



City Telecom (H.K.) Limited

TEN BROTHERS

UNITED STRENGTH



Finding LUCA

(Legal Unfair Competitive Advantage)

NiQ Lai,
Head of Talent Engagement & CFO
11 Jan 2012

“Ten Brothers” is a Chinese legend developed around the Ming Dynasty 1,368-1,644. It revolves around ten brothers with different supernatural talents. When faced with a Big Hairy Audacious challenge, the ten brothers discovered that by fighting in unity they are far more powerful than fighting as individuals, despite each have special individual talents.”

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

- **Financial Review**
- **Our People**
- **Core Telecom Management Outlook**



Profitably Disruptive

	12 months to 31 Aug 2011	For reference only - Lastest reported results for six months to 30 June 2011					
HK\$ mn	HKBN	HKT Trust	PCCW	i-Cable	HTHK	SmarTone	China Telecom (RMB mn)
Revenue	1,681	9,537	12,186	1,051	6,018	2,759	120,208
EBITDA	593	3,623	3,775	68	1,243	921	48,599
Net Profit after minority	314	537	824	(55)	494	321	9,808
Total Assets	2,265	66,839	48,620	2,232	19,521	5,748	406,355
Equity (exclude minority)	1,797	19,937	(2,970)	1,690	10,374	2,738	235,883
EBITDA Margin	35.3%	38.0%	31.0%	6.5%	20.7%	33.4%	40.4%
Net Margin	18.7%	5.6%	6.8%	-5.2%	8.2%	11.6%	8.2%
Return on Total Assets	13.9%	1.6%	3.4%	-4.9%	5.1%	11.2%	4.8%
Return on Equity	17.5%	5.4%	-ve Equity	-6.5%	9.5%	23.4%	8.3%
Source: Interim Reports by PCCW, HKT Trust, i-Cable, Hutchison Telecom Hong Kong							

Finding LUCA

(Legal Unfair Competitive Advantage)



Take Advantage of HK Demographics

Exhibit 14: Fiber cost per home passed

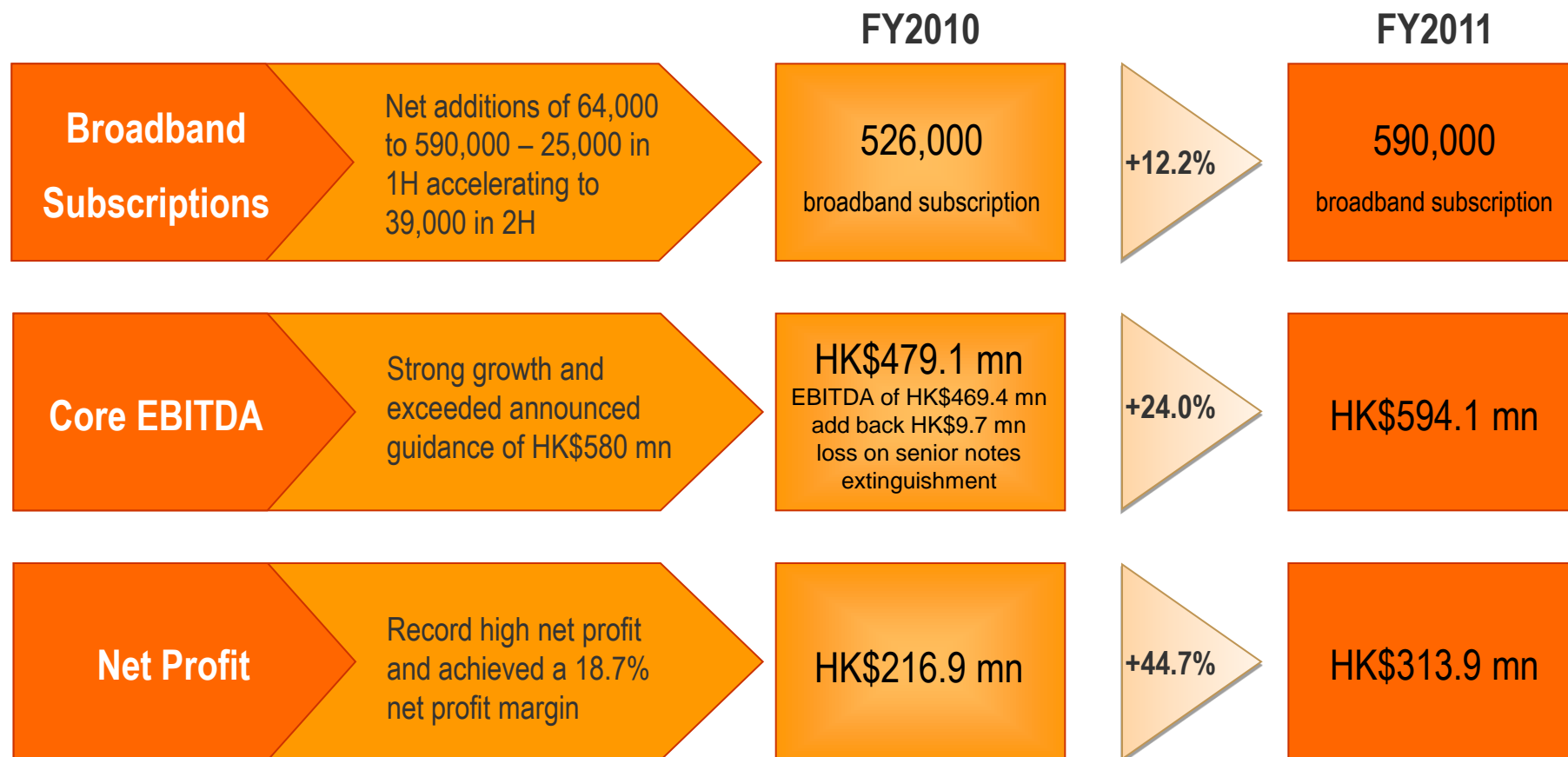
Hong Kong is the lowest due to urban population density

