

The Directors have pleasure in submitting their Report and the Audited Financial Statements for the financial year ended December 31, 2006.

## PRINCIPAL ACTIVITIES AND TRADING OPERATIONS

The principal activity of the Company is investment holding and those of its subsidiaries which principally affected the results, assets or liabilities of the Group are set out in Note 17 to the Financial Statements on pages 69 to 71.

During the financial year, more than 90% of the trading operations of the Company and its subsidiaries in terms of both turnover and operating profit (before borrowing costs) were carried on in Hong Kong. An analysis of the principal activities of the trading operations of the Company and its subsidiaries during the financial year is set out in Note 4 to the Financial Statements on pages 60 and 61.

## RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended December 31, 2006 are set out in the Consolidated Profit and Loss Account on page 42.

Appropriations of profits and movements in reserves during the financial year are set out in the Consolidated Statements of Changes in Equity on page 45.

## DIVIDENDS

An interim dividend of 3.5 cents per share was paid on October 9, 2006. The Directors now recommend the payment on May 23, 2007 of a final dividend of 5.0 cents per share in respect of the financial year ended December 31, 2006, payable to Shareholders on record as at May 17, 2007. This recommendation has been disclosed in the Financial Statements.

## PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the financial year are set out in Note 13 to the Financial Statements on pages 67 and 68.

## DONATIONS

The Group made donations during the financial year totalling HK\$24,000.

## DIRECTORS

The Directors of the Company during the financial year were Mr. Stephen T. H. Ng, Mr. Peter S. O. Mak (appointed on August 1, 2006), Mr. Fa Kuang Hu, Hon. Victor C. W. Lo (resigned on August 1, 2006), Dr. Dennis T. L. Sun, Sir Gordon Y. S. Wu and Mr. Anthony K. K. Yeung.

Subsequent to the financial year end, Mr. William J. H. Kwan, the Chief Financial Officer of the Company, was appointed a Director of the Company with effect from February 1, 2007.

Mr. William J. H. Kwan and Mr. Peter S. O. Mak, being appointed as Directors of the Company after the last Annual General Meeting, are due to retire from the Board in accordance with Article 78 of the Company's Article of Association, and Mr. Fa Kuang Hu and Dr. Dennis T. L. Sun will also retire from the Board, at the forthcoming Annual General Meeting. Mr. Fa Kuang Hu has decided not to stand for re-election. The other Directors, being eligible, offer themselves for re-election. None of the retiring Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

## INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company, its subsidiaries or its ultimate holding company or any subsidiary of that ultimate holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

## MANAGEMENT CONTRACTS

On November 1, 1999, the Company entered into a management service agreement with Wharf Limited, a wholly-owned subsidiary of The Wharf (Holdings) Limited ("Wharf"), whereby Wharf Limited agreed to continue to provide or procure the provision of services including corporate secretarial services, treasury services, the provision of services in relation to corporate finance for obtaining borrowings and the provision of management personnel and other general corporate services to the Group following the Company having become a publicly-listed company in November 1999.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial year was the Company, its subsidiaries or its ultimate holding company or any subsidiary of that ultimate holding company a party to any arrangement to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, with the exception that there existed certain outstanding options to subscribe for ordinary shares of the Company granted under the Company's Share Option Scheme (the "Share Scheme") to certain executives/employees of companies respectively in the Group, one or more of whom was/were Director(s) of the Company during the financial year.

Under the rules of the Share Scheme (subject to any such restrictions or alterations as may be prescribed or provided under the Listing Rules from time to time in force), shares of the Company would be issued at such prices, not being less than 80% of the Company's average closing price on the Hong Kong Stock Exchange for the five trading days immediately preceding the date of offer of the options, and the relevant options would be exercisable during such periods, not being beyond the expiration of 10 years from the date of grant, as determined by the board of directors of the Company. During the financial year, no share of the Company was issued to any Director of the Company under the Share Scheme.

## AUDITORS

The Financial Statements now presented have been audited by KPMG, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment.

