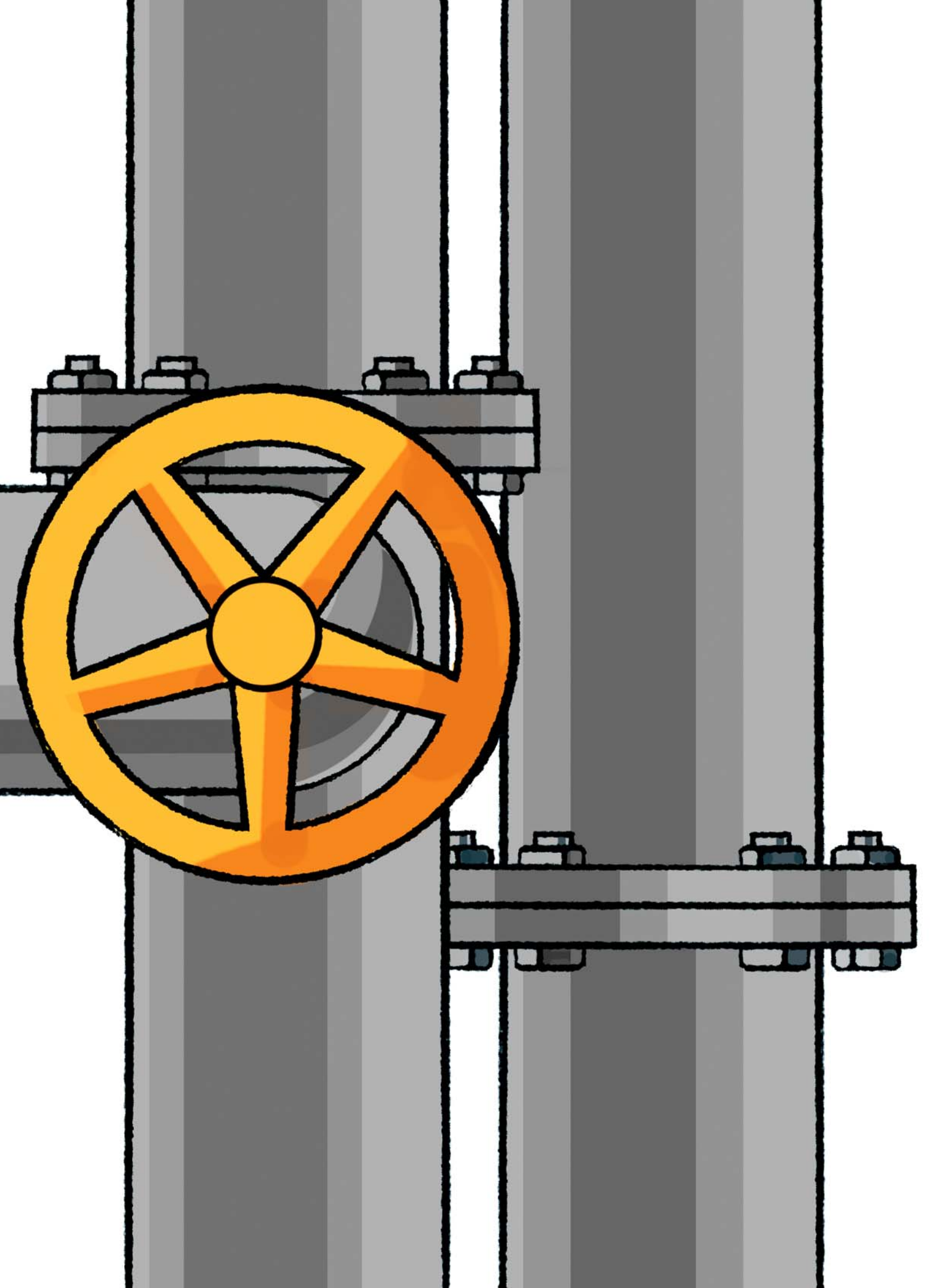


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CHAIRMAN'S STATEMENT

This year's financial result was a significant improvement from last year. Though a loss was still recorded, it is less than half of last year, with a drastic four-folded increase in EBITDA from HK\$58.6 million in 2005 to HK\$245.2 million this year.