		Cost/home
Company	Country	US\$
NTT	Japan	1,500
Verizon	US	1,700
France Tel	France	1,833
Iliad	France	2,115
SwissCom	Switzerland	2,470
Telstra	Australia	3,976
Singtel	SG	727
TNZ	NZ	1,077
CTI	Hong Kong	200

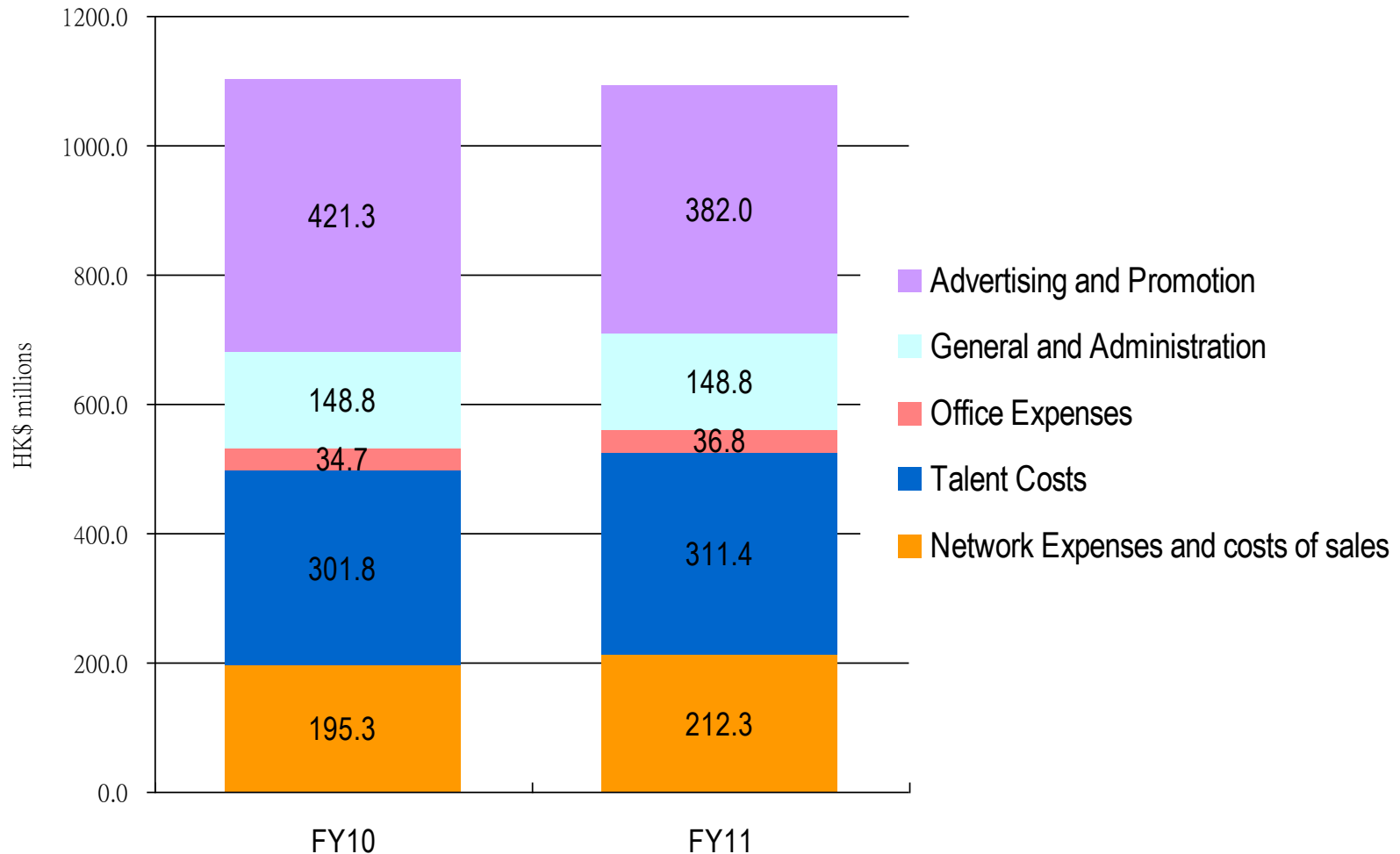
Source: Company data.

Source: Goldman Sachs research, HKT Trust, Pure telecom trust in Asia focused on yield, dated 3 January 2012

FY11 Results – Within Guidance



Cash Operating Costs



- The decrease in advertising and promotion expense was mainly due to the lower sales costs following record net addition growth in FY2010 with Member-Get-Member campaign

Agenda

- Financial Review
- **Our People**
- Core Telecom Management Outlook



What we believe.....

2006 Vision Statement

VISION STATEMENT

CORE PURPOSE

To experience the emotion of competition, winning, and crushing competitors

To experience the joy of advancing and applying telecommunications technology for the benefit of the public

To fulfill the desire of Self-Actualization and "to become everything that one is capable of becoming"

CORE VALUES

1. Continuous strive for the best as a way of life

- We continuously look for innovative changes/improvement in our life and in our company, including products, services and work processes and ourselves; even though change is painful most of the time.
- We regularly change whatever can be changed after a certain period of time, even though we may not foresee any gain at the moment. We encourage "Attempts".
- We will not rest as long as there is a single outstanding unresolved customer service complaint.
- We discover and elevate individual ability to make the most of their lives.

2. We are People's Leader and Pioneer

- We lead the development of the industry. We don't follow others. We set the norm. We prescribe the standard. We set industry practice.
- We prefer to do the impossible or difficult task, rather than something likely to happen.
- We commit ourselves to big and audacious challenges.
- We appreciate, support and reward risk-taking decisions.
- As a People's Leader, we have the duty to lead the community, put community's benefit before ourselves.
- As a Pioneer, we may be accused of moving too fast, and not being acceptable by the mass, especially at the beginning.
- We never give up. We are never afraid. We are over a group of aggressive youth.

