

City Telecom (HK) Limited

Rodman & Renshaw Annual Conference
New York Place Hotel, NY, 9-11 Sept 2009

CTEL / 1137.HK
Corporate Presentation
25 Aug 2009



城市電訊(香港)有限公司
CITY TELECOM (HK) LTD



Safe Harbor Statement

Any statements contained in this document that are not historical facts are forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. Words such as “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “intend,” “may,” “plan,” “project,” “predict,” “should” and “will” and similar expressions as they relate to City Telecom (HK) Limited (“CTEL”) are intended to identify such forward-looking statements. CTEL undertakes no obligation to publicly update or revise any forward looking statements. All forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. The factors that could affect CTEL’s future financial results are discussed more fully in CTEL’s filings with the U.S. Securities and Exchange Commission (the “SEC”), including CTEL’s most recent Annual Report on Form 20-F with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates.

ADR Snapshot

Dual Listed on the NASDAQ Global Market & HKSE

Symbol: NASDAQ:CTEL / HKSE:1137.HK

ADR Price (Aug 24 2009): US\$5.05

Market Cap: US\$167.7 mn

ADRs Outstanding: 33.20 mn

Revenues (ttm): US\$168.1 mn

Net Income (ttm): US\$19.7 mn

EPS (ttm): US\$0.59

P/E (ttm): 8.5x

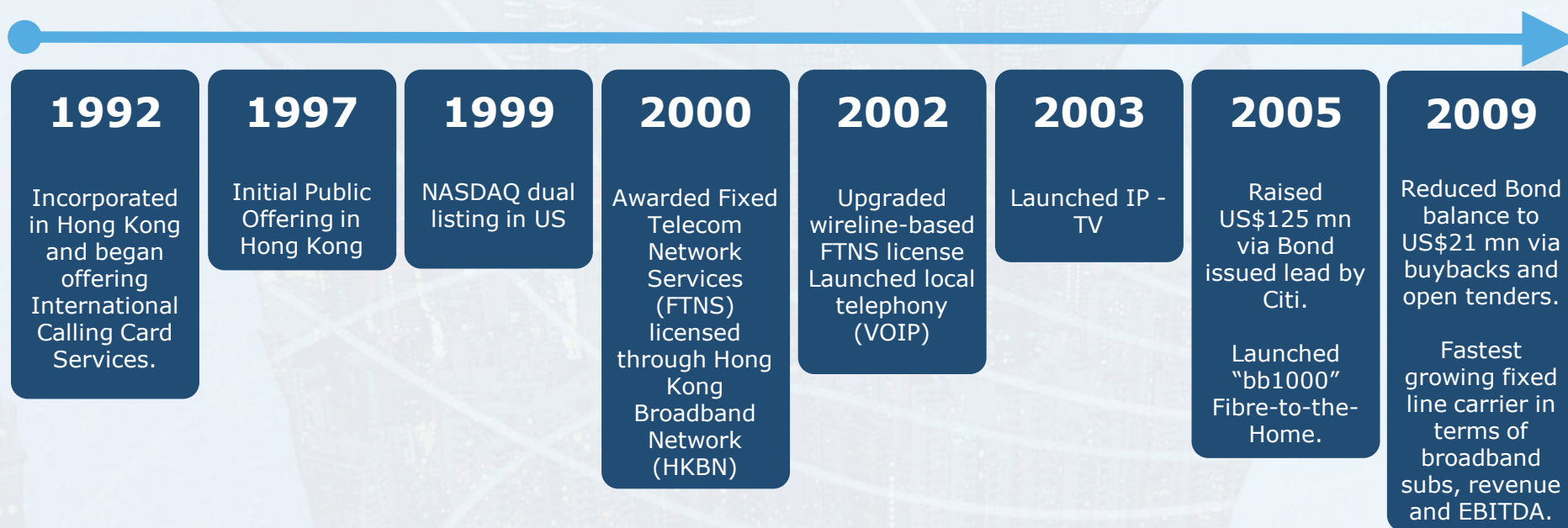
EV/EBITDA 3.3x

Each ADR represents 20 Hong Kong shares

Investment Highlights

- Hong Kong's most comprehensive fibre network and largest fibre subscriber base. Big Hairy Audacious Goal (BHAG) to become the largest IP service provider by 2016.
- Peak capex over. Improving operating margins, harvesting positive free cash flow and paying dividends since FY07.
- Professional management team with combination of entrepreneur flare and large multi-national experience.

Key Corporate Milestones



Extreme Density = Profitable Fibre Opportunity

- One of the most dense and richest cities in the World.
- Extremely compelling “Addressable Income per Fibre Mile”.

| Country | GDP/ Capita (U\$) | Pop (million) | Area (mi ²) | Density (mi ²) |
|--------------|-------------------------|------------------|----------------------------|-------------------------------|
| HK | 30,755 | 7 | 428 | 16,380 |
| US | 46,859 | 302 | 145,898 | 870 |
| Japan | 38,559 | 127 | 3,717,813 | 640 |

IMF 2008 data



Luxury apartments
in Kowloon East



View from
Victoria Peak

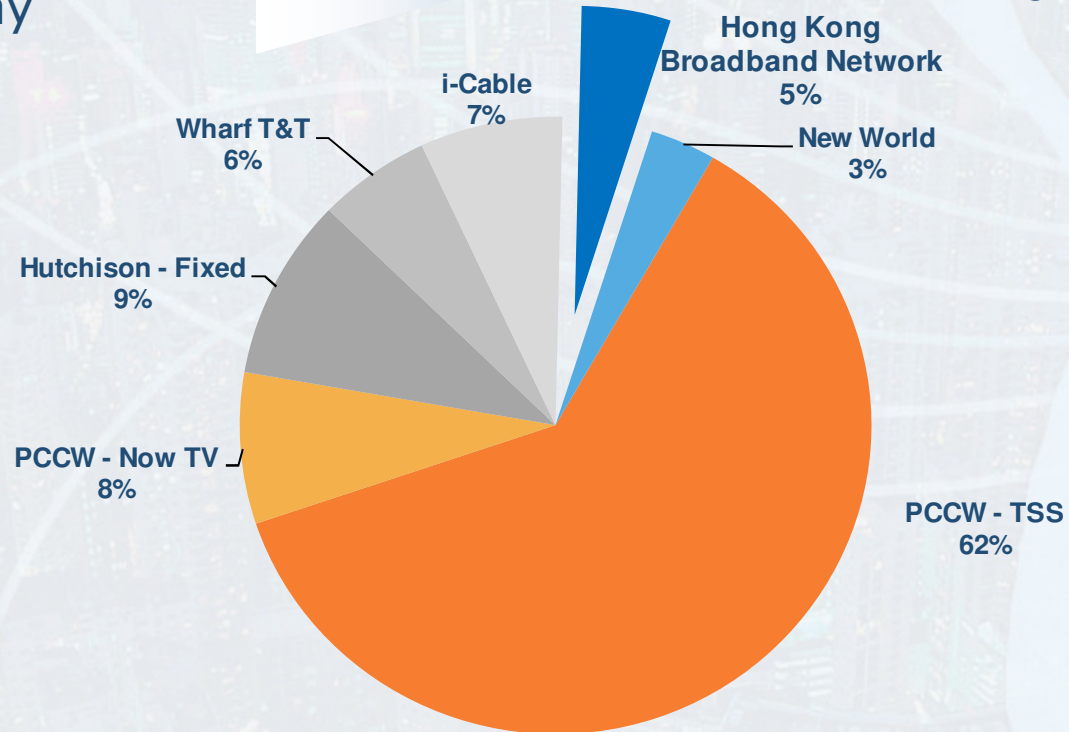
2016 BHAG – HK's largest IP Service Provider

