





Access

INTERNET & MULTIMEDIA

i-CABLE's broadband service enables unlimited access to the cyberworld. Two years after its launch, i-CABLE is already one of two clear leaders in the broadband market in Hong Kong, with an estimated 30% market share in the residential sector.

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In 2001, the Group further consolidated its market position for Broadband access in Hong Kong. Its clear edge in rapid rollout and its well-established marketing and service provisioning infrastructure combined to enable its Broadband service to close the gap on the market leader quickly and to significantly outperform all other competitors. By the end of 2001, service was available to over 1.6 million homes in over 8,800 buildings. Subscribers more than tripled to

160,000 to raise the estimated market share to about 30% in the residential sector. ARPU was little changed from 2000 at HK\$224 per month.

As a result of that, turnover from this core business more than tripled to HK\$336 million. Due to a very competitive cost structure, EBITDA improved by HK\$160 million to HK\$94 million (to achieve an EBITDA margin of 28%) and net operating loss improved by HK\$63 million to HK\$50 million, after all





costs shared with Pay TV have been fully allocated. Significantly, EBITDA margin increased to 39% and a small operating profit was achieved in the second half of 2001. On an incremental basis, the margin for this rapidly growing business was even higher. With the rapid growth of the overall penetration of Broadband in the market, this business is expected to continue to represent our growth engine in the next few years.

Some progress was also made during the year to generate income from other sources. Several fee-charging portals were launched during the year, leveraging on the Group's rich TV content. They include portals on horse racing, stocks and adult entertainment.

At the same time, charging has also begun for access to other contents in the "walled garden", including news, sports, movies, fortune and games. Revenue contribution is limited at this stage but the cost of operation is also very limited.

In less than two years after its launch, the Broadband service has already validated its position as a key business growth engine, fulfilling the Group's vision in expanding its revenue base. Competition is expected to be keener this year as the marketplace approaches commoditisation. However, the Group's Early Mover Advantage, together with its strong customer service and marketing experience, will enable it to prevail over the competition.