By Order of the Board

**Wilson W. S. Chan**

*Secretary*

Hong Kong, March 5, 2007

**SUPPLEMENTARY CORPORATE INFORMATION****(A) Biographical details of directors and senior managers etc.****(i) Directors****Stephen T. H. Ng, Chairman and Chief Executive Officer (Age: 54)**

Mr. Ng became Chairman of the Company in August 2001. He has been Director, President and Chief Executive Officer since 1999 and formerly was the Deputy Chairman of the Company. He is also the deputy chairman and managing director of the Company's holding company, namely, The Wharf (Holdings) Limited ("Wharf"), the deputy chairman of Wheelock and Company Limited ("Wheelock"), a director of Joyce Boutique Holdings Limited, the chairman of Modern Terminals Limited, and the chairman and chief executive officer of Wharf T&T Limited ("WTT"). He serves as a member of the General Committee of the Hong Kong General Chamber of Commerce.

**William J. H. Kwan, Director and Chief Financial Officer (Age: 43)**

Mr. Kwan was appointed a Director of the Company in February 2007. He joined Hong Kong Cable Television Limited ("HKC") in January 1994 and had been Director – Corporate Development of HKC since 2002. He was appointed Chief Financial Officer of the Company effective from January 1, 2006.

**Fa Kuang Hu, GBS, CBE, JP, Director (Age: 83)**

Mr. Hu has been an independent Non-executive Director of the Company since 1999. He also serves as a member and chairman of each of the Company's Audit Committee, Related Party Transactions Committee and Compensation Committee. He is also Honorary Chairman of Ryoden Development Limited and is a director of Hysan Development Company Limited. He holds a Bachelor of Science Degree from Shanghai Jiao Tong University.

**Peter S. O. Mak, Director (Age: 58)**

Mr. Mak has been a Director of the Company since August 2006. He is the chief financial officer of Wharf, responsible for overseeing the corporate management functions including corporate planning, banking and external relations, company secretarial, group accounts, audit and insurance of the Wharf group. He is also a director of Modern Terminals Limited, which is a major subsidiary of Wharf, and certain other subsidiaries of Wharf. Prior to joining Wharf, Mr. Mak held directorship in CITIC Pacific Limited, a Hang Seng Index constituent company. His experience includes managing large-scale capital and infrastructure portfolios, real estate investments, shipping and leasing. Mr. Mak holds a Bachelor of Arts degree from The University of Hong Kong.

**Dennis T. L. Sun, BBS, JP, Director (Age: 56)**

Dr. Sun has been an independent Non-executive Director of the Company since 2001. He also serves as a member of each of the Company's Audit Committee, Related Party Transactions Committee and Compensation Committee. He is the chairman and managing director of publicly-listed China Hong Kong Photo Products Holdings Limited. Furthermore, he is the deputy chairman of the Hong Kong Management Association and a council member of The City University of Hong Kong. He was also the vice patron of the Community Chest of Hong Kong from 1999 to 2007. He is the honorary chairman of the Hong Kong Photo Marketing Association, the life honorary advisor of the Photographic Society of Hong Kong and the foundation member of the China Charity Foundation. He was awarded the Bronze Bauhinia Star in 1999 and appointed as a Justice of the Peace in 2002.

Dr. Sun holds a Bachelor's degree in Pharmacy from University of Oklahoma, USA and a Degree of Doctor of Philosophy in Business Administration from Southern California University for Professional Studies.

**Gordon Y. S. Wu, GBS, KCMG, FICE, Director (Age: 71)**

Sir Gordon Wu has been an independent Non-executive Director of the Company since 2001. He is the chairman as well as the founder of publicly-listed Hopewell Holdings Limited. He is also the chairman of publicly-listed Hopewell Highway Infrastructure Limited. He is active in civic and community services, and has received many awards and honours which include, *inter alia*, membership of Chinese People's Political Consultative Conference, The People's Republic of China since 1983, and Great Pearl River Delta Business Council since 2004.

Sir Gordon is also a stalwart supporter of his alma mater Princeton University, USA where he earned his Bachelor of Science in Engineering degree in 1958. He received Honorary Doctorate Degrees from Hong Kong Polytechnic University, University of Strathclyde, UK and University of Edinburgh, UK. He is a Fellow of The Institute of Civil Engineers and Honorary Fellow of Australian Society of Certified Practising Accountants. He has been appointed the Honorary Consul of The Republic of Croatia in the Hong Kong SAR. He was awarded the Gold Bauhinia Star in 2004.