2008

5% of US\$3.6 billion
revenue market share
today

2016

BHAG: Hong Kong's
largest IP Service
Provider



The Key Players

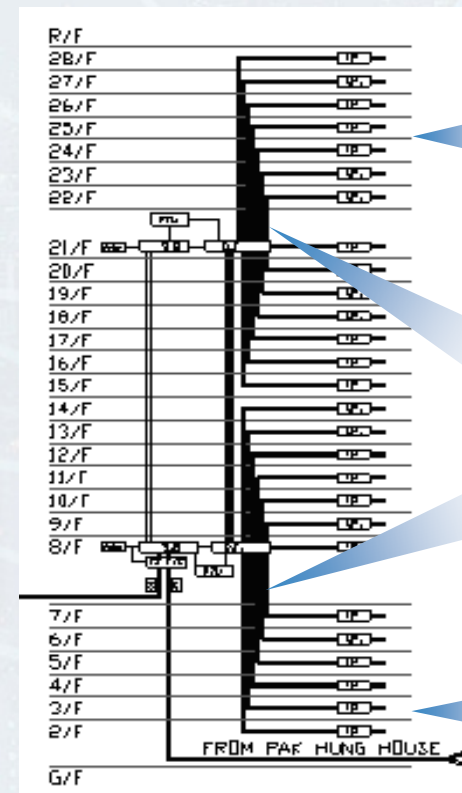
- CTEL is the fastest growing carrier in Hong Kong in revenue, EBITDA and broadband subscribers.
- CTEL's strong balance sheet also gives additional flexibility.

| HK\$ mn Six Months to | PCCW TSS 30-Jun-09 | | Hutchison HK Fixed 30-Jun-09 | | i-Cable 30-Jun-09 | | City Telecom 28-Feb-09 | |
|---------------------------------------|-----------------------|-------|---------------------------------|-------|----------------------|--------|---------------------------|-------|
| | | YoY % | | YoY % | | YoY % | | YoY % |
| Broadband Subs ('000) | 1,305 | 2.4% | 250 | -4.0% | 260 | -7.1% | 350 | 25.4% |
| Revenue | 8,241 | -3.6% | 1,623 | 7.1% | 862 | -19.4% | 721 | 15.6% |
| EBITDA | 3,421 | -3.6% | 566 | 10.1% | 139 | -32.2% | 232 | 24.0% |
| EBITDA margin | 41.5% | N/A | 34.9% | N/A | 16.1% | N/A | 32.2% | N/A |
| Group Gross Debt | 34,995 | 28.2% | 4,795 | N/A | 30 | 2.1% | 679 | -0.7% |
| Gross Debt to Annualize EBITDA | 4.87 | N/A | 2.29 | N/A | 0.11 | N/A | 1.46 | N/A |

Bypassing Incumbent's Last Mile

- Brand-new fibre network completely bypassing the incumbent.
- When Alexander Graham Bell invented the telephone network system in 1876, it was not designed for computing. CTCL's network is a computer network.

