City Telecom (H.K.) Limited
Fibre Wonderland: Network for Our Next Generation

(HKEX:1137.HK / NASDAQ: CTEL)
NiQ Lai, CFO and Head of Talent Engagement
Credit Suisse 2011 Global Communications and Media Convergence Conference
Miami, Florida
07 March 2011
What we offer for US$26/month
Disclaimer

This presentation contains forward-looking statements and information that involve risks, uncertainties and assumptions. Forward-looking statements are all statements that concern plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact, including, but not limited to, those that are identified by the use of words such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects" and similar expressions.

Risks and uncertainties that could affect us include, without limitation: changes in technology; changes in the regulatory environment in which we operate, or changes in the rules and polices that government regulators apply to our businesses; increased competition in the international services or fixed telecommunications network services; the benefits we expect to receive from our continuing capital expenditure on our network; our ability to both maintain growth and successfully introduce new products and services; and the continued development and stability of the technological infrastructure we use to provide our telecommunications and Internet services.

Should one or more of such risks and uncertainties materialize, or should any underlying assumption prove incorrect, actual outcomes may vary materially from those indicated in the applicable forward-looking statements. Any forward-looking statement or information contained in this presentation speaks only as of the date the statement was made.

We are not required to update any such statement or information to either reflect events or circumstances that occur after the date the statement or information is made or to account for unanticipated events.
Agenda

- Company Overview
- Financial Review
- CTO Supplement
About City Telecom Group

1992
- Co-founded by cousins Ricky & Paul with 10 Talents and start-up capital of less than HK$1 million
- 1st company to shatter the International Direct Dial (IDD) monopoly in Hong Kong

2011
- Over 3,000 Talents located in Hong Kong and Guangzhou with HK$1.5 billion annual revenues
- Hong Kong’s largest alternative and fastest growing residential broadband service provider
- HK$4.5 billion market capitalization company listed on Hong Kong Stock Exchange and NASDAQ
What we are Passionate About

Core Value
“To experience the emotion of competition, winning and crushing competition”

Big Hairy Audacious Goal (BHAG)
“Be the largest IP provider in Hong Kong by 2016”

Vivid Description
“My children will say, “Dad I love you as my Father”
Fibre-To-The-Home Global References

Verizon FiOS in the US
- For year to Dec 31, 2009, 56.5% growth in FiOS revenue to US$5.5 billion, with 3.4 million subscribers on 15.4 million homes pass
- CTEL’s cost per home pass of US$200 is 1/5th of Verizon FiOS

CTEL’s cost per home pass of US$200 is 1/5th of Verizon FiOS

FTTH’s success in Japan
- In Japan, FTTH overtook copper-based xDSL in 2008
- FTTH posted compound annual growth rate of 39% between Dec 2005 to Dec 2009
- Hong Kong is behind Japan in terms of subscribers trend

US Verizon’s Fibre vs Copper Trends

Japan’s Fibre vs Copper Trends

Source: Verizon FY09 Annual Report

Source: Japan’s Ministry of Internal Affairs and Communications
Hong Kong’s Extreme Density

- Hong Kong is one of the most densely populated cities on Earth
- Extremely compelling “Addressable Income per Fibre Mile”
- US$200 cost per home passed compares with US$1,000-4,000 for US, Japan and European benchmarks

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP/ Capita (2009, U$)</th>
<th>Pop (million)</th>
<th>Area (mi²)</th>
<th>Density (mi²)</th>
</tr>
</thead>
<tbody>
<tr>
<td>HK</td>
<td>29,559</td>
<td>7</td>
<td>428</td>
<td>16,355</td>
</tr>
<tr>
<td>US</td>
<td>46,443</td>
<td>307</td>
<td>3,717,813</td>
<td>83</td>
</tr>
<tr>
<td>Japan</td>
<td>39,574</td>
<td>128</td>
<td>145,868</td>
<td>877</td>
</tr>
</tbody>
</table>

IMF 2009 data
Asia’s Best Fixed-Line and Broadband Carrier
Talent Development: CXO of the Future

- Management Trainee Program to Develop our future CEO, CFO, CTO etc in 15-20 years time.
- Requires - CFA Level 1, half marathon, 18 management books, etc.
- 1,300 applicants for two positions in 2011.
Our Talents – “Private Bank” Service

“Private Bank” Style Account Manager

Each of our new customers are assigned to a private account manager, offering Private Banking level of personalized service.