3. Direct and Action oriented

- Direct, frank, and transparent communication with our colleagues.
- Action-oriented. After a conclusion is made, whole company works as a single team toward the task.
- We encourage direct communication between the bottom and the top. Kill those who intend to block or cover up.
- We regard office politics. Do not waste our time!

Core Purpose

"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"

ASPIRATIONAL VALUES

Integrity

- Think about "Integrity" before making a decision.
- Delivering our promises.
- Making fair deals.

We only work with smart, capable, competent and demanding people

- Human is not the same in every aspect. Some are smarter and more capable at workplace.
- We need a group of staff with similar capability to build "Team Work".

BHAG

- Be the largest IP provider in Hong Kong by 2016.
- IP provider means both infrastructure and service. Not only means IIN access, but, also includes all applications (Basic and VAS) running on IP platform, i.e. VoIP, IPTV, mobile data over IP.
- Be the largest means customers think we are the "best".
- This is why we didn't call ourselves CTI broadband few years ago.
- We will be the dominant IP player in HK, overtaking PCOW.
- It is measured by both number of subscribers and total revenue.

Vivid Description

Today, no one believed we could do a better job than PCOW or HCC. They thought we were just crazy and hopeless. They thought we could at most only survive for a short period of time. Then, we would be forced to sell the Company and assets; and HKBN would disappear in the market. But, we have proved ourselves: they are all wrong! By 2016, our results will prove that, the 10-year investment and business strategy is correct. We shall prove that we are right!

Our team will be famous of "turning everything possible". Parents and schools refer us as a demonstration of "Never give up", "Attitude training", "Volition" and "Hao".

We will be the first choice of customers, employees and business partners. They will come to us before contacting other operators.

All our staff will be professionally developed and trained. We offer a career rather than a job. A strong service oriented culture is bred. Our management team will be mature, knowledgeable and experienced, and frequently being invited as speakers to teach and share their experience in university management courses and industry events.

Our families will share our pride on our achievement and contribution to this region. We will be respected by our competitors, customers and governments. The best up-and-coming university graduates will seek to work for us in earnest. They will be willing to work passionately because they know the value we create for this world. They know besides financial reward, here is the place they will find fulfillment in life.

We will be one of the well known telecommunications companies in this region. Our products and services range from network infrastructure to customer's software and hardware implanted in the human body.

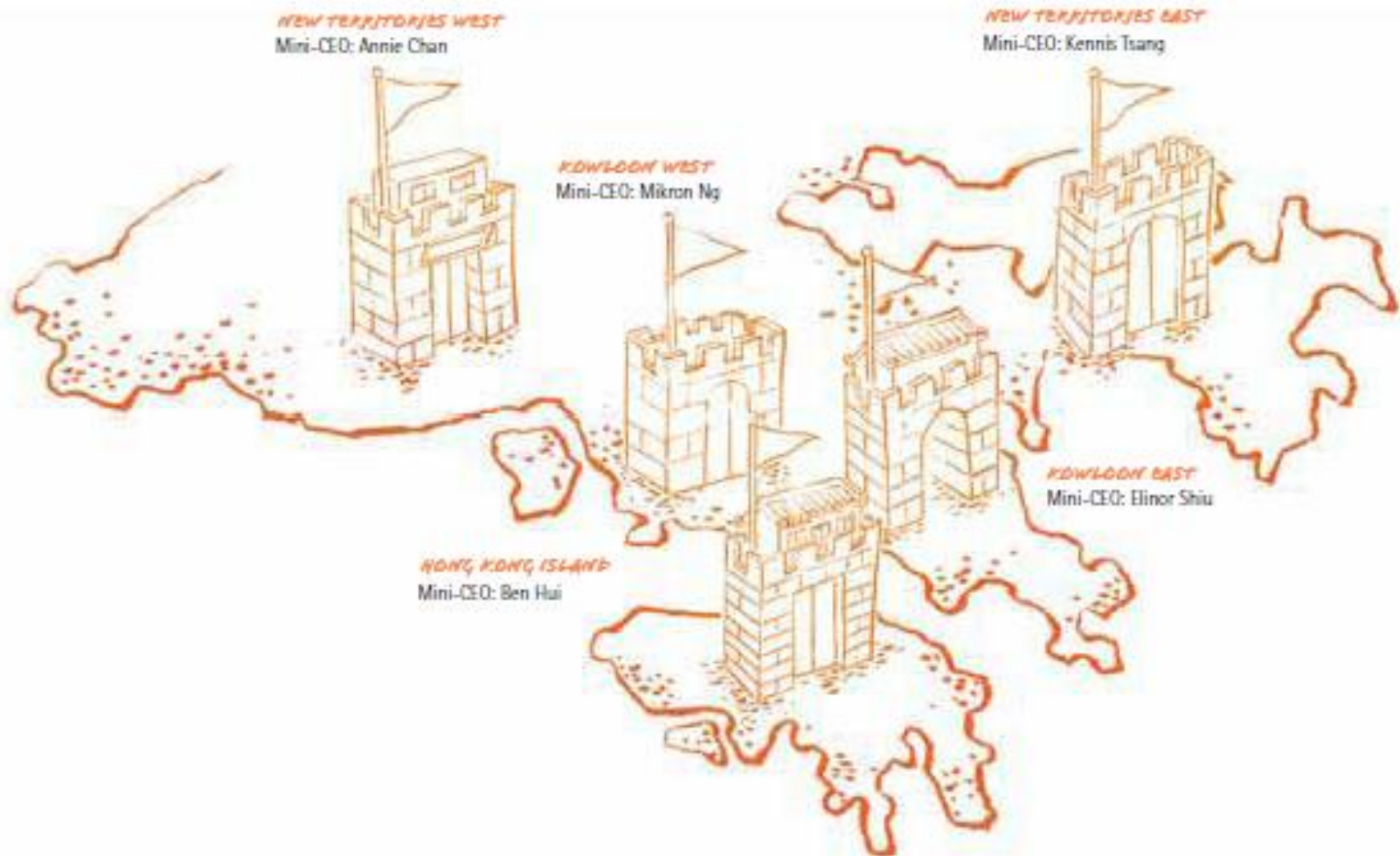
My children would say, "Dad, I love to have you as my Father."

