

City Telecom (H.K.) Limited

Fibre Wonderland: Network for Our Next Generation

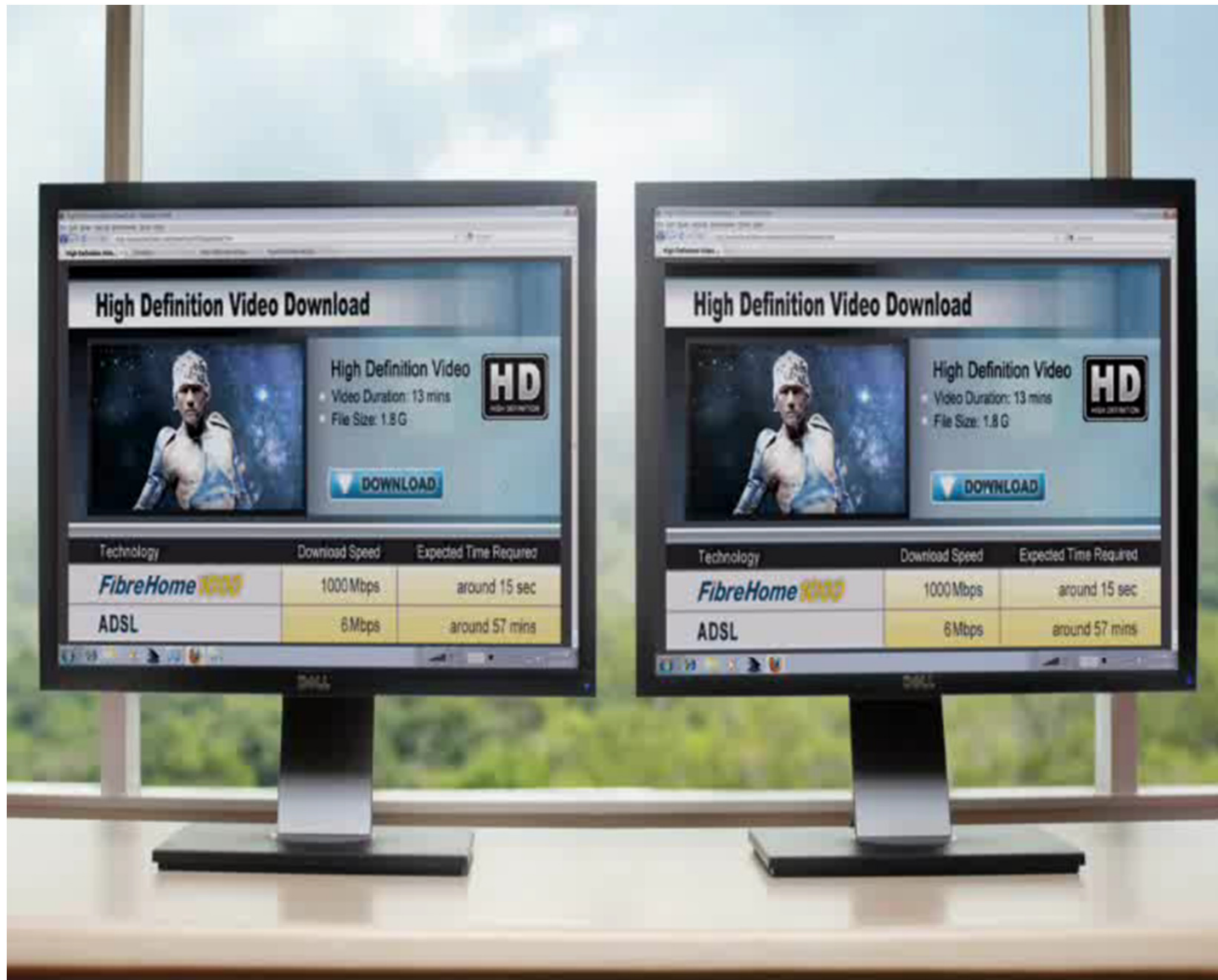
Zoie
Poon

Wong
Hei Lam

(HKEX:1137.HK / NASDAQ: CTCL)
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 policies 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

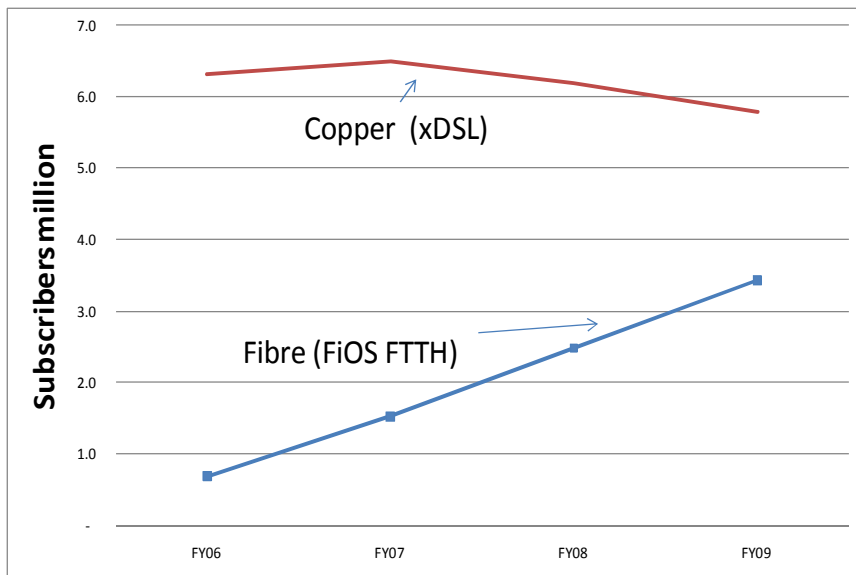


Fibre-To-The-Home Global References

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
- CTCL's cost per home pass of US\$200 is 1/5th of Verizon FiOS