## SUPPLEMENTARY CORPORATE INFORMATION *(continued)*

### (A) Biographical details of directors and senior managers etc. *(continued)*

#### (I) **Directors** *(continued)*

##### **Anthony K. K. Yeung, JP, Director (Age: 61)**

Mr. Yeung has been an independent Non-executive Director of the Company since 2004. He also serves as a member of each of the Company's Audit Committee and Related Party Transactions Committee. He is the chairman of K K Yeung Management Consultants Ltd. and Wall Street Resources Ltd. Furthermore, he is a managing partner of K K Yeung Partnership, Certified Public Accountants (Practising). Mr. Yeung is also appointed as Executive Committee member of CityU Professional Services Limited.

Mr. Yeung is a Practising Certified Public Accountant in Hong Kong and senior member of the accountancy professions, i.e. Fellow, Chartered Institute of Management Accountants; Fellow, Chartered Association of Certified Accountants; Fellow, Chartered Institute of Secretaries and Administrators; Fellow, Hong Kong Institute of Certified Public Accountants and Taxation Institute of Hong Kong.

Mr. Yeung is the vice chairman of the Hong Kong General Chamber of Commerce and the chairman of the Management Consultancies Association of Hong Kong.

Furthermore, Mr. Yeung is a member of the Rehabilitation Advisory Committee, the Professional Services Development Assistance Scheme Vetting Committee and the Manpower Development Committee appointed by the Chief Executive of the Government of the HKSAR. Mr. Yeung is also a member of the Trade and Industry Advisory Board appointed by the Secretary for Commerce, Industry and Technology and a member of the Innovation and Technology Fund General Support Programme Vetting Committee appointed by the Secretary for Commerce, Industry and Technology.

Mr. Yeung is the chairman of the Hong Kong Trade and Industry Department's Customer Liaison Group for Small and Medium Enterprises appointed by the Director-General of Trade and Industry.

Mr. Yeung is also a member of the Election Committee of the Government of the HKSAR.

In January 2005, Mr. Yeung was conferred "Grade of Knight of the Crown" by King Albert II of Belgium.

*Notes: (1) Wheelock, Wharf and Wharf Communications Limited ("Wharf Communications") (of which Mr. S. T. H. Ng is director) have interests in the share capital of the Company discloseable to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO").*

*(2) The Company confirms that it has received written confirmation from each of the Independent Non-executive Directors confirming their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), and considers them independent.*

#### (II) **Senior management**

##### **Stephen T. H. Ng, Chairman and Chief Executive Officer (Age: 54)**

##### **William J. H. Kwan, Director and Chief Financial Officer (Age: 43)**

##### **Ronald Y. C. Chiu, Executive Director – i-CABLE News Limited and i-CABLE Sports Limited (Age: 54)**

Mr. Chiu joined Wharf Communications in 1991 as a member of the pre-licence consultant team. When HKC was awarded the licence in June 1993, Mr. Chiu was appointed Assistant News Controller and was instrumental in the launch of the first 24-hour Cantonese language News Channel in the world. Mr. Chiu was promoted to News Controller in 1994 and appointed as Vice President, News & Sports in 2002. He became an executive director of i-CABLE News Limited and i-CABLE Sports Limited in September 2005. Mr. Chiu is now responsible for operating channels of the Sports and News platform. Prior to joining HKC, Mr. Chiu held various senior news positions in the television industry. His experience spans from reporting, editing, news anchoring, to planning and execution of news coverage as well as management of news operation.

**SUPPLEMENTARY CORPORATE INFORMATION** (continued)**(A) Biographical details of directors and senior managers etc.** (continued)**(II) Senior management** (continued)**Vincent T. Y. Lam, Executive Director – i-CABLE Network Limited (Age: 56)**

Mr. Lam joined Wharf Communications in 1992 as Vice President – Planning. In 1995, Mr. Lam was appointed chief operating officer of i-CABLE Network Limited (“iNL”) responsible for the rollout and deployment of cable network infrastructure in Hong Kong. In 2006, Mr. Lam became an executive director of iNL and HKC, responsible for strategic development and engineering, including technologies, services and regulatory development. Mr. Lam has over 20 years of experience in the telecommunications industry in the United States and Asia. Prior to joining Wharf Communications, Mr. Lam was general manager of business development in Asia for U.S. West International.

**Benjamin W. S. Tong, Executive Director – HKC (Age: 57)**

Mr. Tong joined HKC in 1995 to manage the Marketing and Sales Department in the Cable Operations Division. He was appointed Cable Multimedia Services Director in August 1999 to lead the development of the Group’s high-speed Internet access service. He became an executive director of HKC in 2006 to take overall charge of the company’s Pay TV and Broadband subscription services. Mr. Tong has over 20 years of marketing and sales experience in Hong Kong, Mainland China and Taiwan. Prior to joining HKC, Mr. Tong was marketing and sales director in Taiwan for American Express.