Ad placed in prominent local newspapers, Oct 2010
Disruptive Changes to Industry Structure

Two Year Price Charts up to 12 November 2010
FTV over HKBN’s Fibre

- Leverage HKBN’s existing 2.0 mn Fibre homes pass by 2011.
- All TVs with digital turner in HKBN Fibre Buildings will be able to access CTI FTV service without need for set-top-box.
- Structurally superior cost to legacy PTV and far greater capacity than legacy over-the-air FTV.
Agenda

• Company Overview
• Financial Review
• Management Outlook
Company Vision Statement

Big, Hairy & Audacious Goal (BHAG)
Set in November 2006

“To be the largest IP provider in Hong Kong by 2016”

Management compensation is based on BHAG Key Performance Indicators
Exciting Market Potential

Revenue Potential

PCCW
FY09: US$2.405 million

City Telecom
FY09: US$190 million

Note: PCCW Revenue = Fixed Telecom Services (TSS) + Now TV only
## Five Year Trend

<table>
<thead>
<tr>
<th>FTNS Subscriptions (’000)</th>
<th>FY06</th>
<th>FY07</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broadband</td>
<td>220</td>
<td>247</td>
<td>316</td>
<td>391</td>
<td>526</td>
</tr>
<tr>
<td>Voice</td>
<td>281</td>
<td>308</td>
<td>329</td>
<td>382</td>
<td>431</td>
</tr>
<tr>
<td>Digital TV</td>
<td>116</td>
<td>128</td>
<td>156</td>
<td>170</td>
<td>153</td>
</tr>
<tr>
<td>Total</td>
<td>617</td>
<td>683</td>
<td>801</td>
<td>943</td>
<td>1,110</td>
</tr>
</tbody>
</table>

**Broadband Bundle Blended ARPU (HK$/month) (Note 1)**

<table>
<thead>
<tr>
<th></th>
<th>FY06</th>
<th>FY07</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
</tr>
</thead>
<tbody>
<tr>
<td>148</td>
<td>175</td>
<td>191</td>
<td>182</td>
<td>135</td>
<td></td>
</tr>
</tbody>
</table>

**IDD Minutes (mn)**

<table>
<thead>
<tr>
<th></th>
<th>FY06</th>
<th>FY07</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
</tr>
</thead>
<tbody>
<tr>
<td>788</td>
<td>659</td>
<td>574</td>
<td>487</td>
<td>464</td>
<td></td>
</tr>
</tbody>
</table>

**Income Statement (HK$ mn)**

<table>
<thead>
<tr>
<th></th>
<th>FY06</th>
<th>FY07</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Telecom Network Services</td>
<td>741.3</td>
<td>816.8</td>
<td>1,011.0</td>
<td>1,230.9</td>
<td>1,356.1</td>
</tr>
<tr>
<td>International Telecoms</td>
<td>418.3</td>
<td>324.5</td>
<td>292.0</td>
<td>247.3</td>
<td>218.6</td>
</tr>
<tr>
<td>Turnover</td>
<td>1,159.6</td>
<td>1,141.3</td>
<td>1,303.0</td>
<td>1,478.2</td>
<td>1,574.7</td>
</tr>
<tr>
<td>EBITDA (Note 2)</td>
<td>245.2</td>
<td>353.8</td>
<td>378.0</td>
<td>508.1</td>
<td>469.4</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>21.1%</td>
<td>31.0%</td>
<td>29.0%</td>
<td>34.4%</td>
<td>29.8%</td>
</tr>
<tr>
<td>Profit / (Loss) After Tax</td>
<td>(92.2)</td>
<td>28.9</td>
<td>125.2</td>
<td>212.8</td>
<td>216.9</td>
</tr>
<tr>
<td>Total Capex</td>
<td>323.0</td>
<td>132.3</td>
<td>211.7</td>
<td>286.7</td>
<td>344.8</td>
</tr>
<tr>
<td>Adjusted FCF (EBITDA - Capex - Net Finance Cost)</td>
<td>(146.0)</td>
<td>156.7</td>
<td>106.7</td>
<td>171.1</td>
<td>113.8</td>
</tr>
<tr>
<td>Gross Debt to EBITDA (x)</td>
<td>3.9</td>
<td>2.7</td>
<td>1.8</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Net Debt to EBITDA (x)</td>
<td>2.3</td>
<td>1.1</td>
<td>0.7</td>
<td>Net Cash</td>
<td>Net Cash</td>
</tr>
<tr>
<td>Basic EPS (HK cents/share)</td>
<td>(15.0)</td>
<td>4.7</td>
<td>19.7</td>
<td>32.4</td>
<td>30.7</td>
</tr>
<tr>
<td>Dividend declared (HK cents/share)</td>
<td>-</td>
<td>8.0</td>
<td>6.0</td>
<td>19.0</td>
<td>20.0</td>
</tr>
</tbody>
</table>

