

# Operations Review

## Mobile Business

- **3.2 million customers**  
in Hong Kong and Macau
- **Over 40%** of 3G postpaid subscribers are  
**smartphone and dongle users**
- Invested **HK\$507 million**  
**in network excellence**  
and overall service quality
- **Over 200 branded shops**  
and distribution sites







• 3 Hong Kong's "iPhone Night" was the talk of the town



• Promotion of iPhone 4 sales by 3 Hong Kong

The 3 brand continues to lead in Hong Kong – widely regarded as one of the world's most competitive mobile communications markets – and is poised to take command in the Macau market. Our progress is chiefly the result of 3's established image as the obvious choice among data-centric mobile users.

## MOBILE BUSINESS – HONG KONG AND MACAU

Year 2010 represented a period of economic recovery in Hong Kong and Macau, during which local markets saw an upturn in spending habits, more travelling and deeper mobile phone penetration. Particularly significant to our mobile business has been a rapidly-growing mobile data habit in Hong Kong and Macau, driven by the extremely popular iPhone, Android and other smartphone models.

Our high-profile mobile brands in Hong Kong and Macau continue to benefit from a reputation as an iPhone user's champion, after establishing a first-mover advantage in this high-potential market. We built on that commonly-held perception by launching a succession of innovative campaigns and value-added services.

## HONG KONG

### Clear market leadership

Efforts to position 3 as the market leader continued to pay off in 2010, thanks to a catalogue of innovative initiatives, the brand's image as Hong Kong's iPhone-user champion and a sharp focus on the high-end, data-hungry mobile community. All helped the 3 brand in Hong Kong and Macau to exceed the 3-million-subscriber mark to reach 3.20 million, of which our 3G subscribers jumped to 2.10 million.

Over 40% of our 3G postpaid subscription is made up of smartphone and data dongle users, with potential to further expand the data-driven customer base, especially in view of the growing smartphone trend and more new handheld models coming onto the market.

Leadership of Hong Kong's mobile communications market was strengthened in 2010 by a succession of compelling offers including launch of the iPhone 4 model.



- The 3ree Broadband brand integrates mobile, residential fixed-line and Wi-Fi services, leading the telecommunications industry into a new era of fixed-mobile convergence

### Rebranding – 3ree Broadband

A whole new vista of opportunity was opened up in 2010 by integrating our mobile and local fixed-line networks and making the same breed of lifestyle-enhancing services, and a wide range of attractive offers, available to both sets of users under the 3ree Broadband brand.

This integration – based on the strong optical-fibre capability in Hong Kong and supremacy throughout the high-end mobile community – has opened up access to residential fixed-line customers, thereby extending the customer geography for our powerful 3 brand, which is now setting new benchmarks in serving the everyday needs of data-centric users.

### Spearheading the smartphone and handheld device trend

A full range of handset and device offers were unleashed on the market in 2010 in order to serve a diversity of requirements. This had the effect of building on 3's first-mover advantage in the iPhone and smartphone market, which was established by being first in Asia to introduce the BlackBerry and first to introduce the iPhone 3G and iPhone 3GS in Hong Kong. In July 2010, 3 maintained the momentum of that first-mover advantage by launching the new iPhone 4, thereby triggering overwhelming market response and unprecedented media coverage.

Another first-in-market development was the warmly-welcomed data roaming day pass for 26 destinations including China and the United States of America (the US), by which subscribers are now able to enjoy unlimited data usage and hence a worry-free roaming experience. Data roaming is only part of our Be3ree smartphone benefits platform, which also provides unlimited local data, free Wi-Fi and a handset replacement plan to trendy data users.

In addition, Be3ree smartphone benefits include the 3Screen Annual Movie Pass, with which subscribers are able to watch any movie for free throughout selected cinemas on any Wednesday.



- 3 Hong Kong delivers a hassle-free roaming experience to travellers



- 3 Hong Kong formed an exclusive partnership with Kobo Inc. to bring a brand new eBook reading experience

Taking an early lead in catering to the mobile habits of high-yield data users has enabled us to form an intuitive understanding of this growing section of the market and gain maximum commercial advantage by devising innovative value-added services and boosting customer loyalty.