**Siuming Y. M. Tsui (alias: Siuming Tsui), Executive Director – i-CABLE Entertainment Limited; Chief Operating Officer – i-CABLE Satellite Television Limited; President – Sundream Motion Pictures Limited (Age: 53)**

Mr. Tsui joined HKC in July 2001 as Chief Operating Officer of i-CABLE Satellite Television Limited to develop satellite television business and programme production in Mainland China. Mr. Tsui was an executive director, Programming Services of HKC from 2003 to 2005. He became an executive director of i-CABLE Entertainment Limited in September 2005. Mr. Tsui was principally responsible for programme development, production, distribution and transmission of channels of entertainment platform. Mr. Tsui has extensive managerial and production experience in the media industry. Prior to joining HKC, he was chief executive officer of Sun TV Cyberworks Holdings Limited, senior vice president of Asia Television Limited and chief executive officer of Emperor Movie Group Limited.

**Samuel C. C. Tsang, General Manager – Hong Kong Cable Enterprises Limited (Age: 50)**

Mr. Tsang joined Wharf Communications in 1992 as marketing consultant to bid for the cable television licence in Hong Kong. In 1995, he was appointed Enterprises Director to take charge of international programme licensing and advertising sales for the station. He became chief operating officer of Hong Kong Cable Enterprises Limited (“HKCE”) when it was set up in 2000 to take over advertising sales of HKC. He became General Manager of both HKCE and Hong Kong Cable News Express Limited on March 1, 2005. Mr. Tsang has extensive experience in media and marketing, specialising in new business establishment in Mainland China and Hong Kong.

**Simon K. K. Yu, Vice President, i-CABLE Network Operations Limited (Age: 53)**

Mr. Yu joined the Wharf Group in 1987 and has held various administration and audit positions in the Wharf Group. He was appointed corporate controller-operations of Wharf Communications in 1992, responsible for operations, accounting, finance, control, administration and personnel. In 1996, Mr. Yu was appointed Administration and Audit Director of HKC. He became Vice President – i-CABLE Network Operations Limited (formerly known as i-CABLE WebServe Limited) in 2006 to take charge of operations of the company’s HFC & MMDS networks.

**Garmen K. Y. Chan, Vice President – External Affairs (Age: 53)**

Mr. Chan joined HKC in 1995 as external affairs director. He is responsible for formulating and implementing regulatory and external affairs strategies and action plans for the Group. Mr. Chan came from a diverse media background in Hong Kong, having held key positions in English newspapers and local television stations. Mr. Chan was a media consultant prior to joining HKC.

## SUPPLEMENTARY CORPORATE INFORMATION *(continued)*

### (A) Biographical details of directors and senior managers etc. *(continued)*

#### (II) Senior management *(continued)*

##### **David C. T. Wong, Vice President – i-CABLE Enterprises Limited (Age: 53)**

Mr. Wong joined the Group in May 2004 as Vice President of i-CABLE Enterprises Limited. He is responsible for formulating and implementing strategies for the Group in opening up cross-media business opportunities. Mr. Wong has over 20 years of journalistic experience and held various senior editorial and managerial positions in the Sing Tao Newspapers Group. Prior to joining the Group, Mr. Wong was Director-General of the Hong Kong Press Council – a self-regulatory body to promote professional ethics of the newspaper industry.

##### **Felix W. K. Yip, Vice President – Human Resources & Administration (Age: 48)**

Mr. Yip joined the Group in February 2005 as Vice President – Human Resources, Administration and Audit. He has a successful track record in Human Resources and Administration. He started his professional career with the Dairy Farm Group of companies. He next spent ten years in various positions with San Miguel Brewing International Limited, where he last held the position of General Manager – Human Resources & Administration, China Business Operations.

