

BUSINESS REVIEW

COMMUNICATIONS, MEDIA & ENTERTAINMENT

i-CABLE

i-CABLE's airtime and subscription sales were affected as Hong Kong's economy dipped and competition intensified. This has made it harder to turn around i-CABLE's financial performance in the near future. Notwithstanding a contraction of subscriber base, early signs of subscription revenue stabilization were seen towards the end of 2015 as a result of i-CABLE's efforts to drive up price points. That said, it is still too early to tell when subscription revenues might bottom out. i-CABLE will continue to make smart investments in HD channels, network infrastructures and content to enhance its services and brand.

WHARF T&T

Wharf T&T experienced a challenging 20th Anniversary as business customers were prudent on new ICT investment in a slowed economy. However, underpinned by its ability to provide a rich portfolio of superior ICT solutions, Wharf T&T continued to register resilient progress in its growth journey against a very competitive market. Total turnover rose by 2% to HK\$1,991 million and operating profit by 3% to HK\$362 million. Core fixed line revenue posted solid growth with data business further gaining ground in market penetration backed by its extensive Fibre-to-the-Desk (FTTD) coverage. Free cash flow improved by 18% to HK\$450 million.

Subsequent to the end of 2015, Wharf T&T has acquired PIHK Network Limited, which operates a very successful non-network infrastructure-based business internet service. This inorganic addition to the customer base, revenue and profitability will provide even better scale to compete and win in this market. It will bring the Company's customer base close to 60,000 business enterprises in Hong Kong.

STRATEGIC REVIEW

In 2015, the Communications, Media & Entertainment segment under Wharf Communications represented 9% of Group turnover and 1% of Group operating profit. The market has changed drastically since these businesses started over 20 years ago and the pace of change has accelerated. We have recently commenced a strategic review to evaluate different options to enhance these businesses. The review does not have any definite timetable of completion and the Group will remain focused on executing its operations and business plan in the ordinary course of business during the review.