In-building Diagram



100 meters of Category 5e Copper Wiring



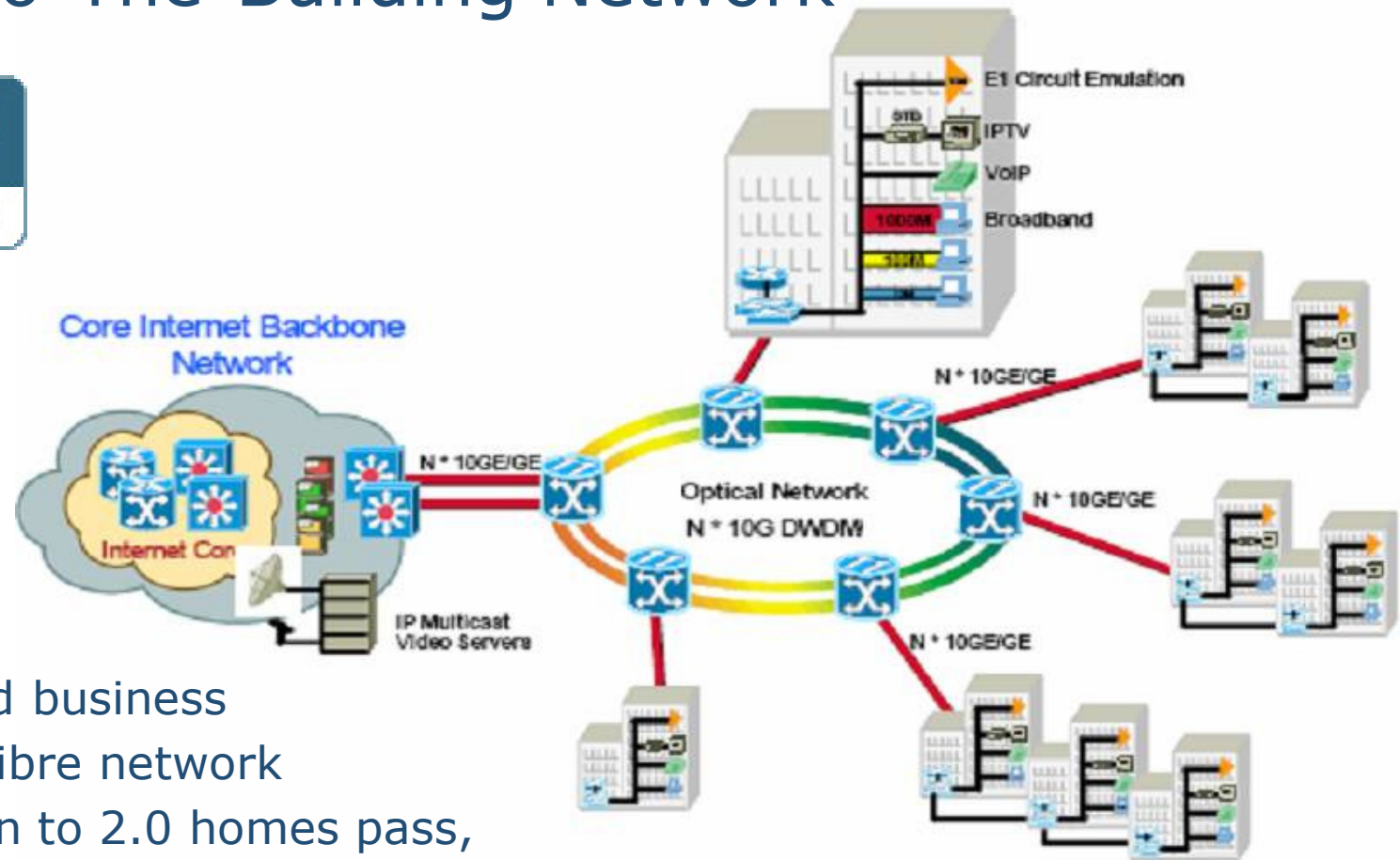
LAN Switches within 100m of end users



Fibre-To-The-Building



Fibre-To-The-Building Network



Fully funded business
to expand fibre network
from 1.5 mn to 2.0 homes pass,
covering about 90% of Hong Kong's population

Full Triple Play Service Suite



Broadband

Symmetric
25 - 1,000Mbps



Traditional Voice

Full number
portability for fixed
line service.



IP-TV

80 Channels value
offering

Productivity Advantage

| Company | Technology | Download / Upload Speed | List Price | Cost per Mbps |
|-----------|-------------------|-------------------------|------------|---------------|
| CTEL | Fibre based FTTx | 100Mbps / 100Mbps | US\$34 | US\$0.17 |
| Incumbent | Copper based xDSL | 6Mbps / 0.6 Mbps | US\$32 | US\$4.78 |



全港唯一・穩定速度保證

全港擁有「穩定速度保證」，保證bb200、bb100、bb50、bb25和bb10光纖寬頻的上下載速度(由用戶家中機身插進連接至香港互聯網交換中心 - HKIX)不低於承諾的80%，否則按受影響日數之費用「雙倍奉還」。

建議系統要求

bb10: intel Pentium 3 700MHz中央處理器，128MB 記憶體，Windows XP及10/100MB 以太網卡。

bb25: intel Pentium 4 中央處理器，256MB 系統記憶體，Windows XP及10/100MB 以太網卡。

bb50/100: intel Pentium 4 中央處理器，512MB 系統記憶體，Windows XP及10/100MB 以太網卡。

bb200: intel Pentium 4 3GHz中央處理器，1GB 記憶體，SATA 80GB/7200 RPM Hard Drive硬碟，Windows XP及10/100MB 以太網卡。

測試方法：
 1. 用戶於每星期選擇一指定日期，在指定時間，由指定地點進行測試。
 2. 測試結果將由指定地點之電腦，自動進行上下載速度測試。

其他注意事項
 1. 穩定速度保證只適用於住宅用戶，不適用於商業用戶。
 2. 穩定速度保證，只適用於指定之服務計劃。
 3. 服務計劃之條款及細則。
 4. 100%測試方法。

HKBN 穩定速度保證

Only HKBN offers 80% bandwidth Guarantee of 2x Money back

Productivity Demo

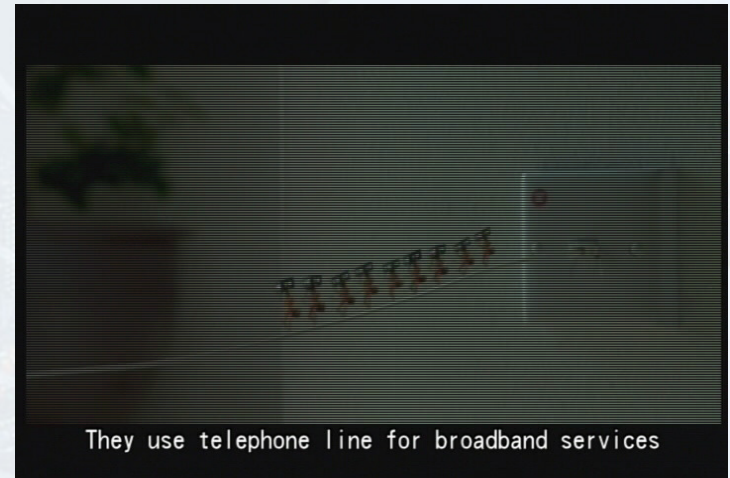


Extensive Consumer Education Program



"Largest network is still providing broadband on old phone lines"

Alexander Bell visits
Broadband Hell to explain that
the copper telephone line
designed a 100 years ago



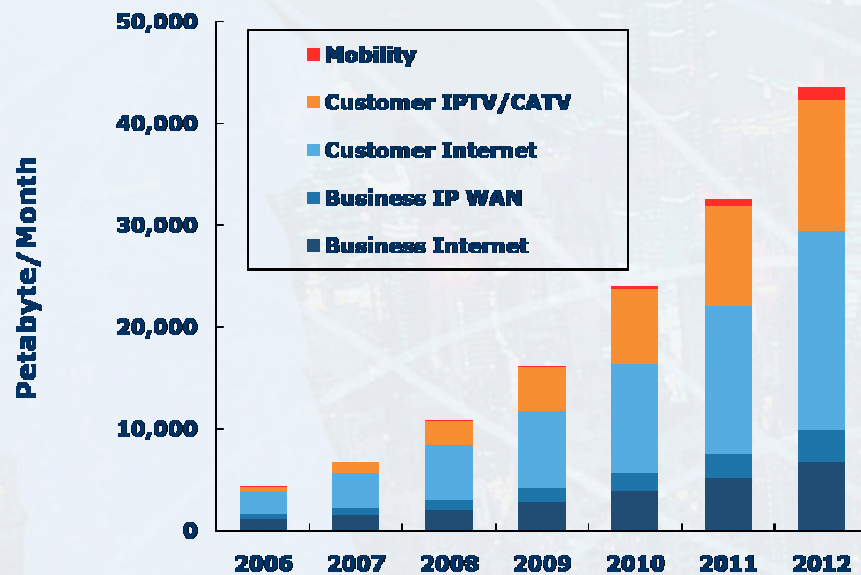
They use telephone line for broadband services