### (B) Directors' interests in shares

At December 31, 2006, Directors of the Company had the following beneficial interests, all being long positions, in the ordinary shares of the Company, of its parent company, namely, Wharf, and of a subsidiary of Wharf, namely, Harbour Centre Development Limited ("Harbour Centre"), and the percentages which the shares represented to the issued share capitals of the Company, Wharf and Harbour Centre respectively are also set out below:

	<b>No. of shares</b> (Percentage of issued capital)	<b>Nature of interest</b>
<b>The Company</b>		
Mr. Stephen T. H. Ng	1,065,005 (0.0527%)	Personal interest
<b>Wharf</b>		
Mr. Stephen T. H. Ng	650,057 (0.0266%)	Personal interest
<b>Harbour Centre</b>		
Mr. Fa Kuang Hu	50,000 (0.0159%)	Corporate interest

*Note: The 50,000 shares regarding "Corporate Interest" in which Mr. Fa Kuang Hu was taken to be interested as stated above was the interest held by a corporation in general meetings of which Mr. Hu was either entitled to exercise (or was taken under Part XV of the SFO to be able to exercise) or control the exercise of one-third or more of the voting power.*

**SUPPLEMENTARY CORPORATE INFORMATION** (continued)**(B) Directors' interests in shares** (continued)

Set out below are particulars of interests (all being personal interests) in options to subscribe for ordinary shares of the Company granted under the Share Option Scheme of the Company held by Directors of the Company during the financial year (no movement in such options recorded during the year):

Name of Director	Date granted (Day/Month/Year)	No. of ordinary shares represented by unexercised options outstanding throughout the year	Period during which rights exercisable (Day/Month/Year)	Price per share to be paid on exercise of options (HK\$)	Consideration paid for the options granted (HK\$)
Mr. Stephen T. H. Ng	08/02/2000	1,500,000	01/04/2001 to 31/12/2009	10.49	10
Mr. William J. H. Kwan (appointed on February 1, 2007)	08/02/2000	260,000	01/04/2001 to 31/12/2009	10.49	10

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange pursuant to the SFO or to the Model Code for Securities Transactions by Directors of Listed Issuers:

- (i) there were no interests, both long and short positions, held as at December 31, 2006 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO); and
- (ii) there existed during the financial year no rights to subscribe for any shares, underlying shares or debentures of the Company which were held by any of the Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises during the financial year of any such rights by any of them.

**(C) Substantial shareholders' interests**

Given below are the names of all parties which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company as at December 31, 2006, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register") and the percentages which the shares represented to the issued share capital of the Company:

Names	No. of ordinary shares (Percentage of issued capital)
(i) Wharf Communications Limited	1,480,505,171 (73.32%)
(ii) The Wharf (Holdings) Limited	1,480,505,171 (73.32%)
(iii) WF Investment Partners Limited	1,480,505,171 (73.32%)
(iv) Wheelock and Company Limited	1,481,442,626 (73.37%)
(v) HSBC Trustee (Guernsey) Limited	1,481,442,626 (73.37%)
(vi) Marathon Asset Management Limited	121,332,000 (6.01%)
(vii) Matthews International Capital Management, LLC	121,179,000 (6.00%)

*Note:* For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of the shareholdings stated against parties (i) to (v) above to the extent that the shareholding stated against party (i) above was entirely duplicated or included in that against party (ii) above, with the same duplication of the shareholdings in respect of (ii) in (iii), (iii) in (iv) and (iv) in (v).

All the interests stated above represented long positions and as at December 31, 2006, there were no short position interests recorded in the Register.

## SUPPLEMENTARY CORPORATE INFORMATION *(continued)*

### (D) Retirement scheme and mandatory provident fund

The principal retirement scheme operated by the Group is a defined contribution retirement scheme for its employees, established under a trust deed. Other fellow subsidiaries of the Group also participate in the scheme.

The scheme is funded by contributions from employees and employers. The employees and employers contribute respectively to the scheme sums which represent percentages of the employees' salaries as defined under the trust deed. Forfeited contributions may be utilised by the employers to reduce contributions.

The Group's principal retirement scheme is closed to new employees joining after October 1, 2000 while existing members of the scheme can continue to accrue future benefits.

Employees joining after October 1, 2000 will participate in the Mandatory Provident Fund ("MPF") with terms as stipulated by the MPF Authority. The Group will also provide voluntary top-up benefits to employees receiving a monthly basic salary exceeding HK\$20,000 which is the relevant income cap as stipulated by the MPF Ordinance.

The Group's retirement scheme costs before capitalisation and charged to the profit and loss account during the year ended December 31, 2006 amounted to HK\$19,025,015 (2005: HK\$18,755,121) which were incurred after utilisation of forfeitures to reduce the Group's contributions of HK\$2,022,123 (2005: HK\$2,292,243).