“To fulfill the desire of Self-Actualization and "to become everything that one is capable of becoming” City Telecom Vision Statement, 2006

Source: <http://www.ctigroup.com.hk/ctigroup/eng/careers/vision.htm>

Customer-IN Management Structure

WE EVOLVED INTO A "CUSTOMER-IN" VERTICAL
MANAGEMENT STRUCTURE BY DIVIDING HONG KONG INTO
5 DISTINCT DISTRICTS WITH 5 "MINI-CEOs".



Customer-IN Call Centre Operation

Dedicated Customer Engagement Team

Our “Customer Engagement Team” serves all of our residential broadband customers with an innovative One-stop Customer Service.



Dedicated Hotline



Direct Access

One-Stop Service

Personal Account Service



Customer
Engagement TEAM
個人服務專隊

Direct-access service hotline

Dedicated, Committed and Professional

402 volunteer CSR hours during office hours

To fulfill the desire of Self-Actualization and "to become everything that one is capable of becoming"
... 2006 Vision Statement

Oxfam Rice Charity
Sale



Visiting McDonald House



Low Carbon Green HK



Po Leung Kuk children Outward Bound



4 Weeks Home
Cooked Hot Soup
Delivery to Elders



Visiting Elderly Centre

Talent Development – Learning Rather Than Training

“We discover and elevate individual ability to make the most of their lives” 2006 Vision Statement

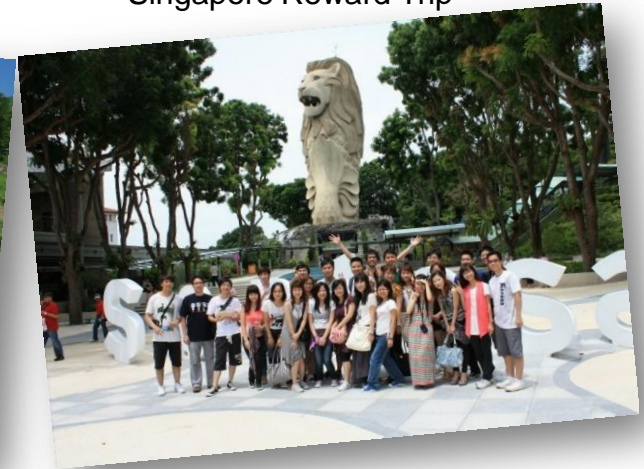
Corporate Sales
Incentive Trip to US



Management Annual Trip –
Germany Experience



Customer Engagement
Singapore Reward Trip



Residential Customer Engagement
Incentive Trip to Macau



Standard Chartered
Marathon



Annual X'mas Dinner
Party

Our Talents Advantage - Power in Unity



2011: WOWing our Talents



2010: Service with Heart



2009: Call to War



**2008: Overcoming
Challenges –
Mr. Chong Chan Yau**



2007: Corporate Vision Statement



**2006: Ocean Park Business
Recovery Celebration**

Paint Our Dreams

Talent Experiential Trip to Cambodia

- 94 Talents from Hong Kong and Guangzhou visited Cambodia in Nov/Dec 2011
- 6-day trip with social service and cultural visit
- Helped ourselves and others to Dream



Paint Our Dreams Talent Experiential Trip to Cambodia



Paint Our Dreams Talents' Reflection

A girl said she wanted to be a lawyer in the future. Asked why, she seriously replied: "...not many people know about law after all the historical incidents. She wants to be a lawyer, so she can [protect] this country and its people". This 10+ year-old girl used the phrase 'protect the country', and it moved me and earned my deep respect.

Ivy Lau, Director - Talent Engagement



It has inspired me with the strength to move forward and grow as a better individual.

**May Fung,
Sales Manager**



After visiting Scott Neeson at Cambodian Children's Fund, I was inspired by their actions and results, i.e. my thinking changed from just rhetorically asking "What can I do?" to actioning "What will I do to make an impact?".

NiQ Lai, Chief Financial Officer & Head of Talent Engagement

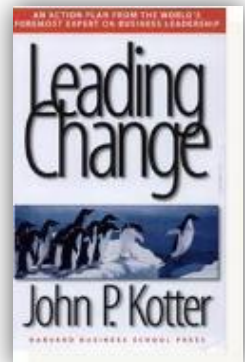
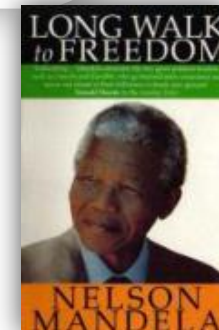
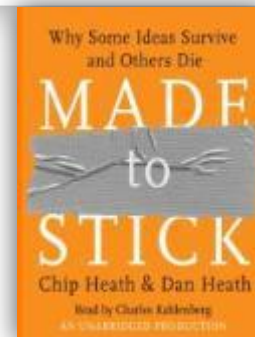
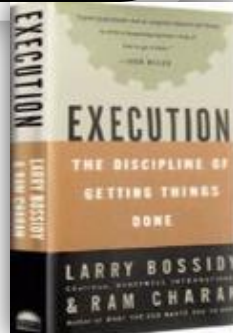
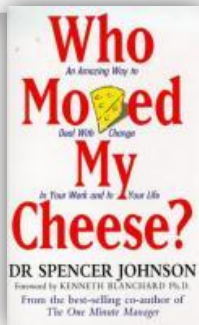


Reading Day

Talents discussed in group and made presentation about “Leadership Attributes” in City Telecom, after reading Nelson Mandela ‘s biography.