US Verizon's Fibre vs Copper Trends

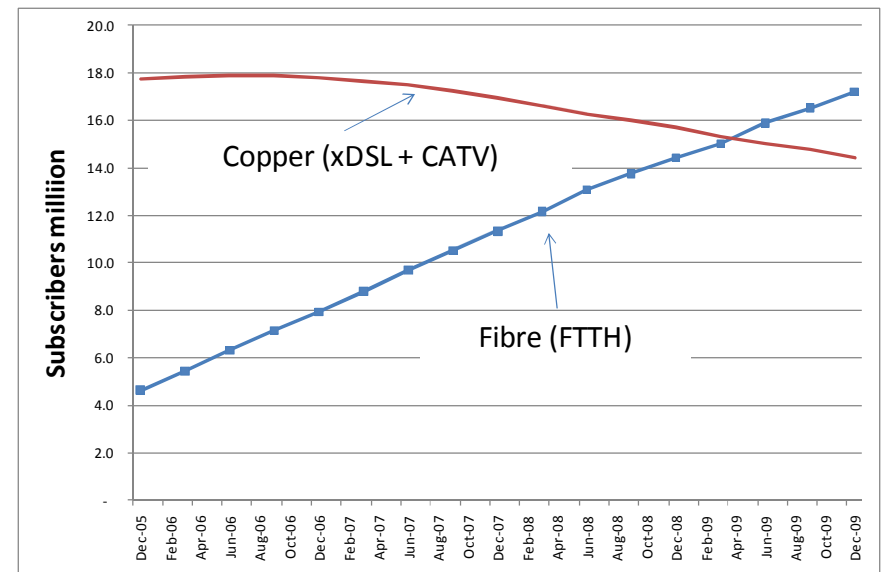


Source: Verizon FY09 Annual Report

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

Japan's Fibre vs Copper Trends



Source: Japan's Ministry of Internal Affairs and Communications

Hong Kong's Extreme Density

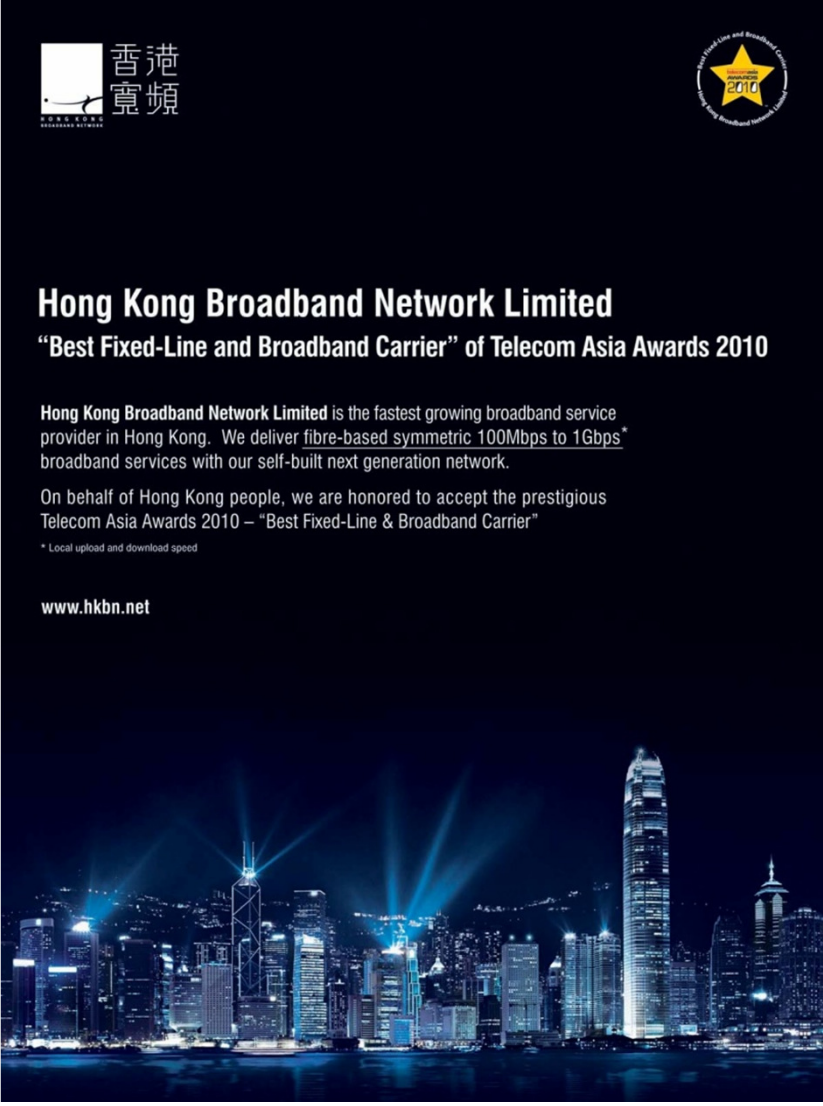
- Hong Kong is one of the most densely populated cities on Earth
- Extremely compelling “Addressable Income per Fibre Mile”
- US\$200 cost per home passed compares with US\$1,000-4,000 for US, Japan and European benchmarks

Country	GDP/ Capita (2009, U\$)	Pop (million)	Area (mi ²)	Density (mi ²)
HK	29,559	7	428	16,355
US	46,443	307	3,717,813	83
Japan	39,574	128	145,868	877


IMF 2009 data




Asia's Best Fixed-Line and Broadband Carrier



The image shows a dark blue award certificate for Hong Kong Broadband Network Limited. At the top left is the HKBN logo with the Chinese characters '香港寬頻' and 'HONG KONG BROADBAND NETWORK' below it. At the top right is a gold star award seal for 'Best Fixed-Line and Broadband Carrier' from the 'Telecom Asia Awards 2010'. The main text in white reads: 'Hong Kong Broadband Network Limited', '“Best Fixed-Line and Broadband Carrier” of Telecom Asia Awards 2010', 'Hong Kong Broadband Network Limited is the fastest growing broadband service provider in Hong Kong. We deliver fibre-based symmetric 100Mbps to 1Gbps* broadband services with our self-built next generation network.', 'On behalf of Hong Kong people, we are honored to accept the prestigious Telecom Asia Awards 2010 – “Best Fixed-Line & Broadband Carrier”', '* Local upload and download speed', and 'www.hkbn.net'. The bottom of the certificate features a night-time photograph of the Hong Kong skyline with blue light beams emanating from the buildings.

 香港寬頻
HONG KONG BROADBAND NETWORK



Hong Kong Broadband Network Limited
“Best Fixed-Line and Broadband Carrier” of Telecom Asia Awards 2010

Hong Kong Broadband Network Limited is the fastest growing broadband service provider in Hong Kong. We deliver fibre-based symmetric 100Mbps to 1Gbps* broadband services with our self-built next generation network.

On behalf of Hong Kong people, we are honored to accept the prestigious Telecom Asia Awards 2010 – “Best Fixed-Line & Broadband Carrier”

* Local upload and download speed

www.hkbn.net

Our Culture



3,000-Talent Town-Hall Meetings, Nov 2009

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



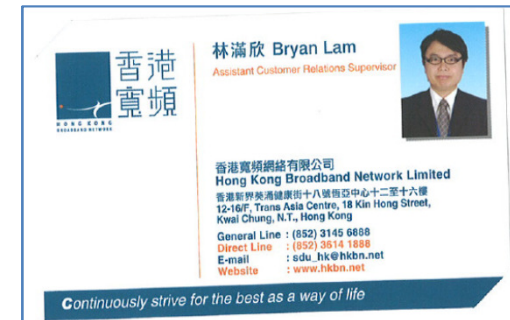
**Thank you.
We're committed to
serving you better.**

With innovation and commitment,
we pledge to deliver ever-higher
standards of service for you.