*Note: The total employers' cost in respect of the retirement scheme of the Group, including the cost related to the MPF which is not operated by the Group, charged to profit and loss account during the year ended December 31, 2006 amounted to HK\$33,436,633 (2005: HK\$31,870,567).*

### (E) Share option scheme (the "Scheme") of the Company

#### (I) Summary of the Scheme

##### (a) Purpose of the Scheme:

To recognise employees' effort and contributions to the Group's successful business achievements.

##### (b) Participants of the Scheme:

Any employee in the full time employment of the Group and any Executive Director of the Group approved by the Board of Directors.

##### (c) (i) Total number of ordinary shares of HK\$1 each in the capital of the Company (the "Shares") available for issue under the Scheme as at December 31, 2006:

196,689,040

##### (ii) Percentage of the issued share capital that it represents as at December 31, 2006:

9.74%

##### (d) Maximum entitlement of each participant under the Scheme as at December 31, 2006:

No option may be granted to any one employee which if exercised in full would result in the total number of Shares already issued and issuable to him under all the options previously granted to him and of Shares issuable to that employee under the proposed option exceeding 25% of the maximum aggregate number of Shares in the capital of the Company in respect of which options may at that time be granted under the Scheme.

##### (e) Period within which the Shares must be taken up under an option:

Employees Share Option Plan ("ESOP")

For ESOP 1 : From April 1, 2001 to December 31, 2009.



**SUPPLEMENTARY CORPORATE INFORMATION** (continued)**(E) Share option scheme (the “Scheme”) of the Company** (continued)**(I) Summary of the Scheme** (continued)

(f) *Minimum period for which an option must be held before it can be exercised:*

For ESOP 1:

- (i) The first 20% of the entitlement – on or after April 1, 2001;
- (ii) The next 40% of the entitlement – on or after the date on which it is announced that the Company's audited consolidated revenue in the preceding financial year has exceeded HK\$2,300 million; and
- (iii) The remaining 40% entitlement – on or after the date on which it is announced that the Company's audited consolidated revenue in the preceding financial year has exceeded HK\$3,900 million.

(g) (i) *Price payable on application or acceptance of the option:*

HK\$10

(ii) *The period within which payments or calls must or may be made or loans of such purposes must be repaid:*

28 days after the offer date of an option.

(h) *Basis of determining the exercise price:*

Pursuant to rule 17.03 (9) of the Listing Rules, the exercise price must be at least the higher of:

- (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and
- (ii) the average closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

(i) *the remaining life of the Scheme:*

3 years

**(II) Details of share options granted**

Details of share options granted to a Director of the Company are set out in section (B) above.

Set out below are particulars and movements during the financial year of the Company's outstanding share options which were granted to approximately 70 employees (one of them being a Director of the Company during the year), all working under employment contracts that are regarded as “continuous contracts” for the purposes of the Employment Ordinance and are participants with options not exceeding the respective individual limits:

<b>Date granted</b> (Day/Month/Year)	<b>No. of ordinary shares represented by unexercised options outstanding as at January 1, 2006</b>	<b>No. of ordinary shares represented by options lapsed during the financial year</b>	<b>No. of ordinary shares represented by unexercised options outstanding as at December 31, 2006</b>	<b>Period during which rights exercisable</b> (Day/Month/Year)	<b>Price per share to be paid on exercise of options</b> (HK\$)
08/02/2000	15,160,000	(3,060,000)	12,100,000	01/04/2001 to 31/12/2009	10.49
	15,160,000	(3,060,000)	12,100,000		

## SUPPLEMENTARY CORPORATE INFORMATION *(continued)*

### (E) Share option scheme (the “Scheme”) of the company *(continued)*

#### (II) Details of share options granted *(continued)*

Except as disclosed above, no share option of the Company was issued, exercised, cancelled, lapsed or outstanding throughout the financial year.

### (F) Directors’ interests in competing business

Set out below is information disclosed pursuant to paragraph 8.10 of the Listing Rules of the Hong Kong Stock Exchange.

One Director of the Company, namely, Mr. Stephen T. H. Ng, being a director of i-CABLE Telecom Limited (“iTL”) and WTT, wholly-owned subsidiaries of Wharf, is considered as having an interest in WTT under paragraph 8.10 of the Listing Rules. Another Director of the Company, namely, Mr. William J. H. Kwan, being also a director of iTL, is considered as having an interest in WTT under paragraph 8.10 of the Listing Rules.