Kung-Fu Fighting Ants to
show ADSL asymmetric
limitations



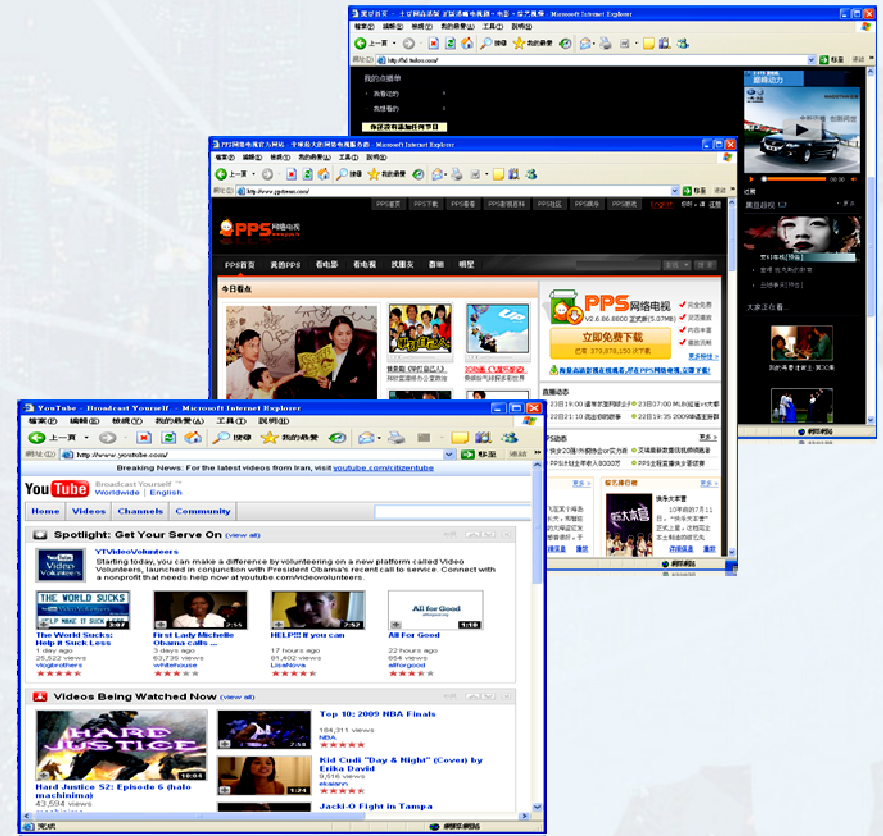
www.ctigroup.com.hk

Real Applications, Real Demand



2008

Source: Cisco – Approaching the Zettabyte Era, June 2008

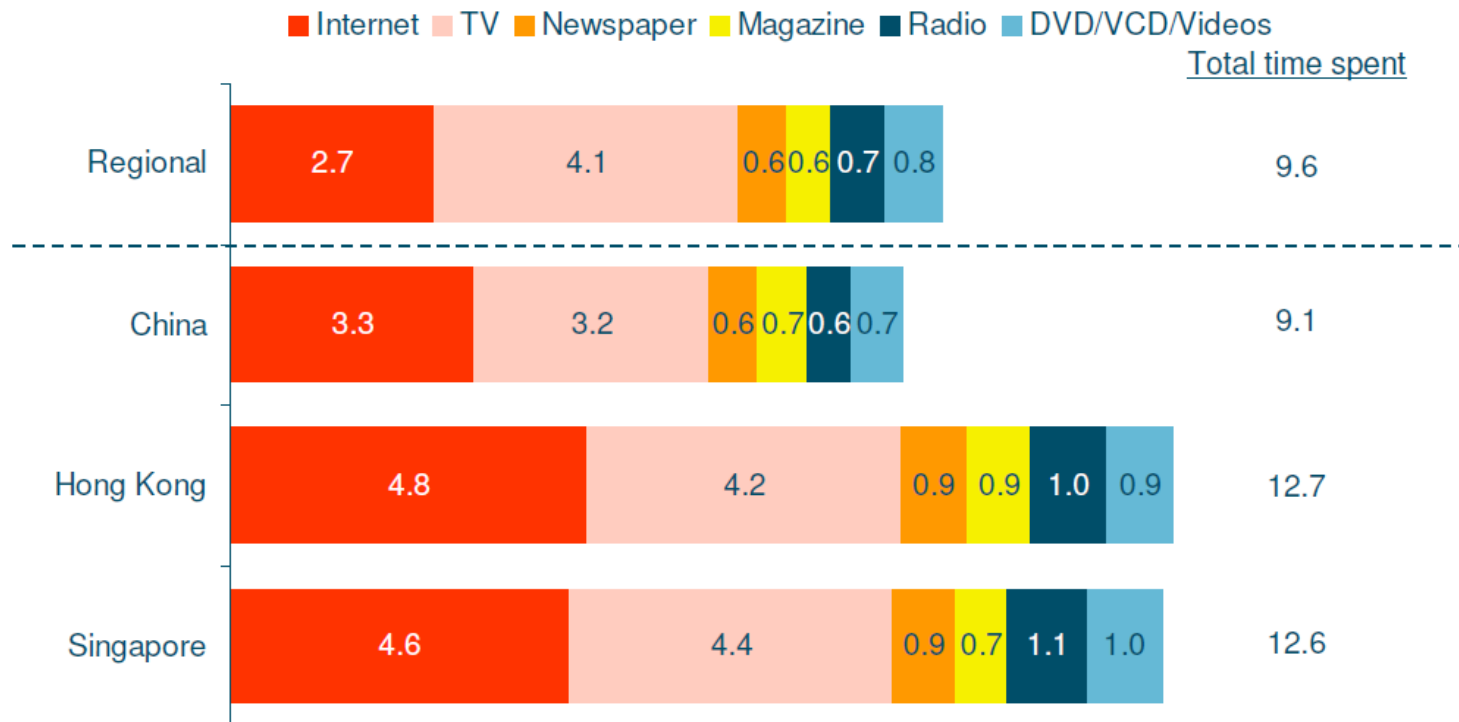


Youths Spend More Time on Internet than TV

Most time spent on TV and internet



Total number of hours of media activities per day



Base: All respondents aged 8-24
Source: Synovate Young Asians Survey 2008

Exceptional Management Combination



Mr. Ricky Wong

**Co-Founder, Chairman
Years with Co: 16 years**

Over 20 years experience in telecommunication and computer industries

Bachelor's Degree in Science and EMBA, The Chinese University of Hong Kong



Mr. Paul Cheung

**Co-Founder, Vice Chairman
Years with Co: 16 years**

Over 27 years experience in telecommunication and computer industries

Diploma of Advanced Programming and Systems Concepts Design, Herzing Institute, Canada



Mr. William Yeung

**Chief Executive Officer
Years with Co: 4 years**

Over 17 years experience in telecommunication industry including 9 years at SmarTone Vodafone prior to joining CTEL in 2005.