Hong Kong Broadband received these awards from
the Hong Kong Call Centre Association:
Best Contact Centre in Quality Assurance, Silver
Inbound Contact Centre Agent of the Year, Bronze & Merit
Inbound Contact Centre Team Leader of the Year, Gold, Silver & Merit

SILVER AWARD
The 11th Annual
Hong Kong Call Centre
Association Awards
Best Contact Centre in Quality Assurance
Hong Kong Broadband Network Ltd

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林滿欣 Bryan Lam
Assistant Customer Relations Supervisor

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Hong Kong Broadband Network Limited
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General Line : (852) 3145 6888
Direct Line : (852) 3614 1888
E-mail : edu_hk@hkbn.net
Website : www.hkbn.net

Continuously strive for the best as a way of life

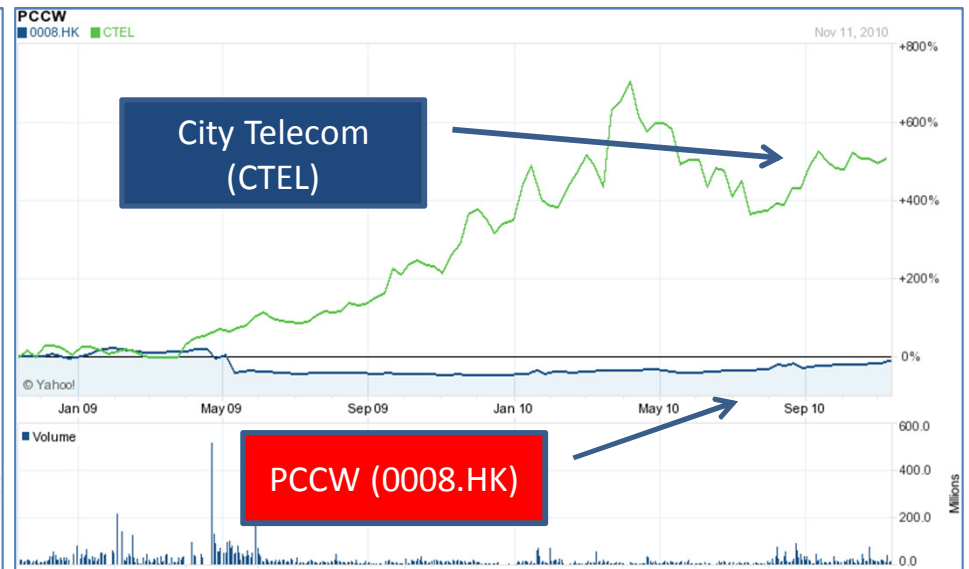
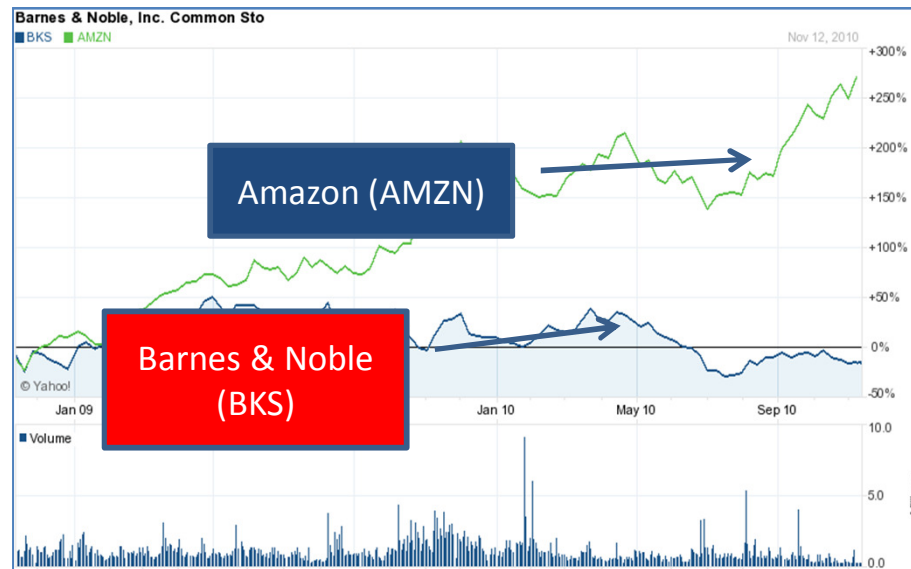
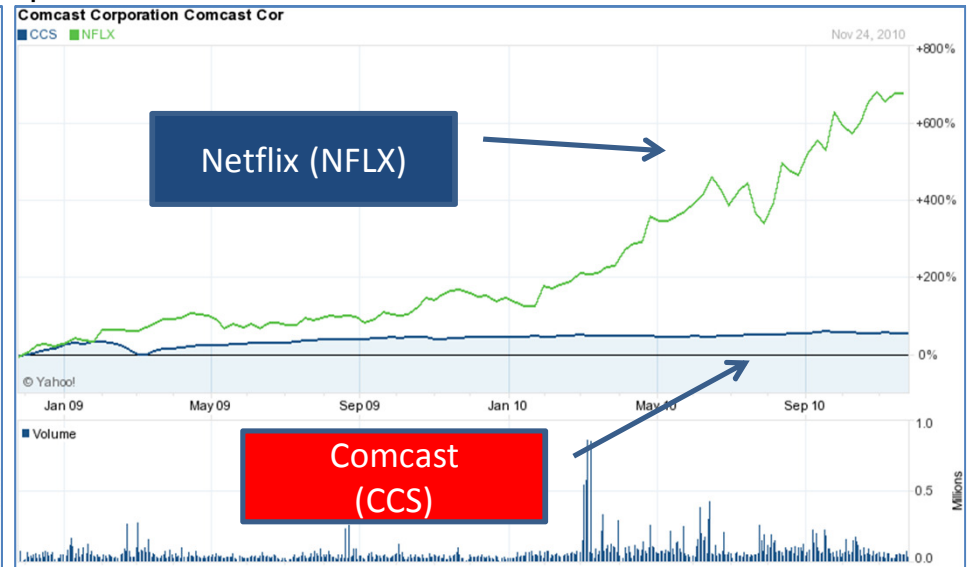
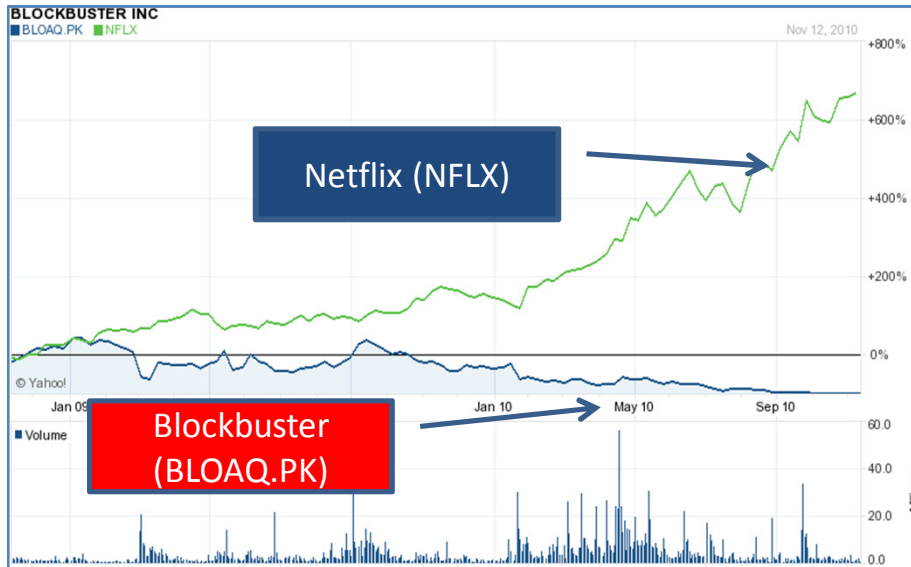
“Private Bank” Style Account Manager