Part of the communications businesses carried by iTL and WTT constitutes a competing business of the Group.

WTT currently holds a FTNS licence to provide, *inter alia*, local and international telecommunications services whereas iTL provides telecom services for residential line. iTL and WTT are therefore potential competitors of the Group for the provision of data services at present and voice services in future.

In order to protect the interests of the Group, prior to the date of listing of shares of the Company on the Hong Kong Stock Exchange, each of Wharf and Wharf Communications has covenanted with the Company, subject to certain conditions, not to, and to use its best endeavours to procure that none of the directly or indirectly held subsidiaries (including WTT) and associated companies of Wharf will, either alone or jointly with any other party, directly and indirectly carry on, or be engaged or concerned or interested in or assist, any business in Hong Kong which would compete directly or indirectly with the Pay TV and Internet access businesses of the Group from time to time.

The Group considers that its interests in the relevant sector of its communications businesses are adequately safeguarded and the Group is capable of carrying on its communications businesses independently of iTL and WTT.

For further safeguarding of the interests of the Group, the independent non-executive Directors and the Audit Committee of the Company would on a regular basis review the business and operational results of the Group to ensure, *inter alia*, that the Group’s communications businesses are and continue to be run on the basis that they are independent of, and at arm’s length from, that of the Wharf group.

### (G) Major customers and suppliers

For the year ended December 31, 2006:

- (I) the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group’s five largest suppliers represented less than 30% of the Group’s total purchases; and
- (II) the aggregate amount of turnover attributable to the Group’s five largest customers represented less than 30% of the Group’s total turnover.

### (H) Bank loans, overdrafts and other borrowings

Particulars of other borrowings of the Group at December 31, 2006 are set out in Note 27 to the Financial Statements.

### (I) Interest capitalised

No interest was capitalised by the Group during the financial year.

### (J) Purchase, sale or redemption of shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial year.

**SUPPLEMENTARY CORPORATE INFORMATION** (continued)

**(K) Public float**

Based on information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended December 31, 2006.

**(L) Disclosure of connected transactions**

(i) Set out below is information in relation to certain connected transactions (the "Connected Transactions") between the Company (the Company being a 73.32% owned subsidiary of The Wharf (Holdings) Limited ("Wharf")) and/or its subsidiaries (together, the "Group") with other members of the Wharf group (together, the "Wharf Group"), which were substantially disclosed in the press announcements of the Company dated August 29, 2000, August 14, 2001, January 2, 2002, October 19, 2004 and April 8, 2005:

Description of the Connected Transactions	Amount paid/received for the year ended December 31, 2006 HK\$ million
<b>(a) Property</b>	
1. <i>Headquarters leased from the Wharf Group</i> Factory 3 on G/F, 4/F to 12/F (inclusive), portions of 1/F and 2/F, units 1-7 on 40/F, storeroom 3 on the roof top, various car-parking and lorry-parking spaces and units 1, 2 and 4 on G/F of Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories ("Cable TV Tower").	30.3
2. <i>Licences granted to the Wharf Group to occupy premises</i>	
(i) Northern portion of 12/F of Cable TV Tower.	1.4
(ii) Parts of 9/F and of 12/F of Cable TV Tower.	2.9
3. <i>Licences granted by the Wharf Group to occupy premises</i>	
(i) Workshop No. E13, 11/F, Block E of Tsing Yi Industrial Centre Phase II, Nos. 1-33 Cheung Tat Road, Tsing Yi, New Territories.	0.2
(ii) Unit D, 6/F of Kowloon Godown, 1-3 Kai Hing Road, Kowloon Bay, Kowloon.	1.0
4. <i>Car-parking spaces rented from the Wharf Group</i> Car-parking spaces at Chai Wan Kok Street, Tsuen Wan, New Territories.	2.1
<b>(b) Computer services</b>	
1. Information technology services provided by the Wharf Group.	18.0
2. Billing services provided by the Wharf Group.	6.7
<b>(c) Network</b>	
1. Maintenance and sharing of ducts, cables and ancillary equipment provided to the Wharf Group.	22.5
2. Telecommunications services provided by the Wharf Group.	22.3
3. Project management services provided to the Wharf Group.	3.4
4. Multi-party arrangements for the construction, the sharing and maintenance of ducts for telecommunications cables and equipment in Hong Kong:	
(i) Amount paid by the Group	0.4
(ii) Amount received by the Group.	1.4
<b>(d) Advertising services</b>	
1. Advertising services provided by the Wharf Group	Nil
2. Advertising services provided to the Wharf Group	Nil

