

For Immediate Release

City Telecom Submitted Application to be the third licensee of Domestic Free Television Programme Service in Hong Kong

(Hong Kong, 31 December 2009) City Telecom (H.K.) Ltd. ("City Telecom", HKEX: 1137, NASDAQ: CTEL) has submitted an application for a Domestic Free Television Programme Service in Hong Kong today. As a group, City Telecom has 17 years track record of innovation in the telecom industry, including over 6 years of running a subscription-based video service over the Internet via its wholly owned subsidiary, Hong Kong Broadband Network Ltd ("HKBN").

Dedicated to the corporate core purpose of *"to experience the joy of advancing and applying telecommunications technology for the benefit of the public"*, and to lead Hong Kong into the world of converged ultra high speed Internet services via fibre optics, City Telecom wishes to enter the local Free Television market to serve two purposes:

- i) The monthly fee of local Pay TV service currently ranges from 13USD (HK\$100) to around 30USD (HK\$240) for limited content. City Telecom has determined to provide the public of Hong Kong with more choice of free television programmes.
- ii) The sustainable development of Hong Kong demands widening the perspectives of Hong Kong people to the Mainland China, neighboring countries and worldwide. City Telecom hopes to enrich the public of Hong Kong with information & entertainment programmes that are currently lacking in the market.

City Telecom will transmit television signal via the fibre network of HKBN and interconnect to the existing common Inbuilding Coaxial Cable Distribution System to each individual home. The viewer does not require additional equipment for analogue TV reception, while only a standard digital set-top box, which is now common in most new TVs, is required for the reception of digital TV signal.

Leverage off existing infrastructure is the best way to deliver maximum benefits to the community at minimal incremental costs. We estimate a maximum cumulative investment at HK\$210 million before reaching positive free cash flow.

We believe the current duopoly Free TV limits innovation, and Hong Kong is falling behind other more liberalized markets around the World. City Telecom will launch the service within 9 months up the grant of license, and plans to provide various informative & entertaining content including News & Infotainment, Children, Youth, Elderly, and Arts & Culture, and expects to provide coverage throughout HK by 2016.

Being a major telecommunications service provider in Hong Kong, City Telecom and HKBN provide international telecommunications, broadband, telephony services and video service over the Internet. If granted the Domestic Free Television Programme Service License, the group could further extend its business diversity, while at the same time benefiting the public of Hong Kong with more free choices of television programmes.

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About City Telecom/Hong Kong Broadband Network Limited

Established in 1992, City Telecom (H.K.) Limited (HKEX: 1137, NASDAQ: CTEL) provides integrated telecommunications services in Hong Kong. City Telecom's wholly-owned subsidiary, Hong Kong Broadband Network Limited (HKBN), is in the process of expanding its self-built Next Generation fibre network. HKBN has achieved an aggregate Voice, Broadband (symmetric 25Mbps up to 1Gbps) and IP-TV services base in excess of 943,000 subscriptions. Additional information on City Telecom can be found at www.ctigroup.com.hk.

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Appendix: Network Diagram