Bachelor of Arts and Master of Science in Electronic Commerce and Internet Computing HKU, MBA University of Strathclyde, UK



Mr. NiQ Lai

**Chief Financial Officer and Head of Staff Engagement
Years with Co: 4 years**

Prior to joining CTEL in 2004, was Director and Head of Asia Telecom Equity Research for Credit Suisse.

Bachelor of Commerce, Western Australia, EMBA, Kellogg-HKUST, Fellow CPA Australia and Member Hong Kong Institute of Independent Directors

Industry Outlook

- Real growth in Internet bandwidth applications is outpacing legacy copper network's ability to keep up.
- CTEL has the most comprehensive fibre network in Hong Kong. It will take years for competitors to replicate this network.
- Three years into its 10 year BHAG to become largest IP service provider in Hong Kong by 2016, CTEL is currently on track.

The background of the slide is a high-angle, night-time photograph of a city skyline, likely Hong Kong, with numerous illuminated skyscrapers and buildings. Overlaid on this image is a network of glowing blue lines that connect various points across the city, suggesting a telecommunications or data network. The word "FINANCIALS" is centered in a large, white, bold, sans-serif font.

FINANCIALS



城市電訊(香港)有限公司
CITY TELECOM (HK) LTD

Key Financial Highlights

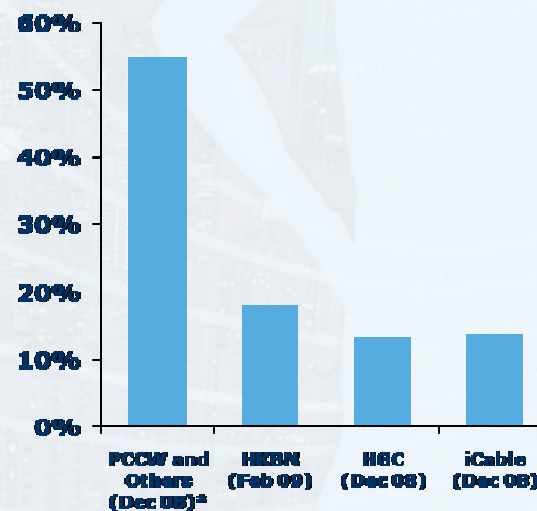
- Investments in fibre takes years to generate a return. CTEL is harvesting the cash flows from its peak investment 3-5 years ago funded by its US\$125 million bond issued in Jan 2005. Since then, CTEL has bought back and cancelled US\$104 million of bonds resulting in a near net debt free balance sheet today.
- Heavy fixed cost nature of Fibre Network means margins should improve as business scales. Retention is 1/3rd acquisition costs which should lead to natural margin expansion over time.
- Capex policy is $EBITDA > (Capex + Net\ Funding\ Costs)$. Dividend policy since FY07 is $1/3 \times (EBITDA - Capex - Net\ Funding\ Costs)$.