## SUPPLEMENTARY CORPORATE INFORMATION *(continued)*

### (L) Disclosure of connected transactions *(continued)*

#### (I) *(continued)*

Description of the Connected Transactions	Amount paid/received
	for the year ended December 31, 2006 HK\$ million
(e) Management services provided by the Wharf Group	12.4
(f) Video link service provided by the Wharf Group	2.9
(g) Internet Protocol Network point-of-presence service provided to the Wharf Group	39.5
(h) Sales and servicing agency in respect of Pay TV, Broadband Internet and telephony services provided between the Wharf Group and i-CABLE Group:	
(i) Amount paid by the Group	4.7
(ii) Amount received by the Group	24.7

#### (II) Conditional waivers granted by the Hong Kong Stock Exchange

All of the above Connected Transactions are and will continue to be conducted on an ongoing basis. It is considered that for some of such Connected Transactions, strict compliance with the relevant requirements (the "Requirements") relating to the Listing Rules would be impractical. On application by the Company, the Hong Kong Stock Exchange granted to the Company conditional waivers from strict compliance with the Requirements in respect of some of the Connected Transactions, namely, (I)(a) to (I)(f) above.

#### (III) Confirmation from the Directors

The Directors, including the independent non-executive Directors, of the Company have reviewed the Connected Transactions and have confirmed that:

- the Connected Transactions were entered into:
  - by the Group in the ordinary and usual course of its business;
  - either on normal commercial terms or if there are not sufficient comparable transactions, on terms that are no less favourable than those available to or from (as appropriate) independent third parties; and
  - in accordance with the relevant agreements governing such Connected Transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.
- in respect of each of the Connected Transactions mentioned above in paragraphs numbered (a)1, (a)2(i), (a)3(i), (a)4, (b)1, (b)2, (c)1, (c)2, (c)3, (c)4(i), (c)4(ii), (d)2 and (e), the aggregate amount of Connected Transactions within each such category for the financial year ended December 31, 2006 of the Company was less than 2.5% in respect of the applicable percentage ratios of the Company under the Listing Rules and also did not exceed the relevant cap amount previously prescribed by the Hong Kong Stock Exchange (as set out in the relevant conditional waiver granted to the Company in January 2002), i.e. 3% of the Group's consolidated net tangible assets as disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2005;
- in respect of each of the Connected Transactions mentioned above in paragraphs numbered (a)2(ii), (a)3(ii) and (d)1, the aggregate amount of fees paid for the financial year ended December 31, 2006 in respect of each of such category was less than 2.5% in respect of the applicable percentage ratios of the Company under the Listing Rules and also did not exceed the relevant cap amount of HK\$10 million previously prescribed by the Hong Kong Stock Exchange as set out in the relevant conditional waiver granted to the Company in October 2001;

**SUPPLEMENTARY CORPORATE INFORMATION** (continued)**(L) Disclosure of connected transactions** (continued)**(III) Confirmation from the Directors** (continued)

4. in respect of the Connected Transaction mentioned above in paragraph numbered (f), the amount paid for the financial year ended December 31, 2006 was less than 2.5% in respect of the applicable percentage ratios of the Company under the Listing Rules and also did not exceed the relevant cap amount (as previously prescribed by the Hong Kong Stock Exchange and as set out in the relevant conditional waiver granted to the Company in October 2000) of 1% of the Group's turnover for the immediately preceding year.

Furthermore, the auditors of the Company have advised the following:

1. the Connected Transactions had been approved by the Company's Board of Directors;
2. where applicable, those Connected Transactions which involved provisions of goods or services by the Group are in accordance with the pricing policies of the Group;
3. the Connected Transactions were entered into in accordance with the terms of the related agreements governing the Connected Transactions, or, where there was no agreement, on terms no less favourable than those for similar transactions undertaken by the Group with independent third parties where available; and
4. the relevant cap amounts have not been exceeded during the year ended December 31, 2006.

*Note: Certain particulars of the related party transactions entered into by the Group during the year under review have been disclosed in Note 38 to the Financial Statements on pages 81 and 82. Those related party transactions also constitute connected transactions (as defined in the Listing Rules) for the Company.*