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

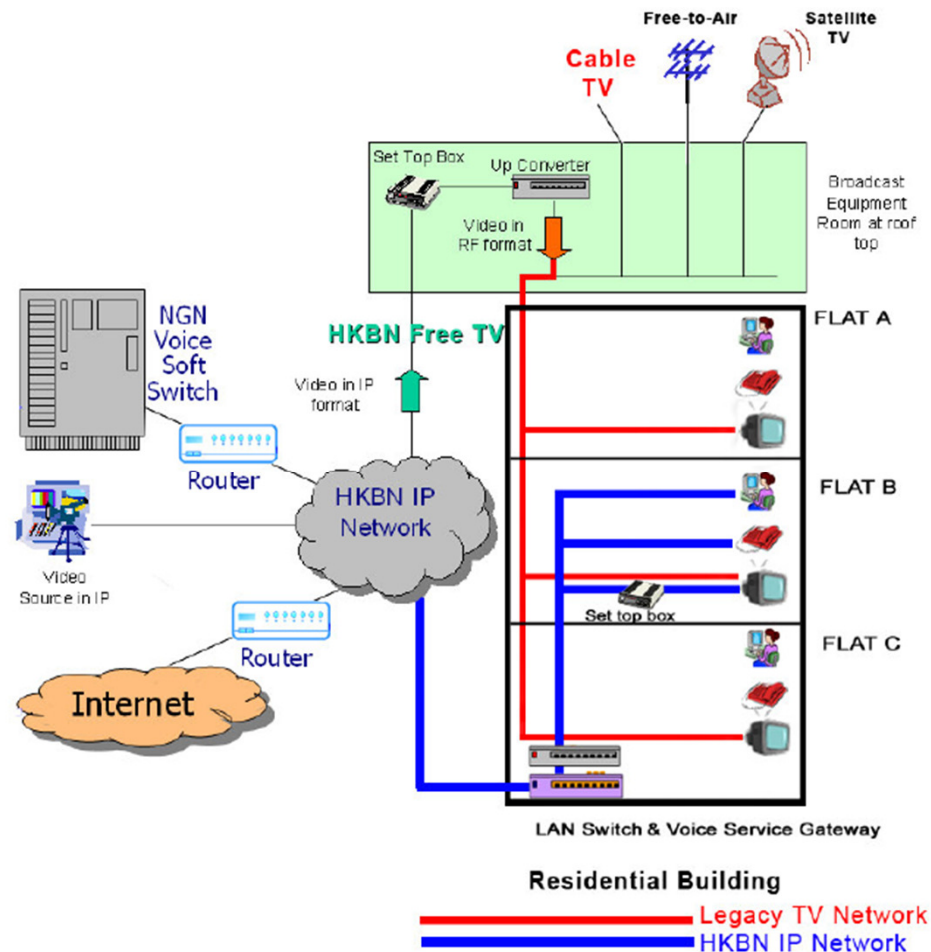
Disruptive Changes to Industry Structure

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 tuner 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)