### *Winning data services, applications and content*

Being the first to launch data-centric tariff plans enables 3 to reinforce market leadership. We continued to spearhead development of the mobile data market, following launch of EasyPlus, Hong Kong's first intelligent billing mechanism that automatically channels customers into appropriate pricing bands, depending on usage levels. A particularly innovative initiative was to remove the barrier to going online by offering bundled plans with free unlimited data usage and free unlimited Wi-Fi service.

3 was also first to enable fans to receive updates on their celebrity idols by subscribing to Weibo Express, which is fed with content from the SINA web service provider. In addition, 2010 saw the launch of the exclusive 3Book service, providing unlimited access to the largest mobile e-magazine, e-fiction and e-comics store and offering a fresh handset experience for avid

readers – especially those iPhone, Android and tablet PC users. In December 2010, 3ree Broadband partnered with Kobo Inc. to make a wide selection of English-language eBooks available to customers in a sharp book-like reading format. This boosts our 3Book service, which is fully compatible with iPhone, iPad, Android and PC devices and will assist the growing trend in a new-age reading experience, whether at home or on the move.







• The 3 Concept Store in Central district where style meets technology

### *Extensive distribution channels*

An initiative to upgrade 3's high-street presence began in 2010 with launch of the futuristic 3 Concept Store in Hong Kong's Central district. Based on shopper-friendly simplicity, the over 1,000-square-foot store provides a one-stop service for all communications needs, while highlighting the new 3ree Broadband offer to the market.

The design of this new retail experience features high-definition, 42-inch LCD panels screening thematic animation and the latest 3ree Broadband news and special offers. Other outlets will be revamped gradually to promote broadband offers.

More than 200 branded shops and distribution sites are staffed by 1,000-plus sales personnel, while our "high street" presence is strengthened by linking with Hutchison Whampoa Group's retail chain stores such as Watsons and Fortress.

Created by our fixed-mobile integration initiative, the burgeoning 3ree Broadband brand has given rise to sales synergies such that the direct fixed-line sales team is able to promote bundled fixed-mobile offers.



• Over 200 branded shops and distribution sites deliver one-stop telecommunications services



- The Company appointed Huawei to commence a network enhancement project

### *Superior network developed by far-sighted planning*

Investment of HK\$507 million in 2010 underscored our commitment to network excellence and overall service quality in a manner that has remained consistent over the years.

As part of that investment, a 3G infrastructure modernisation project was completed in 2010. The deployment of HSPA+ Dual Cell technology enables network-wide downlink speed up to 42Mbps.

In a far-sighted move to keep up with bandwidth demand generated by iPhone and smartphone usage, we continue to upgrade the 3 network by “re-farming” existing spectrum to widen and deepen coverage. We also commit to extending reach of our mobile broadband communications to address the growing demand of mobile data users through ongoing capacity expansion and coverage enhancement projects at traffic-heavy locations including MTR stations and local hotspots, which were planned and executed during 2010.

Rising data demand is also being addressed by extending coverage of Wi-Fi provision to take the data load off our 3G network. This is made possible by our co-operative arrangement with a pioneer in best-in-class broadband wireless connectivity

that enriches users' Internet experience throughout the city via more than 3,000 hotspots. Wi-Fi Internet access enables users to stay connected in high-traffic locations such as shopping malls, restaurant outlets and fast-food chains in popular areas.



- Striving to expand mobile network coverage for 3 subscribers



In addition, Genius Brand Limited, a joint-venture formed between a subsidiary of Hutchison Telecommunications Hong Kong Holdings Limited (the Company) and Hong Kong Telecommunications (HKT) Limited continues to work on deploying next-generation Broadband Wireless Access (BWA) technologies – also known as LTE – after being awarded one of three 4G licences in 2009. This will enable the joint-venture to build an LTE network fit to deliver an even richer end-user experience after launch in 2011.

## MACAU

### *Poised to challenge leadership*

After 10 years in Macau, and three years competing in the local 3G arena, the 3 brand has grown to within striking distance of market share leadership. This was reinforced when 3 Macau capitalised on the launch of iPhone 4 by staging a star-studded party event that generated powerful media coverage – and saw a queue of eager buyers lining up at the island's retail outlet from midnight onwards.



- The 3Shop in Macau provides professional sales and after-sales services via a strong retail network

### *Roaming makes full recovery*

In 2010, 3 Macau capitalised on record levels of roaming usage generated by a steadily-rising influx of business visitors and tourists, effectively lifting this important revenue stream out of the doldrums of the economic downturn.