2nd Largest Broadband Service Provider

Net Additions for Past 12 Months

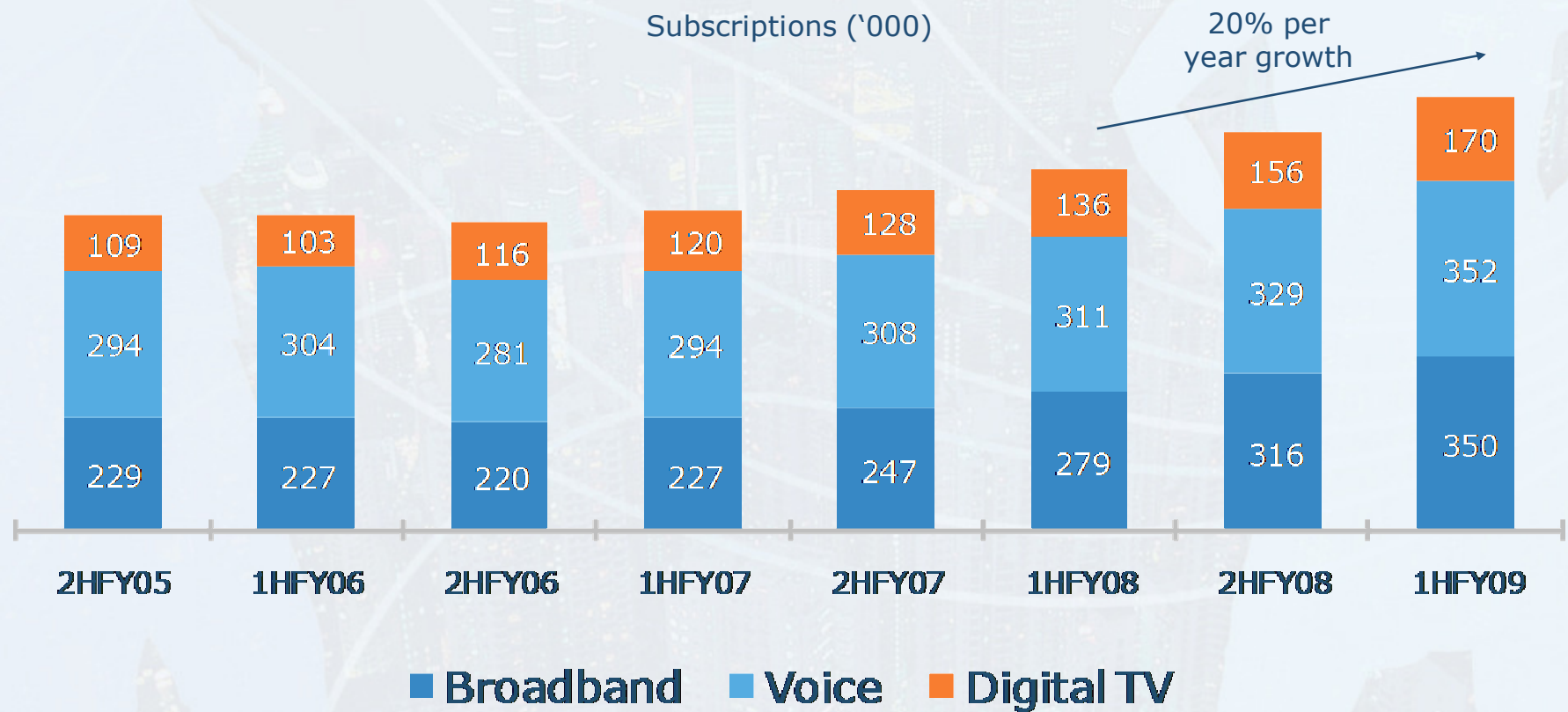


Broadband Market Share

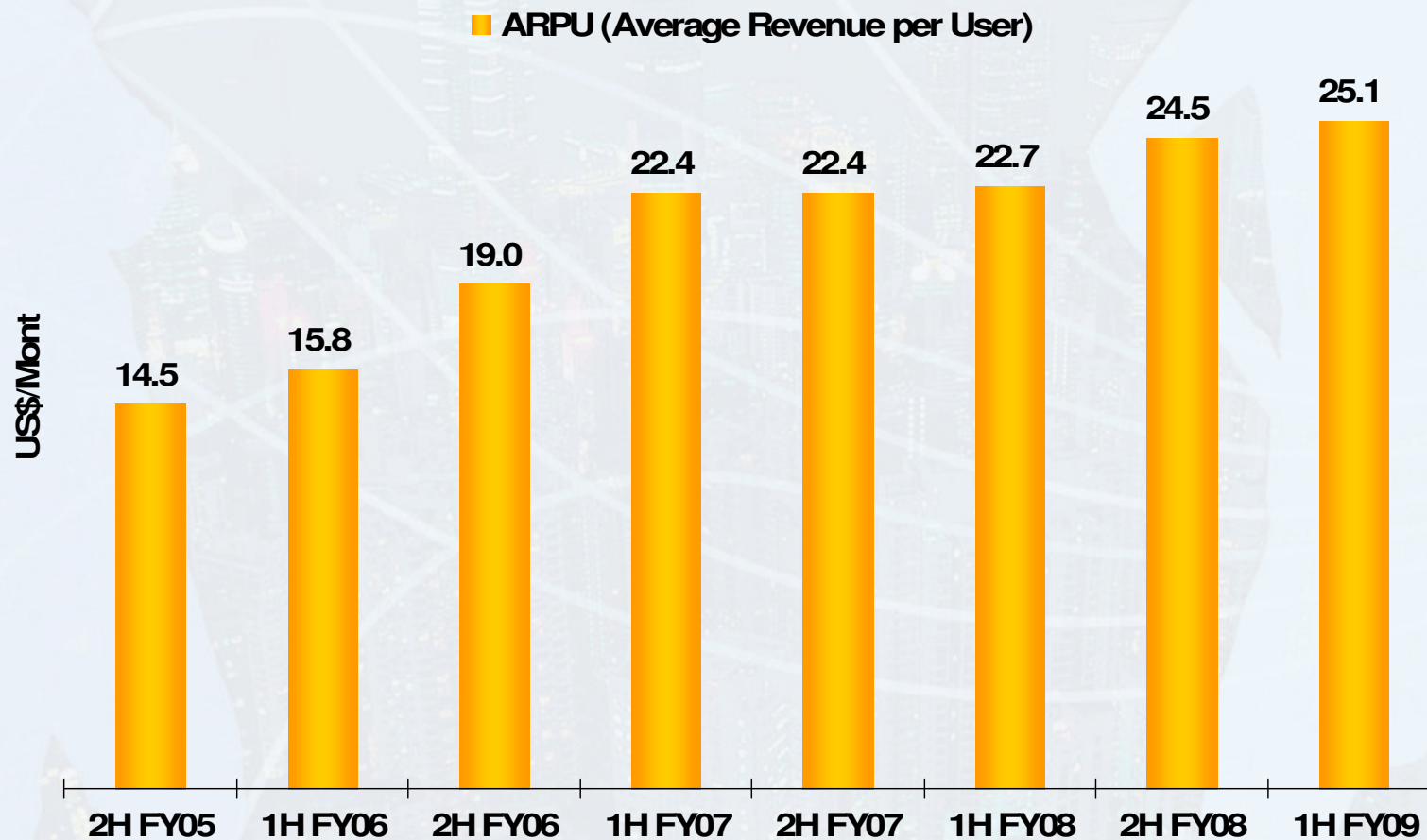


Source: PCCW FY08 Results Announcement, i-Cable FY08 Annual Report, Hutchison Telecom Hong Kong Holdings Limited Listing by Introduction, OFTA statistics, Note: * Total OFTA Market Statistic of 1,948,271 less reported subscriptions from HKBN, i-Cable, Hutchison Telecom HK Holdings.