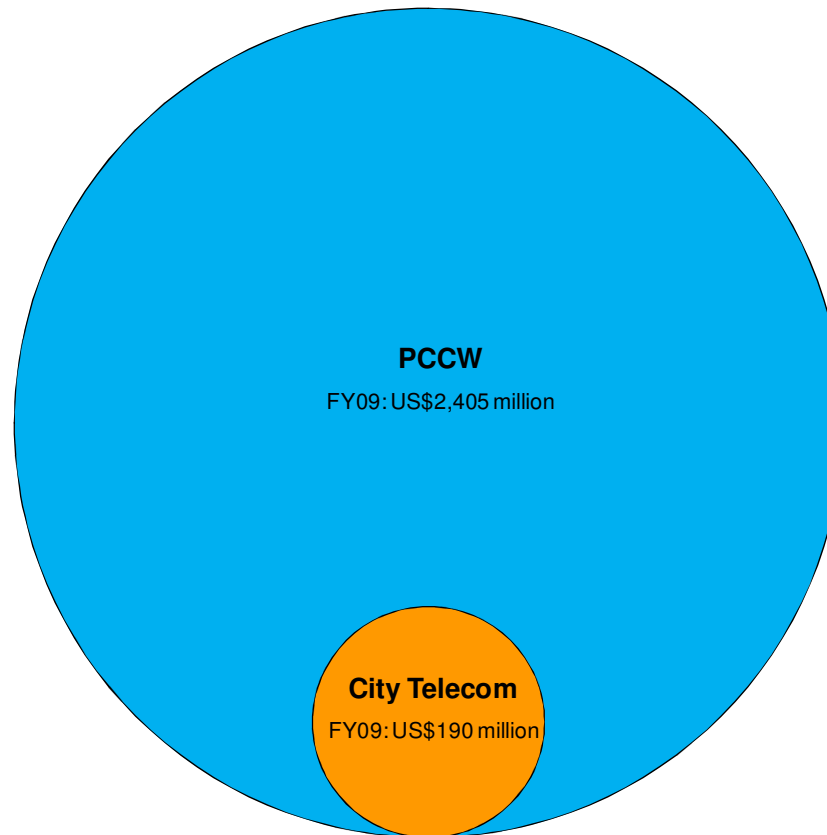
Set in November 2006

**“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



Note: PCCW Revenue = Fixed Telecom Services (TSS) + Now TV only

Five Year Trend

	12 Months Ended Aug 31				
	FY06	FY07	FY08	FY09	FY10
FTNS Subscriptions ('000)					
Broadband	220	247	316	391	526
Voice	281	308	329	382	431
Digital TV	116	128	156	170	153
Total	617	683	801	943	1,110
 Broadband Bundle Blended ARPU					
(HK\$/month) (Note 1)	148	175	191	182	135
IDD Minutes (mn)	788	659	574	487	464
Income Statement (HK\$ mn)					
Fixed Telecom Network Services	741.3	816.8	1,011.0	1,230.9	1,356.1
International Telecoms	418.3	324.5	292.0	247.3	218.6
Turnover	1,159.6	1,141.3	1,303.0	1,478.2	1,574.7
EBITDA (Note 2)	245.2	353.8	378.0	508.1	469.4
EBITDA Margin	21.1%	31.0%	29.0%	34.4%	29.8%
Profit / (Loss) After Tax	(92.2)	28.9	125.2	212.8	216.9
Total Capex	323.0	132.3	211.7	286.7	344.8
Adjusted FCF (EBITDA - Capex - Net Finance Cost)	(146.0)	156.7	106.7	171.1	113.8
Gross Debt to EBITDA (x)	3.9	2.7	1.8	0.3	0.3
Net Debt to EBITDA (x)	2.3	1.1	0.7	Net Cash	Net Cash
Basic EPS (HK cents/share)	(15.0)	4.7	19.7	32.4	30.7
Dividend declared (HK cents/share)	-	8.0	6.0	19.0	20.0

Notes: 1. For exit acquisition and contract renewal

Notes: 2. For FY10, EBITDA includes HK\$9.7 mn loss on senior notes buyback and cancellation / redemption (FY09: HK\$31.4mn 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

ARPU Vs EBITDA

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

We have a proven track record to raise ARPU and profitability successfully before

Incredible Value at US\$26/month




One Monthly Fee at \$199
 3 types of services at the same time




bb100 + bbTV IP-TV + Home Telephone Service
 Register this special bundle plan at monthly fee \$199* to enjoy 100Mbps* Broadband Service, IP-TV and Home Telephone Service.
 Don't miss the chance! Act Now!




Awarded by Telecom Asia
 "Best Fixed-Line and Broadband Carrier"

Hotline : 3613 1000 apply.hkbn.net/en

*Maximum local upload/download speed is 100Mbps, maximum overseas upload/download speed is 20Mbps. The actual speed may be affected by other network factors.
 **Offer valid from May 31, 2010. Subject to terms and conditions including 24-month contract, pre-paid monthly fee of \$340 and non-refundable installation fee of \$990.
 The offer applies to residential customers with the network coverage of HkBN.
 *Hong Kong Broadband Network has been awarded the "Best Fixed-Line and Broadband Carrier" of Telecom Asia Awards 2010 by Telecom Asia. Network is operated by HkBN.



1000M
 From today, you can change your world.
 For just \$199 per month*



Hotline: 3613 1000
www.hkbn.net

*Valid till May 31, 2010. Subject to terms and conditions including 24-month contract, pre-paid monthly fee of \$340 and non-refundable installation fee of \$990.

Capex: Lower Cost & Much Higher Performance

NGN Scales Logarithmically



xDSL Does Not Scale Well



Vs



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

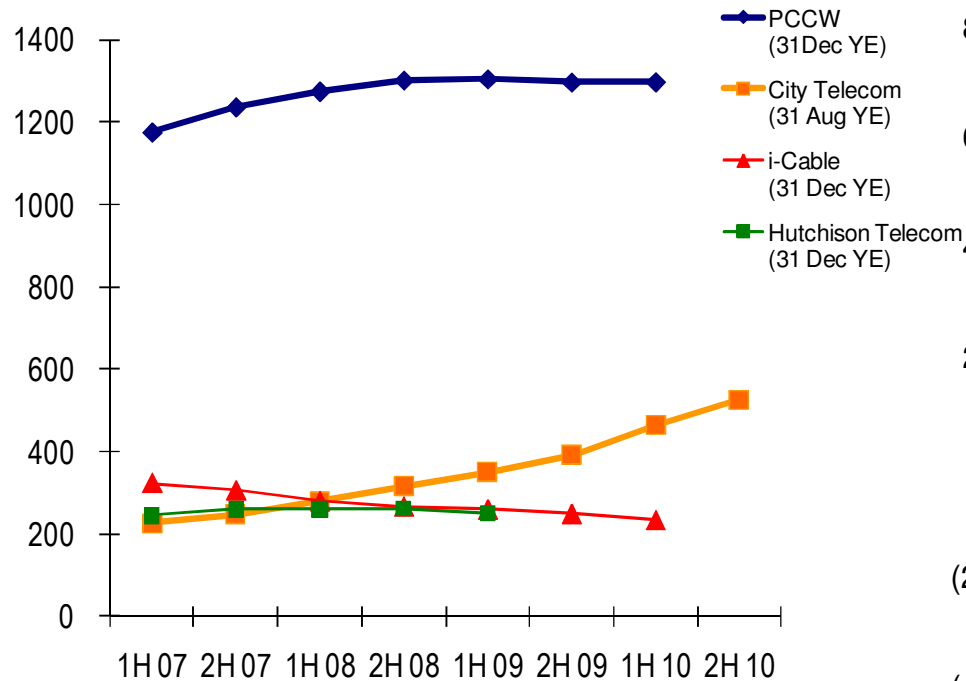
Guangzhou
Salary at 1/3rd
Hong Kong
Salary



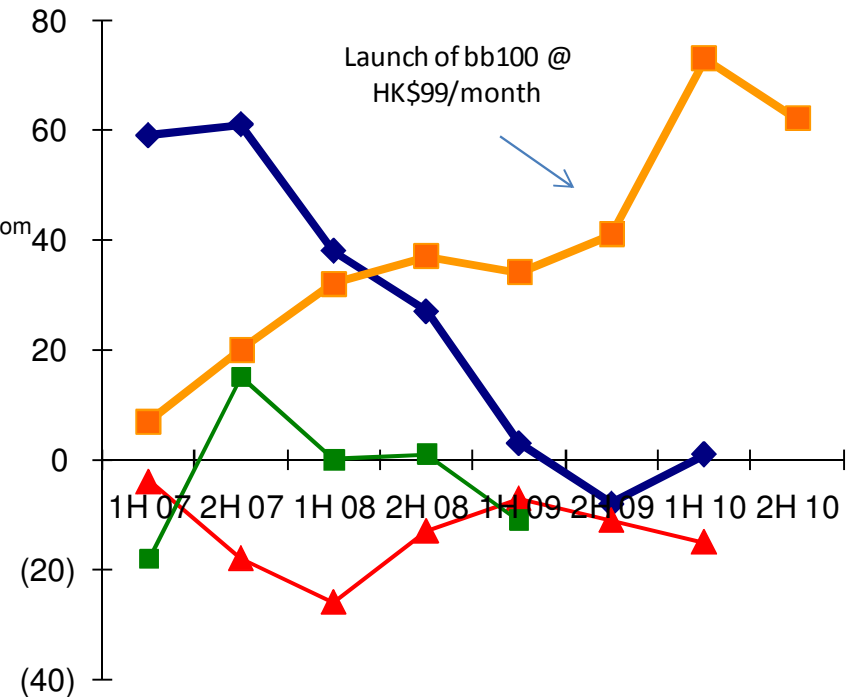
[^]These refer to the number of Talents working in the location indicated as of 31 Aug 2009