This trend is expected to continue in 2011, with growing numbers of smartphone users placing even heavier demands on our roaming service.

### *New valued-added services*

High-end users were attracted by a number of new value-added services released in 2010. These included the KKBOX music offering, while the newly-launched one-card-2-number 3G service now enables Macau customers to reap the cost and automatic-selection benefits of using the 3 network while roaming in Hong Kong.





HGGC

# Operations Review

## Fixed-line Business

- Invested **HK\$613 million** in network infrastructure
- around **80%** of households in our homepass coverage enjoy broadband speeds from **100Mbps up to 1,000Mbps**
- Network reach extended to **Europe, the Middle East and Africa**
- **Winning** a major share of the **Local Carrier market**





• 3ree Broadband launches 1,000Mbps residential broadband service

## FIXED-LINE BUSINESS

During 2010, Hutchison Global Communications Limited (HGC) invested HK\$613 million, representing more than 18% of fixed-line turnover, in our network infrastructure, demonstrating our strong commitment to network excellence.

Our fixed-line business generates growth and maintains a competitive position among both local and international fixed-line players, thanks to our strong optical-fibre capability, extensive global network reach and a pre-eminence in fixed-mobile integration (FMI).

HGC operates more than 1 million kilometres of optical-fibre cable cores and around 6,000 kilometres of linear ducting. We are now the only operator to provide a total of four terrestrial fibre connections to China in service at Man Kam To, Lo Wu, Lok Ma Chau and the Hong Kong-Shenzhen Western Corridor.



• 3ree Broadband brings customers to a new era of up to 1,000Mbps optical-fibre communications





- Our 100Mbps residential broadband service comes with 3Screen Annual Movie Pass

## CONSUMER MARKET

### *Continuing investment and high-speed offerings*

HGC operates Hong Kong's largest Fibre-to-the-Building (FTTB) network – after leapfrogging historical telecommunications copper technology in the 1990s – and now takes the ultimate connectivity offered by fibre all the way into homes. This will be followed by a move to take optical-fibre directly into commercial premises.

Around 70% of Hong Kong households currently falls within HGC's broadband coverage. With the recent upgrade of our broadband network and rollout of Fibre-to-the-Home (FTTH), around 80% of the covered households are able to enjoy broadband speed of at least up to 100Mbps, this is in stark contrast to the average speed serving the domestic market.

Launch of our super-fast 1,000Mbps residential broadband service in August 2010 meant subscribers were then able to download high-definition movies in seconds. This served to differentiate ourselves from competitors as we also offer services of speeds ranging from 100Mbps, 200Mbps and 300Mbps through to 1,000Mbps.

### *Rebranding – 3ree Broadband*

Launched in July 2010, 3ree Broadband integrates residential fixed-line, mobile and Wi-Fi capabilities and provides enormous scope for bundling products, devising attractive pricing offers and transforming our customers' digital lifestyles with innovative services and entertainment content.

Bundling residential broadband with telephony services, along with 3 mobile and Wi-Fi offerings, now enables customers to use bundled services on either PC or mobile handsets.