Growing Triple-Play Subscriptions

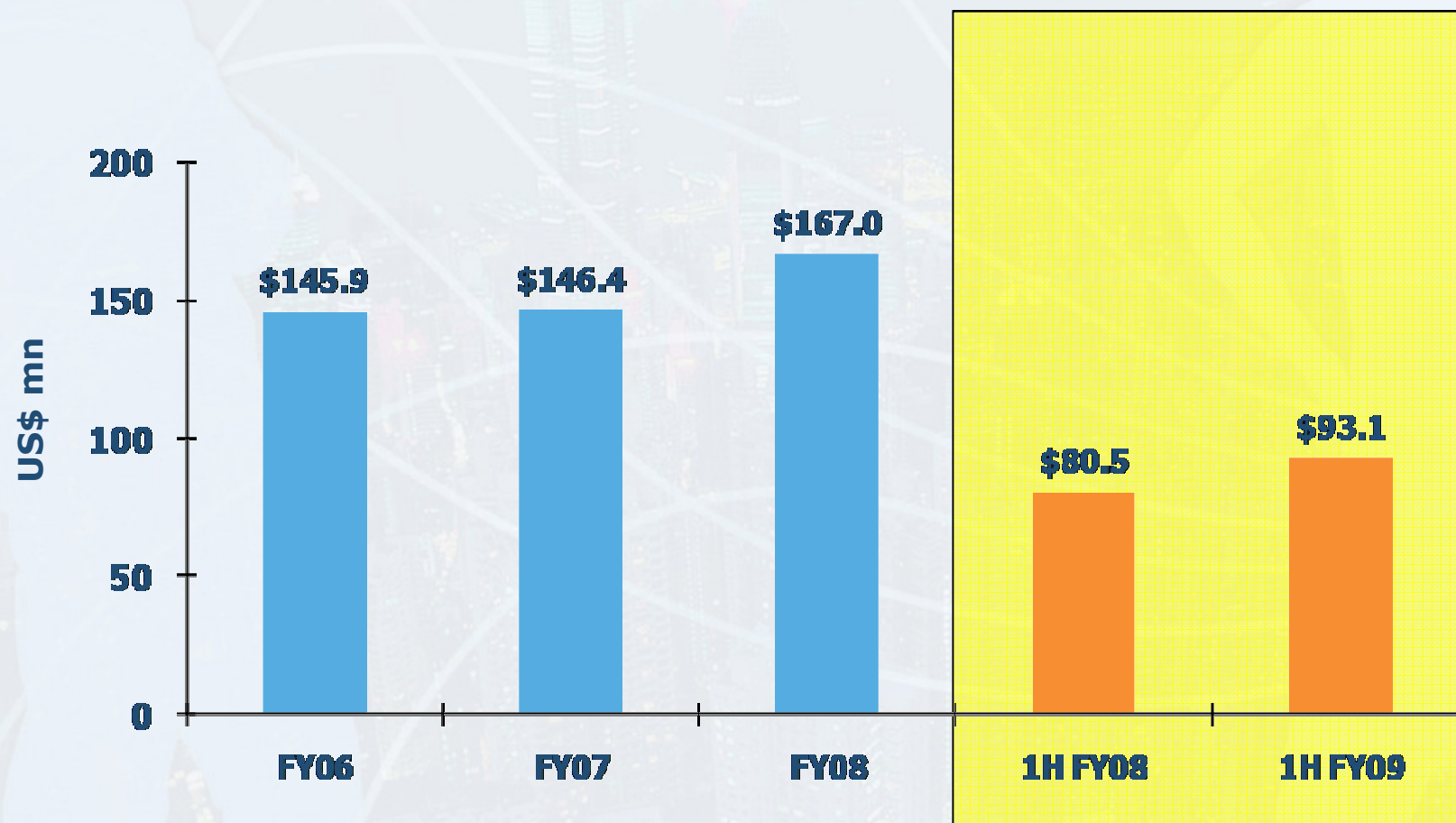


Increasing Broadband ARPU



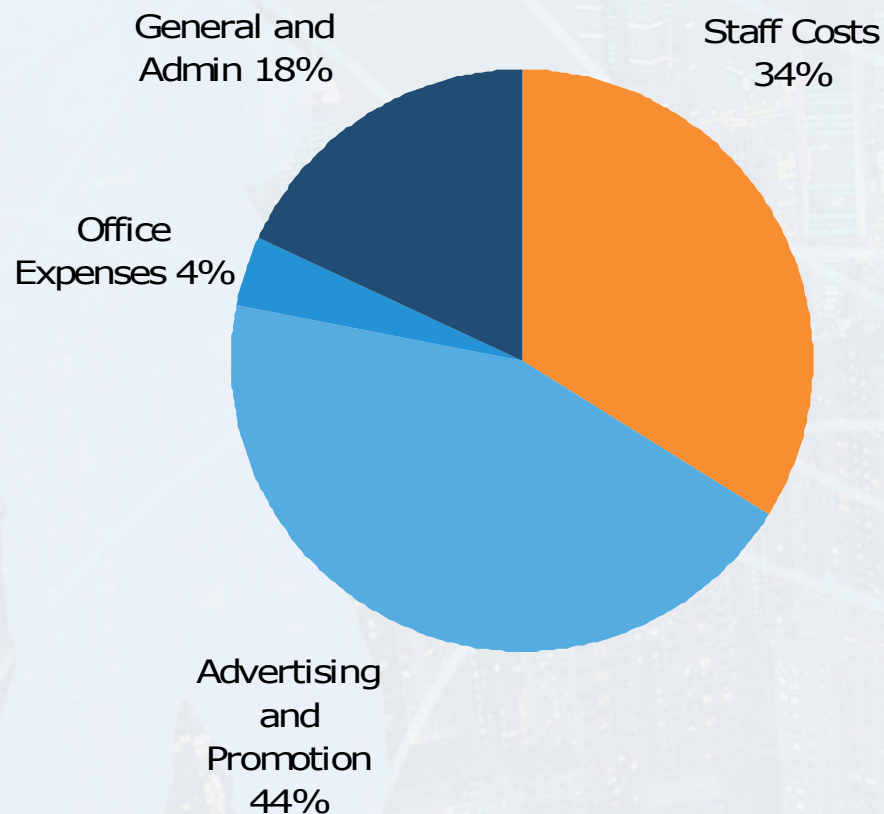
Note: Exit acquisition and contract renewal ARPU

Revenue Growth



Notes: US\$:HK\$ exchange rates: FY06: 7.78, FY07: 7.79, FY08: 7.80, 1H FY08 and 1H FY09: 7.75

Operating Expenses are Scalable



- **Retention is 1/3rd acquisition costs which should lead to natural margin expansion over time.**
- **Recessionary environment helps to keep costs below revenue growth**
- **CTEL's 1H FY09 EBITDA margin of 32.2% compares with 41.5% for PCCW TSS and 34.9% for Hutchison Hong Kong Fixed Line.**