Rapid Broadband Market Share Gains

Broadband Subscribers ('000)



Net Additions ('000)



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

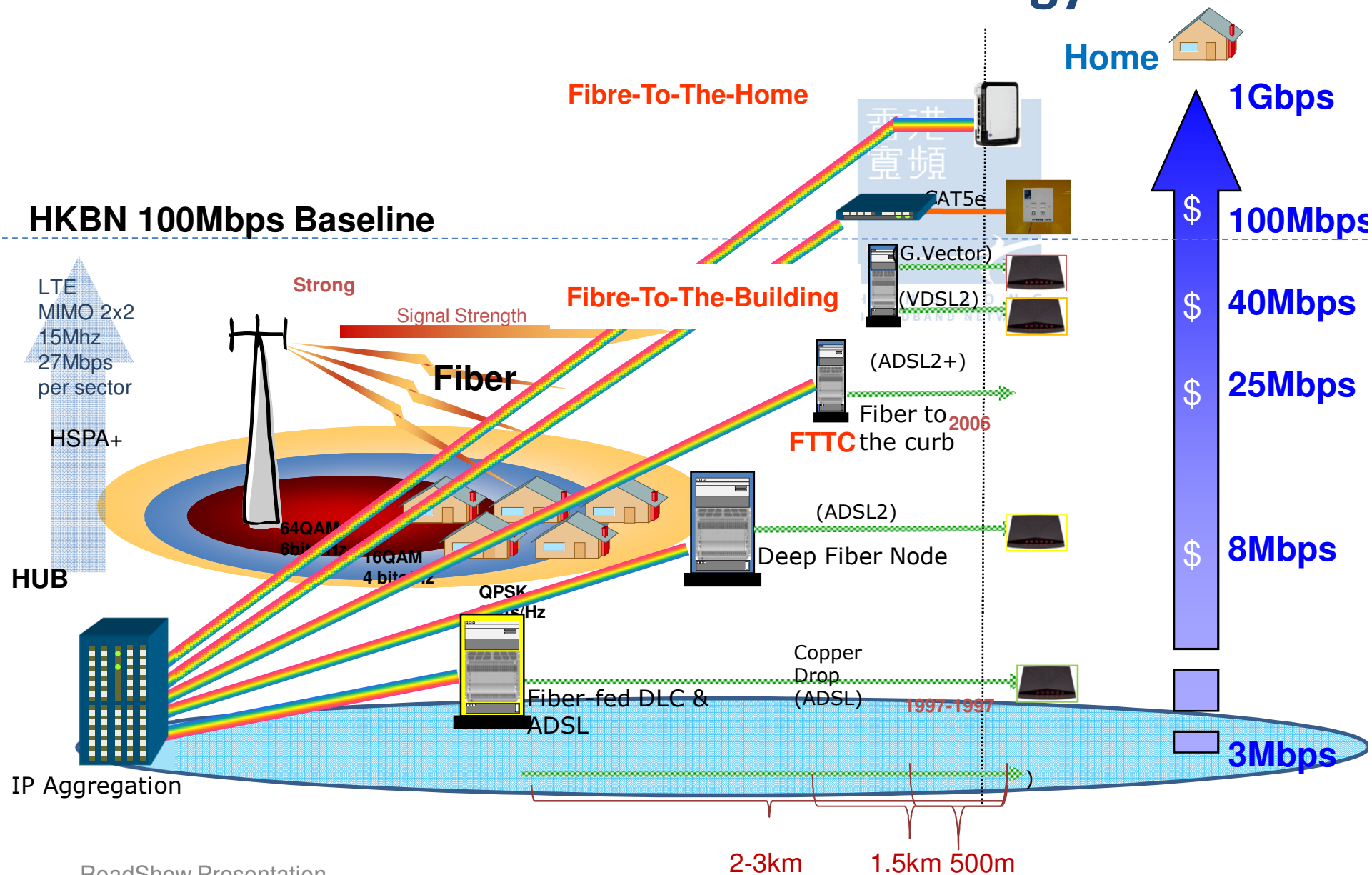
Competitor Analysis

- 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.

