

CITY TELECOM (H.K.) LTD: WELL WORTH A PUNT

The days of Cable and Wireless plc, having a monopoly over long-distance telephone calls in Hongkong, are long gone, but it would appear that somebody should tell C&W of this situation.

It would appear that some people have failed to realise that there is a new (telecommunications) order in the territory, which was reclaimed by the Government of the People's Republic of China (PRC), back on July 1, 1997.

C&W's loss of yesteryear is, of course, the gain of City Telecom (H.K.) Ltd, the 'young upstart' of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), which company has proved that one may challenge seemingly entrenched corporate enterprises ... and win.

C&W, of course, had the backing of British Government when Hongkong was a colony of Great Britain, but, with the assumption of sovereignty of the PRC Government, the entire telecommunications shooting match in Hongkong was up for grabs.

And Mr Ricky Wong Wai Kay, Chairman of City Telecom, was fast to grab whatever he could of C&W's former empire in the 416 square miles that make up the HKSAR.

City Telecom's 1999 Annual Report for the Financial Year, ended August 31, 1999, is nothing short of a dazzling display of successes over the past 5 Financial Years.

The following is extracted, directly, from the 5-Year Financial Review:

	Year Ended August 31				
	1999	1998	1997	1996	1995
	<i>(All Figures Are Denominated In \$HK'000)</i>				
Total Operating Revenues	1,045,696	700,707	664,697	500,853	268,905
Total Operating Costs	1,030,019	675,017	569,819	424,892	248,770
Total Profit From Operations	16,161	30,921	98,657	76,454	21,465
Net Interest Income	9,644	14,652	4,817	1,610	695
Profit Before Taxation	25,805	45,573	103,474	78,064	22,160
Tax Credit/(Charge)	1,676	(8,357)	(19,478)	(13,572)	(2,697)
Profit Attributable To Shareholders	27,481	37,216	83,996	64,492	19,463

Not bad for the Founder of this Company, a man, who is just 37 years old.

The History

City Telecom burst onto the HKSAR scene and launched its attack on the entrenched C&W 'empire' at the end of July 1997, when it pitched a New Issue of 100 million shares at \$HK1.80 per share.

The New Issue was 2.85 times oversubscribed.

On the first day of trading, the share price dived below its Offer Price, hitting a low of \$HK1.62 per share.

Today, those who sold out their holdings in this go-go company must be kicking themselves as they see the share price shoot up, past the \$HK6 level.

In the same year of its debut on The Stock Exchange of Hongkong Ltd, from a long-distance telecommunications provider, it started to eye the Internet as a viable alternative to the then conventional telecommunication solution to long-distance communication.

By March 1998, City Telecom had cut its International Direct Dialing (IDD) rates and it had, unofficially, declared 'war' on all rivals, taking on the once, mighty C&W and, also, taking on its closest rival, New World Telephone Ltd.

By November 1999, City Telecom had launched a successful fund-raising exercise on the US NASDAQ, pulling in another \$HK646-million in a Share Placement.

In the same month, Pacific Century CyberWorks Ltd, a Li Ka Shing listed company, had taken note of the antics of Mr Ricky Wong and had put \$HK215 million on the table in order to obtain an 8-percent interest in the fast-growing telecommunications/Internet company.

Pacific Century CyberWorks paid \$HK5.60 per share for its stake.

Since November last year, not much has been heard about this aggressive little company, but one may expect that things will start to pop, very soon.

While the 'core' business, of providing long-distance, telephonic communication,... [CLICK TO ORDER FULL ARTICLE](#)