Notes: 1. For exit acquisition and contract renewal
Notes: 2. For FY10, EBITDA includes HK$9.7 mn loss on senior notes buyback and redemption / redemption (FY09: HK31.4mn gain; FY08: HK$2.6 mn gain on senior notes buyback and cancellation.)
FY11 Guidance

- Focus on profitability with EBITDA to exceed HK$580 mn
- From 526,000 subscriptions as of 31 August 2010 to exceed 600,000 subscriptions by 31 August 2011
- Capital expenditure of HK$320 mn to HK$350 mn

<table>
<thead>
<tr>
<th>ARPU Vs EBITDA</th>
<th>Financial Year End</th>
<th>FY05</th>
<th>FY06</th>
<th>FY07</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11 Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscribers (‘000)</td>
<td>229</td>
<td>220</td>
<td>247</td>
<td>316</td>
<td>391</td>
<td>526</td>
<td>600</td>
<td></td>
</tr>
<tr>
<td>Broadband bundle blended ARPU (Exit New and Renewal contracts, HK$/month)</td>
<td>113</td>
<td>148</td>
<td>175</td>
<td>191</td>
<td>182</td>
<td>135</td>
<td>NA</td>
<td></td>
</tr>
<tr>
<td>EBITDA (HK$ mn)</td>
<td>59</td>
<td>245</td>
<td>354</td>
<td>378</td>
<td>508</td>
<td>469</td>
<td>580</td>
<td></td>
</tr>
</tbody>
</table>

We have a proven track record to raise ARPU and profitability successfully before.
Incredible Value at US$26/month
Capex: Lower Cost & Much Higher Performance

NGN Scales Logarithmically

Vs

xDSL Does Not Scale Well

Cisco Catalyst 2960 Router with 24 subscriber ports
List Price: US$1,295 or US$54/port

xDSL
Estimated cost ~US$200/port

Source: CTEL estimates
Opex: 48% of Talents Based in Low Cost Guangzhou

Customer Acquisition –
Hong Kong (1,633 Talents^)
- 14 Fibre Shops
- Numerous “on-the-street” marketing kiosks
- 400 sales representatives

Customer Retention –
Guangzhou (1,520 Talents^)
- Customer service prioritized
- Individual client teams
- Proactive up-sell of additional services

^These refer to the number of Talents working in the location indicated as of 31 Aug 2009
Rapid Broadband Market Share Gains

Broadband Subscribers (‘000)

<table>
<thead>
<tr>
<th></th>
<th>1H 07</th>
<th>2H 07</th>
<th>1H 08</th>
<th>2H 08</th>
<th>1H 09</th>
<th>2H 09</th>
<th>1H 10</th>
<th>2H 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>PCCW (31 Dec YE)</td>
<td>1200</td>
<td>1300</td>
<td>1400</td>
<td>1500</td>
<td>1600</td>
<td>1700</td>
<td>1800</td>
<td>1900</td>
</tr>
<tr>
<td>City Telecom (31 Aug YE)</td>
<td>200</td>
<td>300</td>
<td>400</td>
<td>500</td>
<td>600</td>
<td>700</td>
<td>800</td>
<td>900</td>
</tr>
<tr>
<td>i-Cable (31 Dec YE)</td>
<td>100</td>
<td>200</td>
<td>300</td>
<td>400</td>
<td>500</td>
<td>600</td>
<td>700</td>
<td>800</td>
</tr>
<tr>
<td>Hutchison Telecom (31 Dec YE)</td>
<td>0</td>
<td>10</td>
<td>20</td>
<td>30</td>
<td>40</td>
<td>50</td>
<td>60</td>
<td>70</td>
</tr>
</tbody>
</table>

Net Additions (‘000)

Launch of bb100 @ HK$99/month

Source: PCCW, CTI, i-Cable and HTHK Interim and Annual Reports, JP Morgan’s HTHK report “Hutchison Telecom Hong Kong Holdings Ltd” dated 12 Aug 2009

Note: PCCW reports “lines in service” rather than subscribers. Hutchison Telecom Hong Kong no longer discloses broadband subscribers as of 31 Dec 2009
Competitor Analysis

- Incumbent PCCW enjoys EBITDA great margins, 43% on core telecom business, versus 30% for City Telecom, i.e. we would be happy to met half way.

- Hutchison Telecom is market leader in mobile via “3” and clear #2 in corporate fixed line, which combined forms the bulk of its business. Residential fixed line is less than 8% of its revenue base.