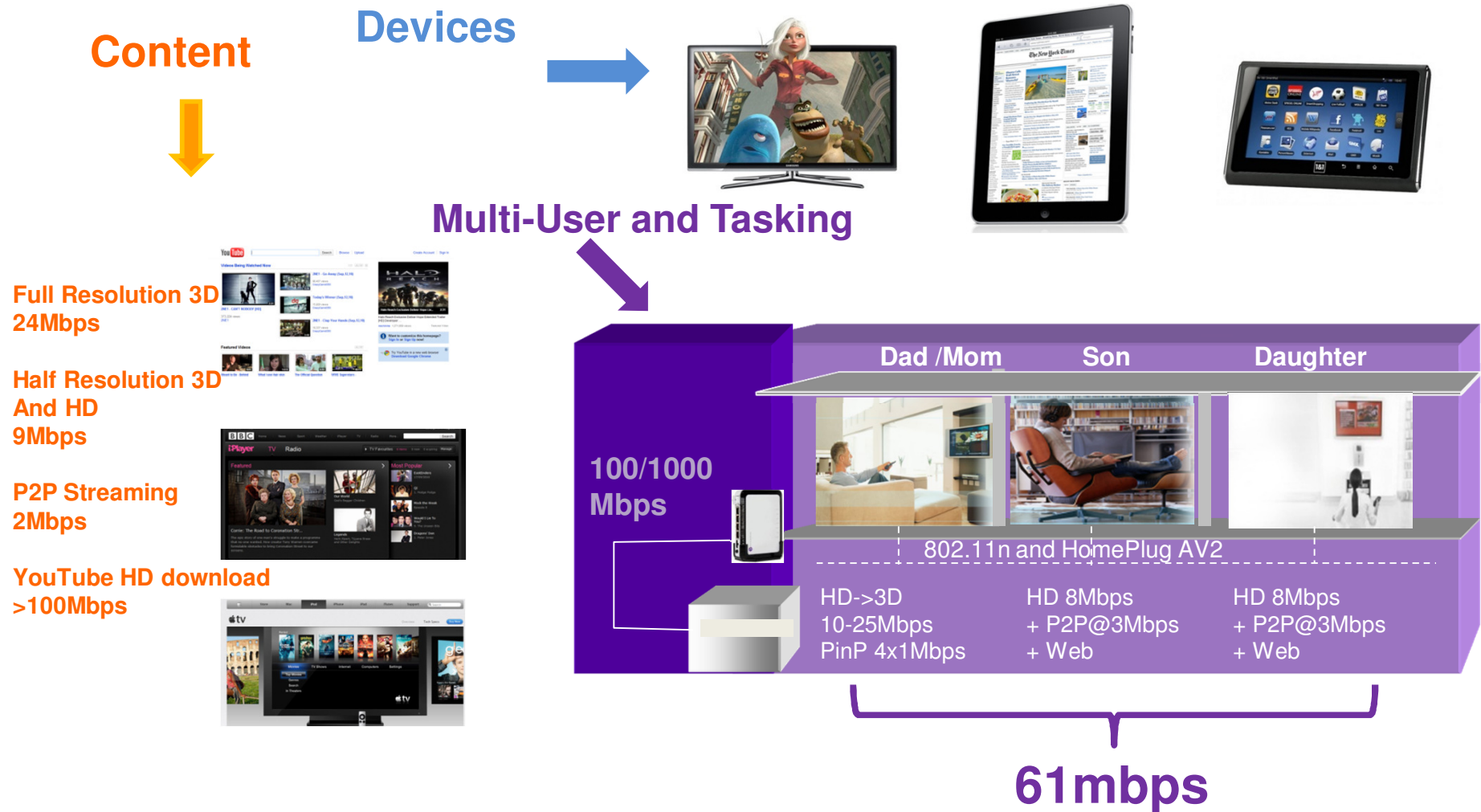
Agenda

- **Company Overview**
- **Financial Review**
- **Technology Supplement**

Evolution of Broadband Access Technology



The Real Need for 100Mbps



- **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

HK\$ mn	FY09	FY10	YoY %
Fixed Telecoms Network Services	1,230.9	1,356.1	10.2%
International Telecoms	247.3	218.6	-11.6%
Turnover	1,478.2	1,574.7	6.5%
Interest income	4.8	11.4	137.5%
Other income, excluding interest income	36.7	(3.4)	-109.3%
Other revenues	41.5	8.0	-80.7%
Network Expenses	(175.1)	(195.3)	11.5%
Talent Costs*	(302.3)	(301.8)	-0.2%
Office Expenses	(33.8)	(34.7)	2.7%
General and Administration	(142.6)	(148.8)	4.3%
Advertising and Promotion	(353.0)	(421.3)	19.3%
Operating Cash Costs	(1,006.8)	(1,101.9)	9.4%
EBITDA	508.1	469.4	-7.6%
<i>EBITDA Margin</i>	<i>34.4%</i>	<i>29.8%</i>	
Core EBITDA #	476.7	479.1	0.5%
<i>Core EBITDA Margin</i>	<i>32.2%</i>	<i>30.4%</i>	
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

Consolidated Balance Sheet

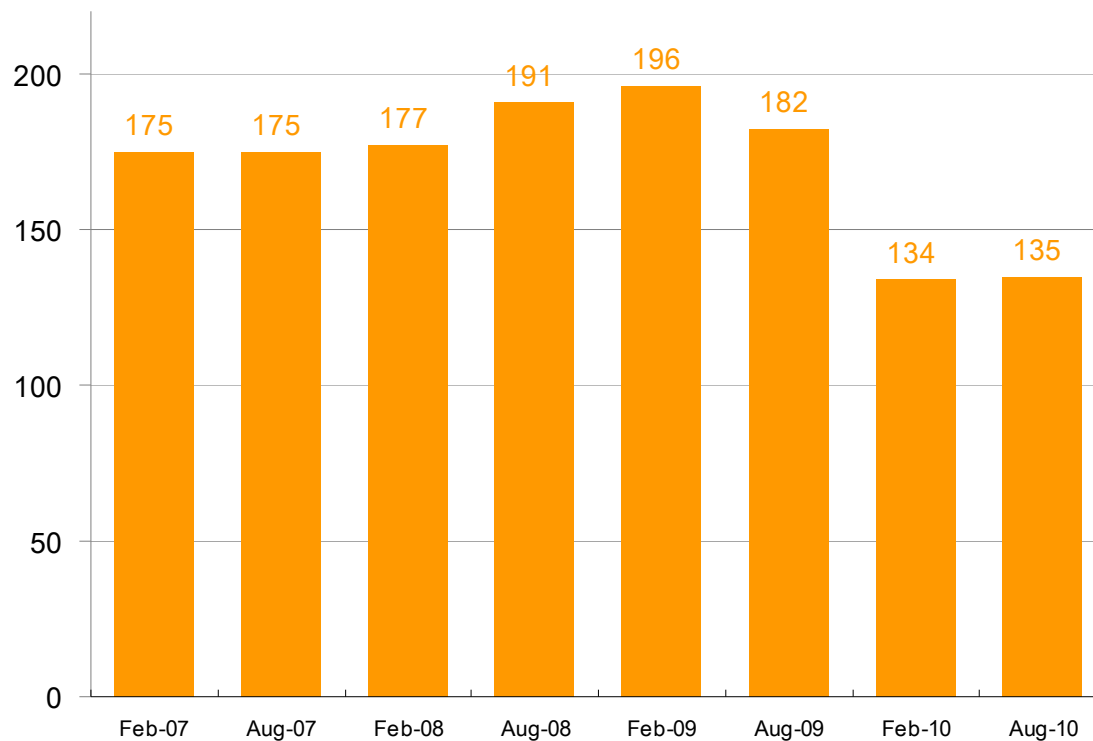
- During FY2010, we brought back and fully redeemed our 10-year senior notes
- As of 31 Aug 2010, adjusted net cash position of HK\$443.3 mn*
- Raised capital of US\$52 mn (gross) via US placement in April 2010

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

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).

