cross-platform and multi-view initiatives to elevate viewing experience to a new level of convenience and mobility.

In October 2013, the government announced in principle the approval for Fantastic TV to provide a free TV service. Negotiations with the authorities for a formal license are underway. The new free TV business will open up new horizons for i-CABLE and create synergies with its existing businesses. Broadband business reported a moderate reduction in clientele but growth in sales for mid-range services remained strong with both new customers signing on and existing ones upgrading from lower speed services. Broadband revenue and EBITDA have been expanding again since early 2013.

i-CABLE's reduced focus on market share enabled financial recovery to begin. A small net profit was reported for the second half of 2013, resulting in net loss narrowing to HK\$93 million in 2013. Cash flow improved on improving operating margin and capex. A healthy financial position was maintained with net cash of HK\$182 million.



Business Review

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WHARF T&T

Wharf T&T's revenue and operating profit reached an "All Time High" in 2013, driven by the thriving data business. Despite a modest 2% growth in the overall revenue to HK\$1,857 million, EBITDA rose by 9% to HK\$704 million underpinned by a robust growth of 11% in core fixed line business. A respectable 38% of EBITDA margin was delivered which outperformed competition. Operating profit was up by 20%, and at 16% margin, to set a record of HK\$300 million. The investment on +EN network continued to bear fruit and leapfrog Wharf T&T's competitiveness on data products, especially in the SME sector. Free cash flow improved to HK\$245 million. In 2013, Wharf T&T won the "Technology Company of the Year 2013" Grand award in the annual Computerworld Hong Kong Awards Ceremony, in recognition of its outstanding performance in technology development and excellence in business and operational execution.

THE "STAR" FERRY

The "Star" Ferry is a franchised public-service ferry operator with a mission to serve the community by providing passengers with reliable ferry crossings as well as one of the world's best value-for-money sightseeing trips. In addition to the two franchised ferry inner harbour crossing routes between Tsim Sha Tsui and Central and between Tsim Sha Tsui and Wanchai, the Star Ferry operates a harbour tour service running an hour circular route covering the central Victoria Harbour. A marked improvement in ferry receipts from the franchised services and the harbour tour service, as well as advertising revenue boosted Star Ferry's revenue and operating profits in 2013. The Star Ferry is working on various development projects designed to bring vibrancy to the Central Star Ferry Pier No. 7 and the reclaimed waterfront in Central.

HONG KONG AIR CARGO TERMINALS

Hong Kong is among the world's busiest airports in terms of international cargo handled. Hong Kong Air Cargo Terminals, a 20.8% associate of the Group, is the leading air cargo terminal operator in Hong Kong. It handled 2.4 million tonnes in 2013 which exceeded budget by 9%.