From Hong Kong To Guangzhou Costing

Hong Kong Centric Acquisition

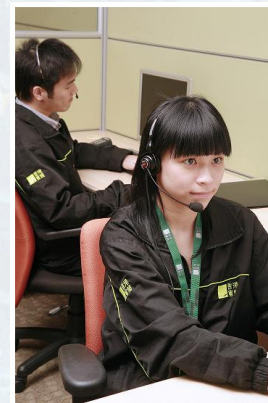
1,516 Talents



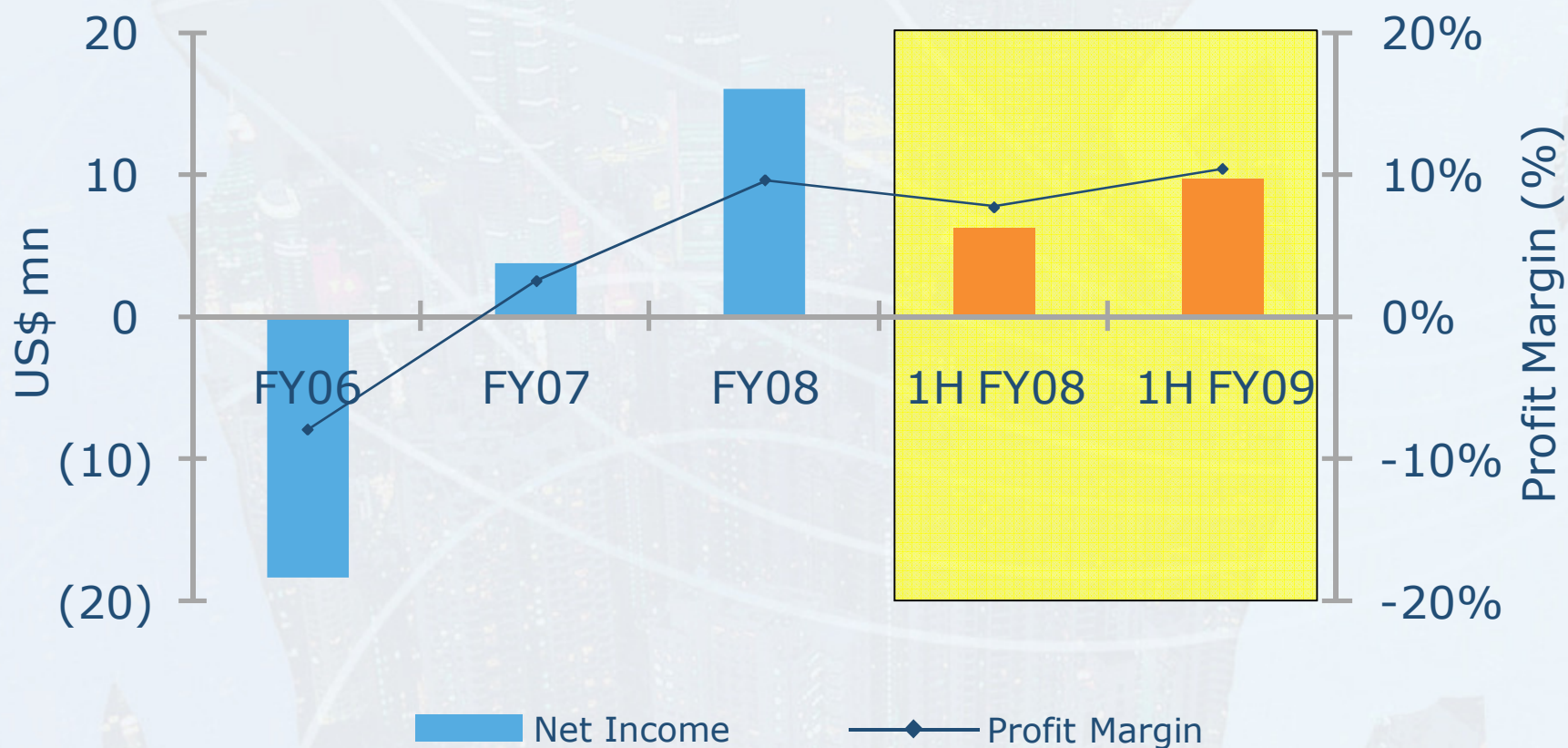
1/3rd
Cost

Guangzhou Centric Retention

1,366 Talents



Net Income, Improving Profit Margin



Notes: US\$:HK\$ exchange rates: FY06: 7.78, FY07: 7.79, FY08: 7.80, 1H FY08 and 1H FY09: HK\$7.75

Strong Balance Sheet

| US\$ mn | 31-Aug-08 | 28-Feb-09 |
|--|--------------|--------------|
| Goodwill | 0.1 | 0.1 |
| Fixed assets | 158.9 | 163.2 |
| Deferred tax assets | 3.4 | 1.3 |
| Long term prepayment | 0.7 | 0.7 |
| Deferred expenditure | 2.0 | 3.5 |
| | | |
| Cash and bank balances | 54.4 | 71.3 |
| Restricted bank deposit | 11.3 | 3.9 |
| Other current assets | 37.6 | 28.2 |
| Current assets | 103.3 | 103.5 |
| | | |
| Current liabilities | (46.4) | (41.0) |
| | | |
| Employment of capital: | 222.1 | 231.5 |
| | | |
| Shareholder funds | 133.2 | 142.9 |
| Deferred taxation | 0.6 | 1.0 |
| Finance lease | 0.0 | 0.0 |
| 8.75% 2015 Senior Notes | 88.2 | 87.6 |
| Funds employed | 222.1 | 231.5 |
| | | |
| Gross Debt to Annualized EBITDA (x) | 1.8 | 1.5 |
| Net Debt to Annualized EBITDA (x) | 0.7 | 0.3 |

- Issued US\$125 mn 2015 senior notes in Jan 2005 and have since reduced to US\$21 mn outstanding.
- Additional untapped US\$24 mn 2 year credit facility secured in July 2009

Attractive Valuation (as 25 Aug 2009)

| Ticker | Exchange | Price | Mkt Cap | Rev Growth (ttm) | EPS Growth (ttm) | Profit Margin | EPS | P/E | EV/EBITDA |
|--------------------------------|---------------------|-----------------|-----------------|------------------|------------------|---------------|-----------------|--------------|-------------|
| City Telecom (CTEL) | US NASDAQ | US\$5.05 | US\$0.2B | 16.4% | 157.8% | 11.0% | US\$0.59 | 8.5x | 3.3x |
| PCCW (0008.HK) | HK SEHK | HK\$2.14 | US\$1.9B | 34.7% | (14.7)% | 4.8% | HK\$0.19 | 11.5x | 5.7x |
| Hutch Telecom (2332.HK) | SEHK | HK\$1.65 | US\$1.0B | 16.3% | 159.2% | 12.3% | HK\$0.39 | 5.1x | 5.3x |
| China Unicom (0726.HK) | SEHK | HK\$10.66 | US\$33.1B | 6.1% | (42.6)% | 4.9% | HK\$0.68 | 15.7x | 5.3x |
| Fastweb (FWB) | Milan BIT | €18.58 | US\$2.1B | 15.9% | 116.8% | 1.0% | €0.24 | 76.4x | 7.3x |
| Iliad (ILD) | Paris – EPA | €69.15 | US\$5.4B | 29.1% | (22.1)% | 6.4% | €1.85 | 37.9x | 9.1x |
| Global Village Telecom (GVTT3) | Sao Paulo - Bovespa | BRL33.97 | US\$2.4B | 31.3% | (76.4)% | 3.2% | BRL0.56 | 64.8x | 8.5x |
| Average, Ex CTCL | | | | 22.2% | 20.0% | 5.4% | | 35.1x | 6.9x |

Investment Summary

- Changing consumer behavior drives increased demand for high-speed fibre Internet
- Subscriber growth faster than industry growth
- Positioned for stable long-term revenue and net income growth
- Strong free cash flow and balance sheet



Thank You

City Telecom

Mr. NiQ Lai, CFO

Telephone: 3145 6068

Email: ir@ctihk.com

Investor Relations Contact

Elite IR

John Marco

Phone (310) 819-2948

Email: john.marco@elite-ir.com



城市電訊(香港)有限公司
CITY TELECOM (HK) LTD