- i-Cable broadband subscribers peaked in 328,000 in 2006 and has since fallen to 249,000 in 2009.
Agenda

• Company Overview
• Financial Review
• Technology Supplement
Evolution of Broadband Access Technology

HKBN 100Mbps Baseline

LTE MIMO 2x2
15Mhz
27Mbps per sector
HSPA+

IP Aggregation

Fibre-To-The-Home

Fibre-To-The-Building

Fiber-fed DLC & ADSL

Fiber-fed DLEC & ADSL

Copper Drop (ADSL)

G.Vecton (VDSL2)

Fibre-To-The-Building

Home

RoadShow Presentation

Signal Strength

Strong

1Gbps

100Mbps

40Mbps

25Mbps

8Mbps

3Mbps

2-3km

1.5km

500m
The Real Need for 100Mbps

Content

- Full Resolution 3D: 24Mbps
- Half Resolution 3D and HD: 9Mbps
- P2P Streaming: 2Mbps
- YouTube HD download: >100Mbps

Devices

Multi-User and Tasking

- Dad/Mom: HD->3D: 24Mbps, Half Resolution 3D and HD: 9Mbps, P2P Streaming: 2Mbps, YouTube HD download: >100Mbps
- Son: HD 8Mbps + P2P@3Mbps + Web
- Daughter: HD 8Mbps + P2P@3Mbps + Web

100/1000 Mbps

802.11n and HomePlug AV2

61mbps
• Appendix
**Consolidated Income Statement**

- FTNS turnover grew by 10.2% to HK$1,356.1 mn, representing 86.1% of total turnover

- Core EBITDA margin down from 32.2% in FY2009 to 30.4% in FY2010 due to record broadband subscription growth and its associated acquisition costs

### FY09 vs FY10

<table>
<thead>
<tr>
<th>HK$ mn</th>
<th>FY09</th>
<th>FY10</th>
<th>YoY %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Telecoms Network Services</td>
<td>1,230.9</td>
<td>1,356.1</td>
<td>10.2%</td>
</tr>
<tr>
<td>International Telecoms</td>
<td>247.3</td>
<td>218.6</td>
<td>-11.6%</td>
</tr>
<tr>
<td>Turnover</td>
<td>1,478.2</td>
<td>1,574.7</td>
<td>6.5%</td>
</tr>
<tr>
<td>Interest income</td>
<td>4.8</td>
<td>11.4</td>
<td>137.5%</td>
</tr>
<tr>
<td>Other income, excluding interest income</td>
<td>36.7</td>
<td>(3.4)</td>
<td>-109.3%</td>
</tr>
<tr>
<td>Other revenues</td>
<td>41.5</td>
<td>8.0</td>
<td>-80.7%</td>
</tr>
</tbody>
</table>

#### Operating Costs

<table>
<thead>
<tr>
<th>HK$ mn</th>
<th>FY09</th>
<th>FY10</th>
<th>YoY %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network Expenses</td>
<td>(175.1)</td>
<td>(195.3)</td>
<td>11.5%</td>
</tr>
<tr>
<td>Talent Costs*</td>
<td>(302.3)</td>
<td>(301.8)</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Office Expenses</td>
<td>(33.8)</td>
<td>(34.7)</td>
<td>2.7%</td>
</tr>
<tr>
<td>General and Administration</td>
<td>(142.6)</td>
<td>(148.8)</td>
<td>4.3%</td>
</tr>
<tr>
<td>Advertising and Promotion</td>
<td>(353.0)</td>
<td>(421.3)</td>
<td>19.3%</td>
</tr>
<tr>
<td>Operating Cash Costs</td>
<td>(1,006.8)</td>
<td>(1,101.9)</td>
<td>9.4%</td>
</tr>
</tbody>
</table>

#### Earnings

<table>
<thead>
<tr>
<th>HK$ mn</th>
<th>FY09</th>
<th>FY10</th>
<th>YoY %</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>508.1</td>
<td>469.4</td>
<td>-7.6%</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>34.4%</td>
<td>29.8%</td>
<td></td>
</tr>
<tr>
<td>Core EBITDA</td>
<td>476.7</td>
<td>479.1</td>
<td>0.5%</td>
</tr>
<tr>
<td>Core EBITDA Margin</td>
<td>32.2%</td>
<td>30.4%</td>
<td></td>
</tr>
</tbody>
</table>

- Depreciation | (206.2) | (199.0) | -3.5% |
- Operating Profit | 306.7 | 281.8 | -8.1% |
- Finance Costs | (55.1) | (22.2) | -59.7% |
- Profit Before Tax | 251.6 | 259.6 | 3.2% |
- Tax | (38.8) | (42.7) | 10.1% |
- Profit After Tax | 212.8 | 216.9 | 1.9% |

**Earnings per Share (HK cents/share)**

- Basic (HK cents/share) | 32.4 | 30.7 | -5.2% |
- Fully Diluted (HK cents/share) | 31.8 | 29.4 | -7.5% |

**Dividend declared (HK cents/share)**

- 19.0 | 20.0 | 5.3%

**Total Capex**

- 286.7 | 344.8 | 20.3%

**EBITDA - Capex - net financing cost**

- 171.1 | 113.8 | -33.5%

*This represents the Talent costs included in other operating expenses only.