Widen talents exposure by reading more books

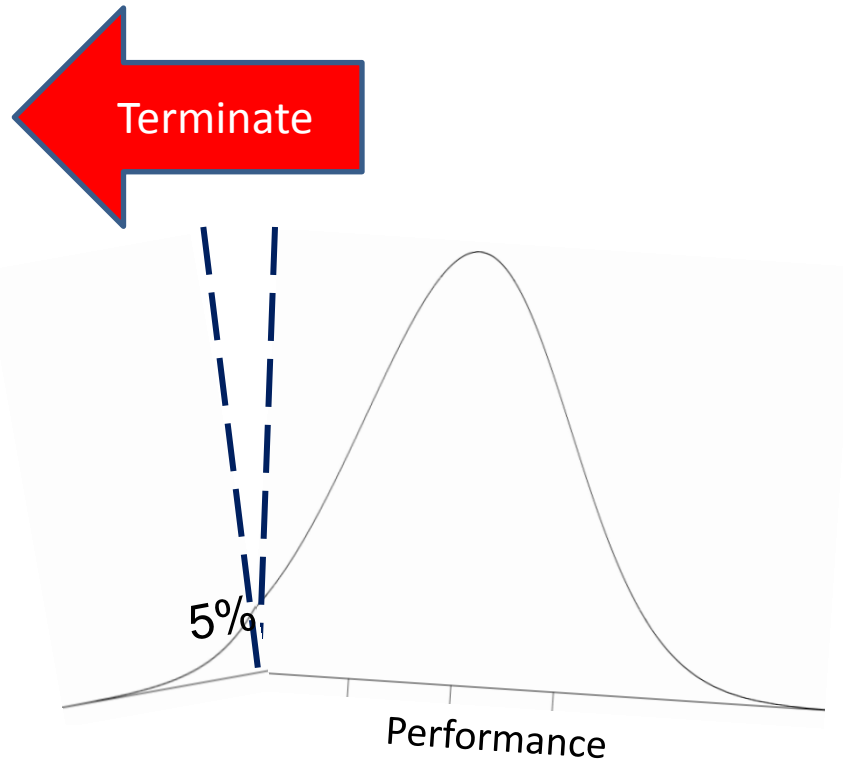
Challenge our own range of thinking



Inspiration > Motivation

Inspiration	Motivation
2-3x productivity gain	20-30% efficiency gain
Mindset-upgrade	Skillset-upgrade
Talent-OUT	Company-IN

We Terminate Bottom 5% Yearly



- “Do Nothing” implies that our hiring process is 100% right and that our Talent profile remains perfect over time ... we know we are not that good.
- Limited development resources... we prefer to invest in our Top 95% than bottom 5%.

Ken Kwong

Mindset Reset

Sales Manager

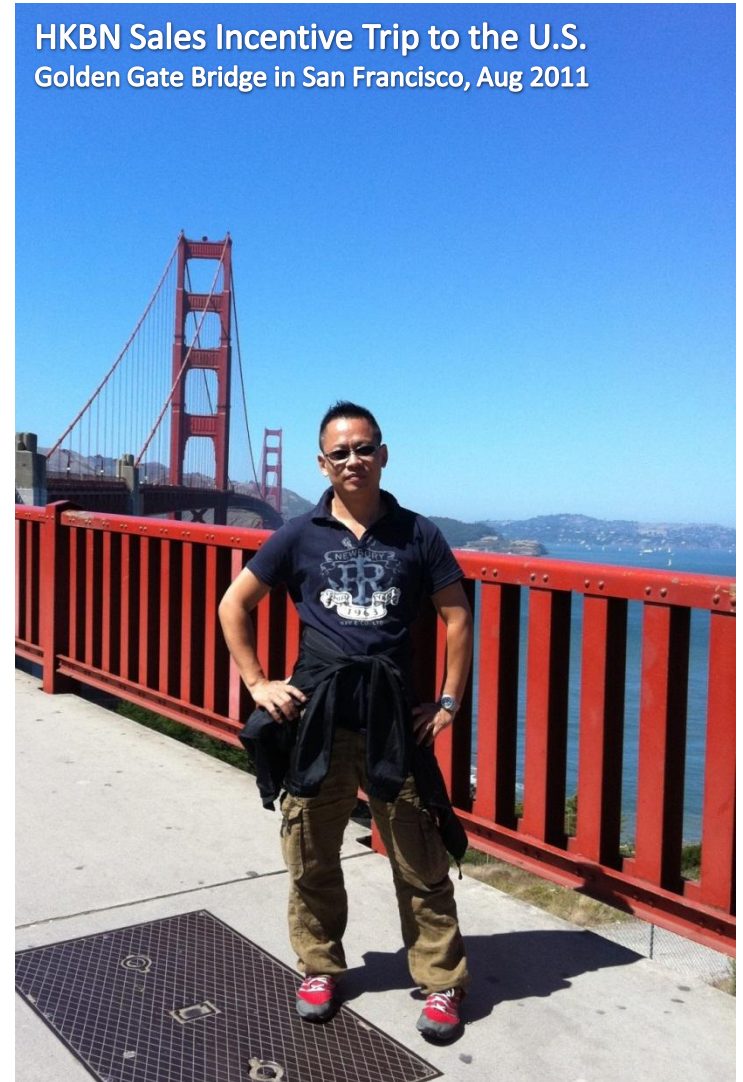
Corporate Department

Direct Line: (852)2207 8126

Email: kenkwong@hkbn.com.hk

22nd Sep 2011

HKBN Sales Incentive Trip to the U.S.
Golden Gate Bridge in San Francisco, Aug 2011