Not only have we done well this year, the overall development is stronger in 2H FY06 over 1H FY06 and this trend should continue. Our EBITDA margin has risen from 18.8% from the first half of 2006 to 23.6% in the second half.

CORRECT AND LONG-TERM STRATEGY

Personally, I think that the incumbent's direction of ignoring fundamental network investment, staying with a voice-centric PSTN network to provide broadband service via Asymmetric Digital Subscriber Line (ADSL) whilst emphasizing broadcasting of acquired premium contents, is an incorrect and short-sighted strategy. This kind of service will surely be weeded out by the market in a few years' time.

High bandwidth applications, such as video blogs, video emails and legal movie download services are emerging around the world. We thus remain firm with our Group's development direction, whereby we shall continue to invest in our Metro Ethernet IP Network. Despite this being arduous and long-term, we believe this is what we should do and we will persist with this strategy.

Positive results are becoming more and more apparent in return for taking this strategy. Over the past year, many customers from our competitors are switching to our bb25 (symmetric 25Mbps) and bb100 (symmetric 100Mbps) services. We anticipate that our competitors, owing to their legacy network and technical constraints, will not be able to provide services at the same speed of ours in the coming years.

The Group will expand its network coverage over the next few years, extending our coverage from 1.3 million home-passes to 1.8 million. We have planned for capital expenditure of between HK\$125 million and HK\$150 million for FY07.

DO MORE WITH LESS

We have deployed our resources even more efficiently to achieve much more in the past twelve months. "Do More With Less" may only be a slogan in other companies, but we have realized this in CTI. Whilst manpower has been lessened, sales volume has risen in the contrary. This is due to our staff's support, contributions and their unceasing efforts in lowering operational costs, as well as introducing many innovative ideas into the workplace. As the reduction of manpower was mainly conducted in 2H of FY06, the cost efficiency shall become more apparent in FY07 and beyond.

IN THE COMING YEAR, WE SHALL CONTINUE TO EXPAND OUR NETWORK, FURTHER STRENGTHEN OUR BRAND IMAGE AND RAISE OUR SERVICES RATES.

To survive and prosper in an industry as competitive as ours, we must focus on continuously improving our operational efficiency and revenue yields. The average EBITDA margin in the industry is around 30% to 35%, which we have yet to meet, thus this shall be our primary target in the coming year.

ENHANCED SERVICE FOR PREMIUM PRICING

In 2005, we had invested enormously in a series of Liu Xiang (2004 Olympic Gold Medalist for 110 hurdles) promotions, enhancing our brand image and improving customers' experience. As a result, we have been recognized by different customer service awards, including Asia Pacific Customer Service Consortium's Customer Relationship Excellence Awards 2005: "Call Center of the Year" & "Customer Service Center of the Year", and Hong Kong Call Centre Association's "Contact Centre of the Year (over 100 seats)" Bronze Award. Our customer satisfaction is also growing, with a survey showing that 85% of our new customers regard our services to be better or comparable to their previous service providers.

As a result of the above positive changes, we were able to raise our broadband service tariffs by a considerable amount, from around HK\$80/month at the beginning of 2005, to about HK\$160/month currently. In fact, apart from the incumbent PCCW, we set our service pricing in 2H of FY06 to be at least HK\$10 higher than our two other competitors. We are now targeting to charge even higher than PCCW by the end of next year. Despite the highest pricing, our services still offer the best value for money due to our superior bandwidth and customer experience.

In the coming year, we shall continue to expand our network, further strengthen our brand image and raise our services rates, as we will no longer limit ourselves with market share in terms of number of subscribers, but reaching out to extend market share in terms of sales volume. We shall continue leading the local broadband market to evolve from purely commodity price competition, to value & service quality differentiation.