New Development Plan on Multimedia Creativity
Ricky Wong, Chairman, 15 Aug 2011
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.

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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.
World Leading, State-of-Art Multimedia Centre

<table>
<thead>
<tr>
<th>Location</th>
<th>remaining portion of Section S of Tseung Kwan O Town Lot No.39</th>
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<tbody>
<tr>
<td>Land size</td>
<td>Approximately 219,670 sq. ft (plot ratio 2.5)</td>
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<td>Initial Development Plan</td>
<td>300,000 sq. ft. gross floor area, expandable to 500,000 sq.ft.</td>
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<tr>
<td>Construction Cost</td>
<td>approximately HK$600 million</td>
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<td>Expected to come into operation in 36 months</td>
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Key Components:
- Studios, largest one will be sized at 15,000 sq. ft
- Exhibition and Education Centre
- Post-production suite (super HD, 3D-enabled)
- Administration offices
Location –
Remaining portion of Section S of Tseung Kwan O Town Lot No.39
Location –
Remaining portion of Section S of Tseung Kwan O Town Lot No.39
Design – Information Tower & Production Studio Block
The Functions
Key Elements at a Glance

Studios

Information Hub

Digital Post Production Suite

Creative Imaging Centre

City Telecom Group
## Proposition – An Open Platform

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<th>Overseas &amp; Local External Partnership</th>
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<tbody>
<tr>
<td>Academic Sector such as universities &amp; relevant institutions</td>
</tr>
<tr>
<td>Independent Content Producer</td>
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<tr>
<td>World Leading Multimedia Production &amp; Distribution Centre</td>
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<tr>
<td>3D and Super HD Shooting &amp; Post Production Facilities</td>
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<td>Next Generation Content for Audience Active Input</td>
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City Telecom Group
Opportunities

• HK creativity industry is going downhill
• Audience’ needs & style change constantly
• New generations are looking for content with higher interactivity & mutuality
• Regional TV production has not following/changing towards market pace
TV and Internet Convergence

Traditional TV Broadcasting

Internet World
Market Behaviour

... Seamless access to all content

Voice  Music  Video  Games  Applications

Computer  Game Console  TV  Smartphone  Tablet

... Across all platforms, devices & operating systems
The China Internet Market

Traditional Television & Movie Vs. Internet Content Development

• China is the world’s largest Internet and fastest growing market in terms of numbers of both overall and broadband users

• More than 2,000 television & movie production companies in China, with limited traditional distribution channels

• Out of approximately 14,000 television episodes produced last year, fewer than half make it to broadcasting
The Market Opportunity

Internet Content Market in China

- Total online advertising revenues grew from RMB0.5b (US$81m) in 2006 to RMB2.8b (US$428m) in 2009
- 72% of Internet users in China, i.e. 329m users, engaged in Internet content in 2010
- Top 2 categories of most-viewed Internet content were professionally produced contents, i.e. full length movies & TV serial dramas, reaching 75% of total Internet content viewers
- Clearly underserved huge demand for professional produced content & thus creativity & production support
Operational Details

- After International Long Distance in the 1990s, followed by Fibre investment in the 2000s, this will be the 3rd venture for CTI Group
- Expected to create 100 to 150 job opportunities
- Construction cost will be funded by internal resources and banking facilities
- Maintain existing dividend policy of paying between 60%-90% of net profit
China Huge Internet Base

<table>
<thead>
<tr>
<th>Internet Users in China (Fixed &amp; Mobile)</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
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<tbody>
<tr>
<td>Total Users (million)</td>
<td>110</td>
<td>137</td>
<td>210</td>
<td>298</td>
<td>384</td>
<td>458</td>
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“Internet users” refers to individuals aged six or above who visited Internet at least once in the preceding six months.

- Accelerated growth in Internet users in China, driven by Smartphones, especially with the increasing momentum of sub US$150 handsets
- There are currently over 900 mn mobile users in China, but according to CNNIC, as of end 2010, only 303 million are mobile internet users
Rapidly Grown On-line Video Advertising Revenues

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<td>Annual spend (RMB bn)</td>
<td>0.1</td>
<td>0.3</td>
<td>0.6</td>
<td>1.4</td>
<td>2.4</td>
<td>4.0</td>
<td>6.7</td>
<td>9.5</td>
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Source: iResearch

- Advertisers globally are shifting a higher portion of the media spend onto Internet.
- The younger generation in China is shifting to online video as their default form of media and content delivery.
- Per McKinsey Quarterly, 2Q 2011, the average Chinese user spends four hours a week watching online video content, such as movies, TV, and live sports—double the time spent by US users.
Thank You ...