Upgrade of Selling Engagement

Yesterday



Minimal
Preparation



Minimal Customer
Referrals



Avoid Speaking
English

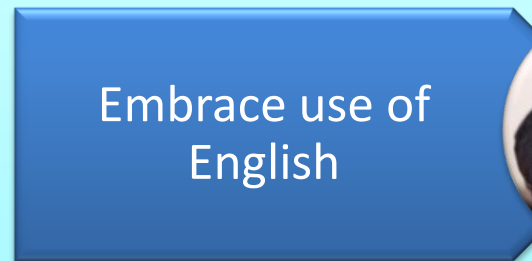
Today



Extensive
Preparation



Extensive
Customers'
Referrals

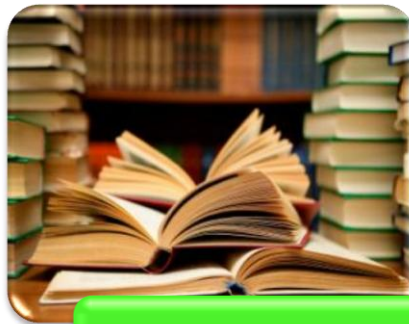


Embrace use of
English

Ken's Achievements in Progress



Will graduate with MBA
from the University of
Northampton in 2012



Enjoy reading a lot
(more than 12 books
per year)