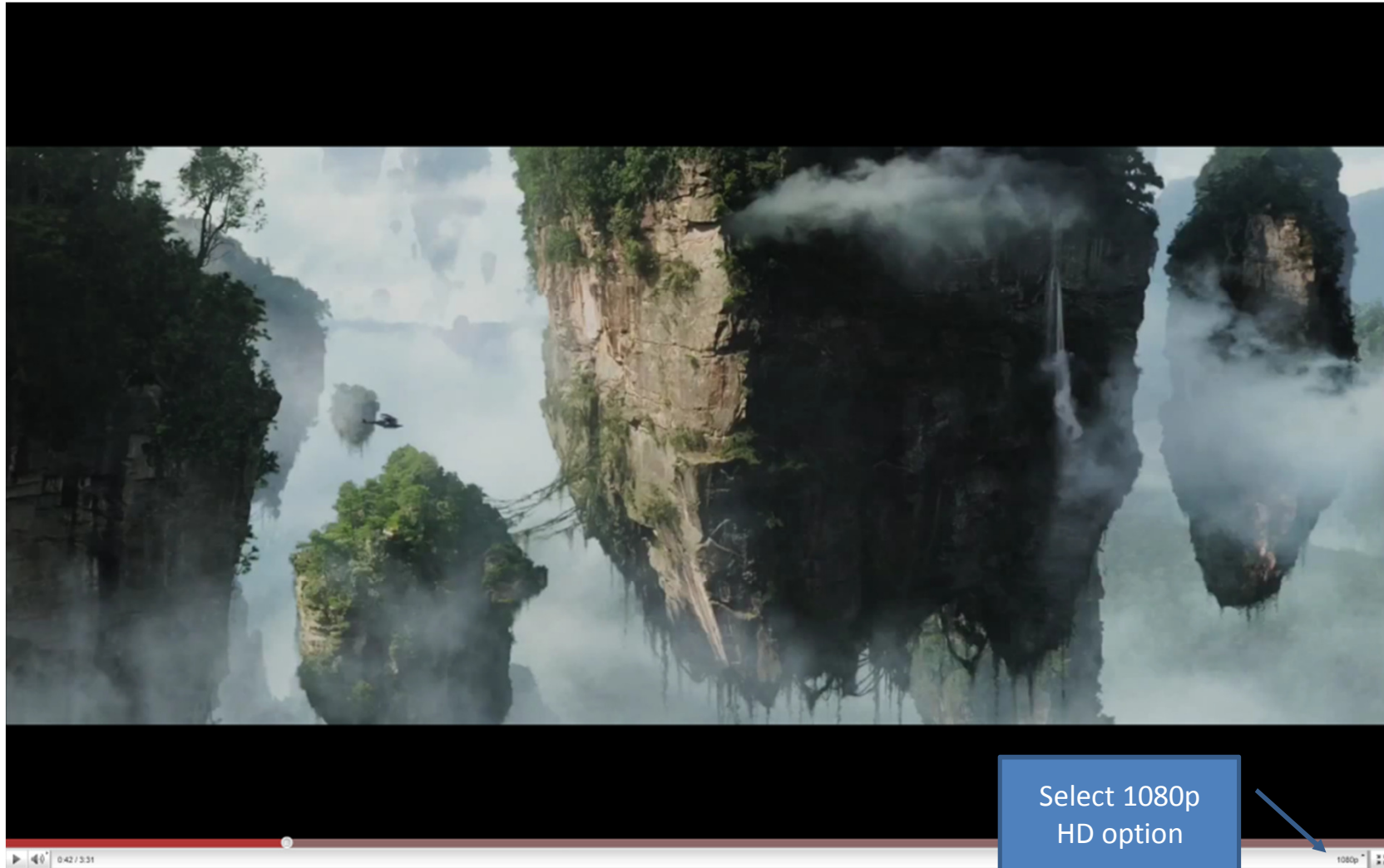
ARPU Trend - Recovery in FY2011

Broadband Bundles - ARPU HK\$/month



- 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 ofa.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

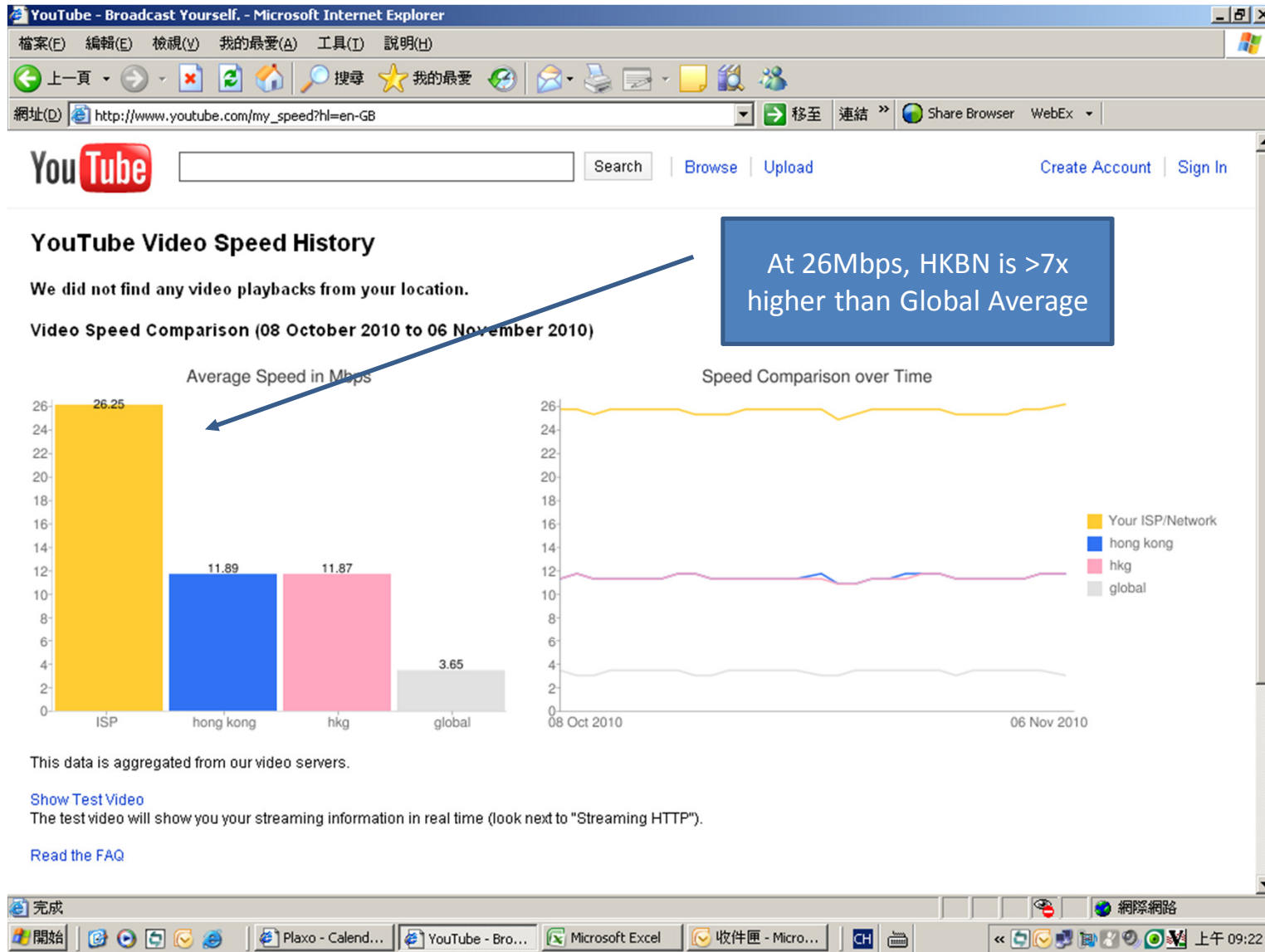
Please Try This At Home



Avatar 1080p FULL HD Movie Trailer

http://www.youtube.com/watch?v=_i2RCBa3l-g

www.youtube.com/my_speed



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Investor Engagement Contact

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Email: investor_engagement@ctihk.com

“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.