*Core EBITDA represents the EBITDA for any period plus or deduct any net (loss) or gain from extinguishment of 10-year senior notes.
During FY2010, we brought back and fully redeemed our 10-year senior notes

As of 31 Aug 2010, adjusted net cash position of HK$443.3 mn*

Raised capital of US$52 mn (gross) via US placement in April 2010

Consolidated Balance Sheet

<table>
<thead>
<tr>
<th>HK$ mn</th>
<th>31-Aug-09</th>
<th>31-Aug-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>1,302.4</td>
<td>1,431.8</td>
</tr>
<tr>
<td>Long term prepayment</td>
<td>6.0</td>
<td>5.1</td>
</tr>
<tr>
<td>Long-term portion - deferred expenditure</td>
<td>12.8</td>
<td>6.6</td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>226.5</td>
<td>588.7</td>
</tr>
<tr>
<td>Restricted bank deposit</td>
<td>15.0</td>
<td>-</td>
</tr>
<tr>
<td>Other current assets</td>
<td>226.6</td>
<td>218.2</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td><strong>468.1</strong></td>
<td><strong>806.9</strong></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>(383.1)</td>
<td>(371.9)</td>
</tr>
<tr>
<td><strong>Employment of capital:</strong></td>
<td><strong>1,407.3</strong></td>
<td><strong>1,879.6</strong></td>
</tr>
<tr>
<td>Shareholder funds</td>
<td>1,228.5</td>
<td>1,688.5</td>
</tr>
<tr>
<td>Deferred taxation</td>
<td>15.7</td>
<td>55.8</td>
</tr>
<tr>
<td>Finance lease</td>
<td>0.5</td>
<td>0.4</td>
</tr>
<tr>
<td>10-year Senior Notes</td>
<td>162.6</td>
<td>-</td>
</tr>
<tr>
<td>Bank Loan</td>
<td>-</td>
<td>123.6</td>
</tr>
<tr>
<td>Derivative Financial Instrument</td>
<td>-</td>
<td>11.3</td>
</tr>
<tr>
<td><strong>Funds employed</strong></td>
<td><strong>1,407.3</strong></td>
<td><strong>1,879.6</strong></td>
</tr>
<tr>
<td>Gross Debt to EBITDA (x)</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Net Debt to EBITDA (x)</td>
<td>Net Cash</td>
<td>Net Cash</td>
</tr>
</tbody>
</table>

Note *: Gross cash of HK$588.7 mn, less Bank Loan of HK$123.6 mn, less Derivative Financial Instrument of HK$11.3 mn and less Bank Overdraft of HK$10.5 mn (included in current liabilities).
During FY2010, despite competitors matching our price cuts, we dominated the market with 135,000 net additions versus estimated total market 145,000 net additions (Per ofta.gov.hk statistics of 2.093 mn as of 31 July 2010 less 1.960 mn as of 31 August 2009 x 12/11).

Effective from 1 Sept 2010, we switched our primary focus from HK$99/month for 100Mbps broadband to HK$199/month for Triple Play service of 100Mbps broadband, voice and IP-TV.

During FY2010, Broadband churn rate remained well below 1.0% per month.
Please Try This At Home

Avatar 1080p FULL HD Movie Trailer
http://www.youtube.com/watch?v=_i2RCBa3l-g
At 26Mbps, HKBN is >7x higher than Global Average
“Fibre Wonderland”: Network for Our Next Generation

In “Alice in Wonderland”, the 1865 novel by Lewis Carroll, Alice falls down a rabbit hole and enters a world of fantasy where amazing things happen. Today Hong Kong enjoys a Fibre Wonderland with some of the World’s most compelling broadband service offerings.

At City Telecom, we have rolled out our Fibre based network with our Next Generation in mind, to help them fulfill their dreams and full potential. The story of “Fibre Wonderland” unfolds as Zoie and Hei Lam jumps through a manhole and discovers a colorful and playful world that is filled with fun and infinite possibilities enabled by Fibre.