 GlobalEnglish®

IELTS™

Joined Global English
online courses and
took IELTS

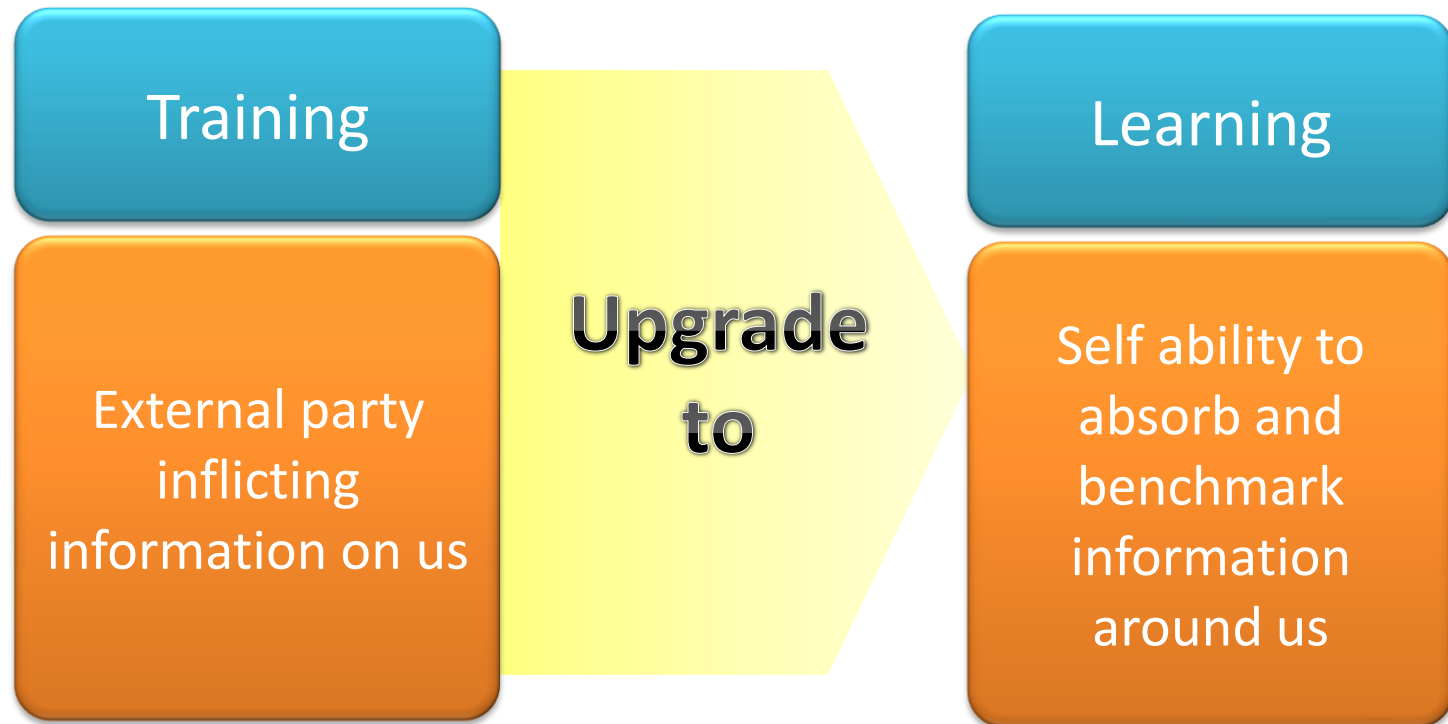


Gave up smoking
and pay attention to
health



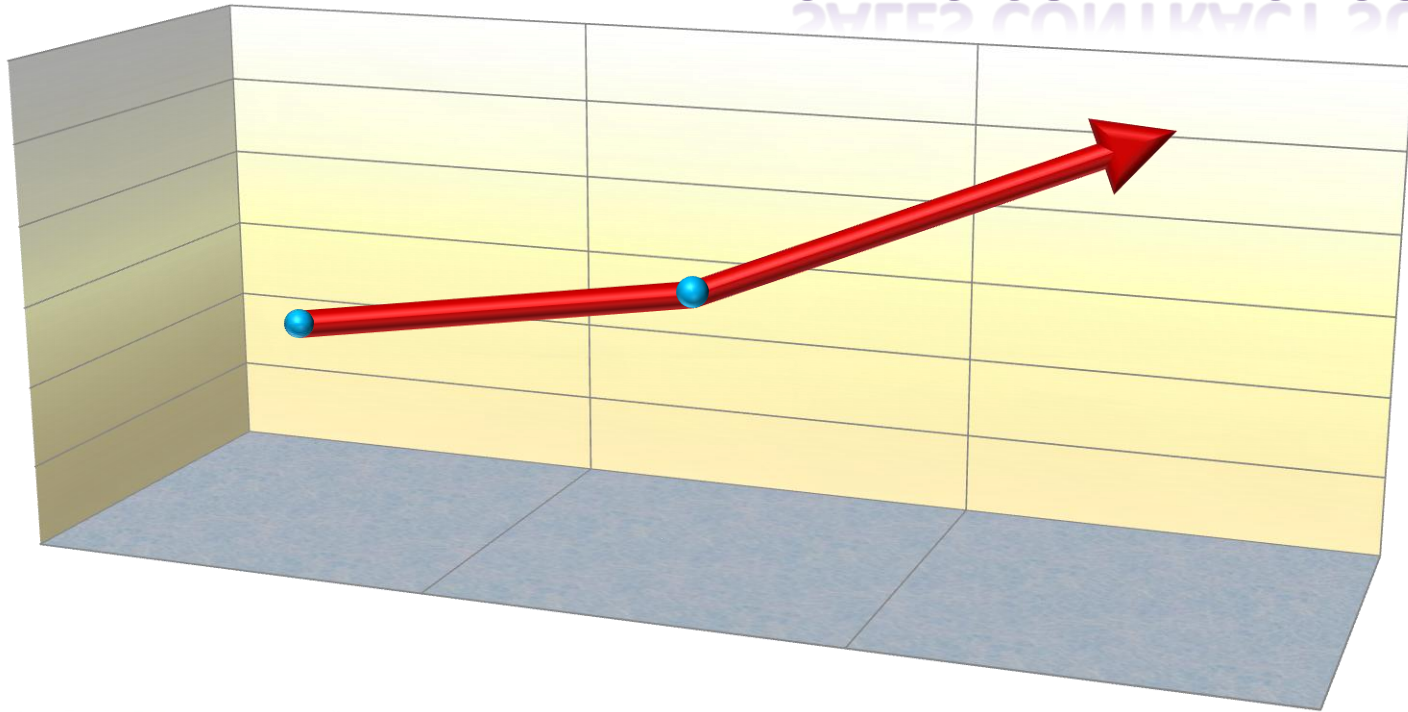
Set a good example
for my niece

From Being Trained to Self Learning



Personal and Company Income Increase

SALES CONTRACT SUM



**My income has been increased
more than 2x in 3 years!**

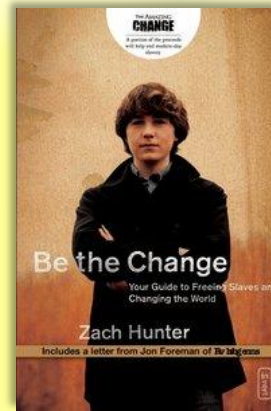
What's in My Kindle?

Read more than 12 books per year



“Many of life's failures are experienced by people who did not realize how close they were to success when they gave up.”

--- Thomas Edison



Inspired by the book, I never give up and finally won the Apartment Kapok's contract of HK\$3.5m!

Work-life Balance

Career



Weekly Schedule
10 x Customer appointments
2 x Sales reviews

Personal Life



Weekly Schedule
10km Running
20km Cycling / 10km Hiking

We have lots of Ken Kwongs

$$5^5 = 3,125$$

Agenda

- Financial Review
- Our People
- Core Telecom Management Outlook





The Arch
Kowloon



The Harbour Side
North Point



The Hermitage
Olympic



The Palazzo
Shatin



The Great Hill
Tai Wai



Le Billionnaire
Kowloon City



1,940,000 Residential Home Pass ...

Convention Plaza Apartment
Wanchai



Vision City
Tsuen Wan



Taikoo Shing
Taikoo



HK Parkview
Repulse Bay



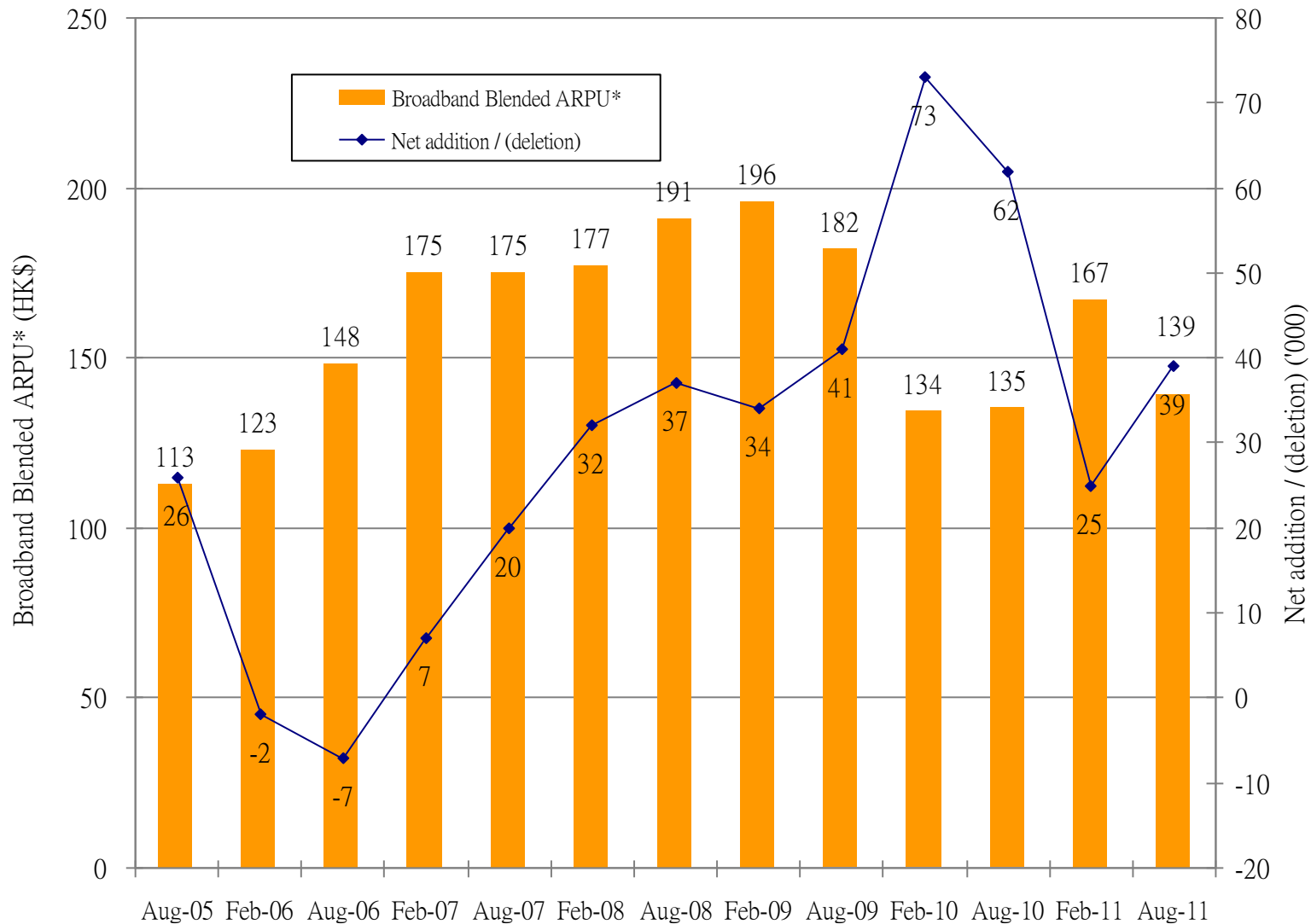
Sceneway Garden
Kwun Tong



Estoril Court
Mid Levels



2nd Half > 1st Half Subscription Growth



*For exit acquisition and contract renewal

A Great Base for Upselling VAS

- Huge database to upsell - 2.4 mn registered IDD users plus and 1.2 mn FTNS subscriptions
- 1,500 strong Talent force in our three Guangzhou locations to upsell our customers
- Examples include incremental monthly ARPU of HK\$78 for MusicOne with bbWiFi, HK\$28 2b Voice App, HK\$48-HK\$108 add-on channels for bbTV





Taikoo Place
ISLAND EAST



Entertainment
Building
CENTRAL



8 Queen's Rd
Central
CENTRAL



World Wide
House
CENTRAL



IFC
CENTRAL



Bank of
America Tower
ADMIRALTY



CGC
ADMIRALTY



Over 1,600 Prime Office Buildings Fibre Connected

Pacific Place
ADMIRALTY



Lippo Centre
ADMIRALTY



Hopewell Centre
WANCHAI



Central Plaza
WANCHAI



Great Eagle
Centre
WANCHAI



Sun Hung Kei
Centre
WANCHAI

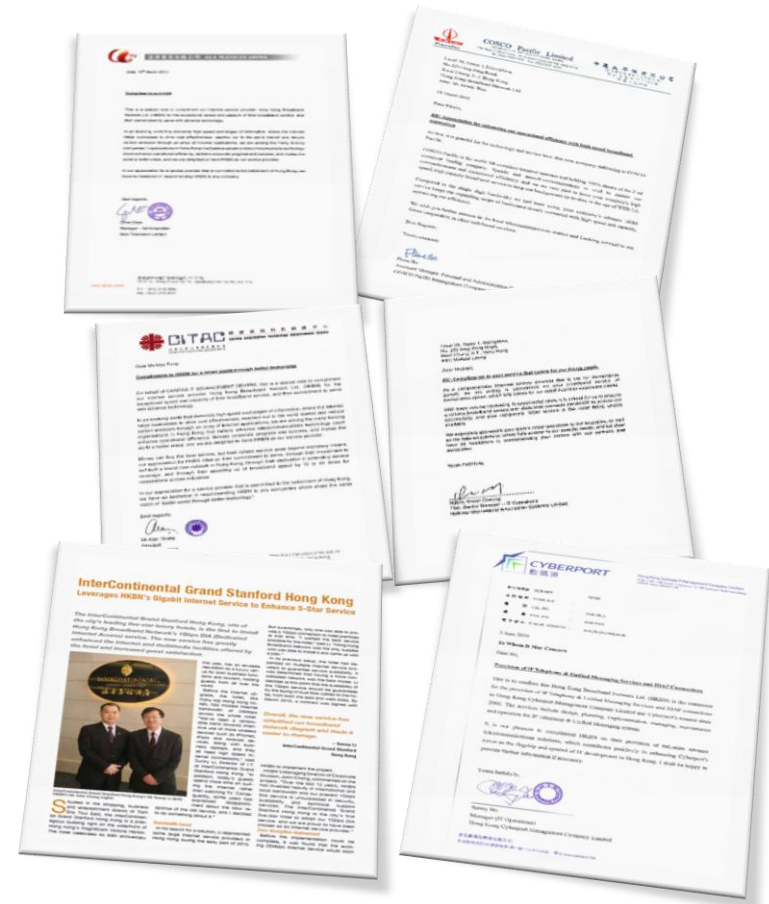


ICC
KOWLOON



Corporate - Vertical Industry Focus

- Corporate segment currently represents about 17% of total revenues but is an important growth driver
- We focus on high bandwidth demand verticals like hospitality, education and finance etc.
- Over 1,600 prime office buildings under our Fibre direct coverage



Customer reference samples: COSCO Pacific Management Co. Ltd, Asia Television Ltd, CITAC, Haitong Int'l Information Systems, Cyberport, Easy Harvest Ltd., a subsidiary of China Resources Property, InterContinental Grand Stanford HK

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**

FY12 Guidance for Core Telecom Only

Core Telecom Business

Financial Year End	FY07	FY08	FY09	FY10	FY11	FY12 Guidance
Broadband Subscribers ('000)	247	316	391	526	590	650
EBITDA (HK\$ mn)	354	378	508	469	594	650
Capex (HK\$ mn)	132	212	287	345	*449	320-350
Dividend Per Share (HK cents)	8	6	19	20	30	30

* Including HK\$51.3 mn for new media business, mainly for land premium of Multimedia City site.

- For our new Free TV and Multimedia Production Business, we will update our stakeholders as the business outlook becomes clearer

::: END :::

Investor Engagement Contact
Mr. NiQ Lai
CFO and Head of Talent Engagement
Telephone: +852 3145 6068
Email: investor_engagement@ctihk.com

Photo from All Talent Meeting, 2:00pm, Thursday 22 Sep 2011