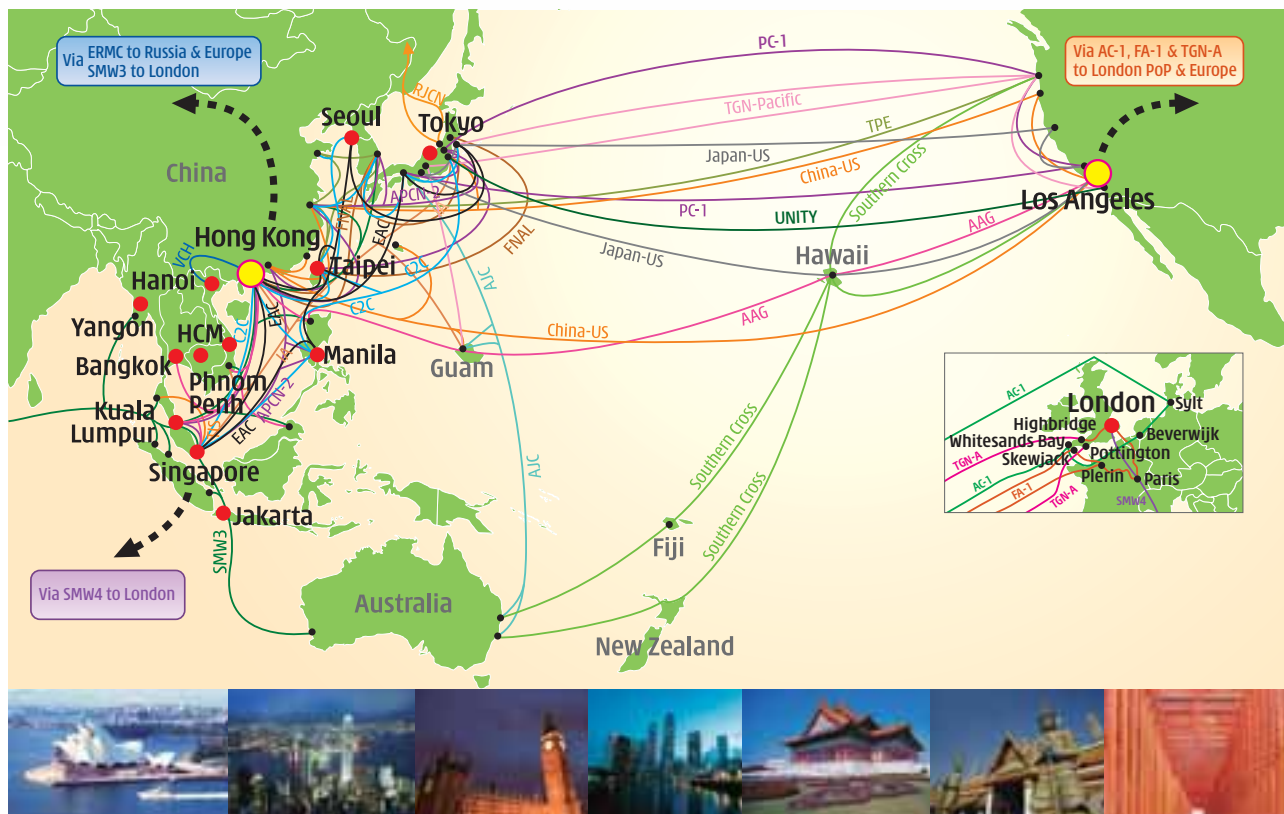
### *Channel expansion through FMI*

The 3ree Broadband brand campaign highlighted the many customer benefits generated by our pre-eminence in FMI. This has been made possible by combining our strong optical-fibre capability with our supremacy in the high-end, data-centric mobile communications community.

Our synergy-loaded FMI capability also gave rise to the exclusive MATCH campaign, by which customers get a premium data service from both residential fixed-line and mobile services.

Looking ahead, our fixed-line business plans deeper penetration of the 100Mbps or higher-speed market, strengthened customer loyalty, enhanced satisfaction levels, a re-engineered sales approach to focus on our FMI proposition and more bundling of those value-added services holding high-revenue potential.





• HGC global network reach

## INTERNATIONAL BUSINESS MARKET

### Attaining "carrier's choice" status among corporations and service providers

Pursuit of a strategy to establish HGC as a globally-recognised telecommunications operator has resulted in "carrier's choice" status among telecommunications operators, Internet Service Providers and multinational corporations alike – at home and overseas. Services provided encompass voice and data, as well as fixed and mobile offerings.

Our constantly-expanding network reaches into and between different continents via our existing infrastructure and co-operation with carriers around the world. We cover most Asian countries, the US, Canada and Africa, as well as Europe by branching out to various countries. Meeting the needs of private and public sector organisations, together with large corporations such as manufacturing companies, has taken us as far afield as India, Bangladesh, Sri Lanka, Egypt and Myanmar.

Efforts in 2010 resulted in serving a greater number of multinational corporations with offerings such as International Private Leased Circuit (IPLC), IP Virtual Private Network (IP-VPN), Virtual Private LAN Service (VPLS) and Global Ethernet Private Line (GEPL), plus IDD and international Internet service. HGC also launched a managed IP-VPN service with special features, such as a fully-managed CPE service, with a proactive 24/7 monitoring and technical support hotline, a global IPsec backup solution to provide business continuity and an outbound voice solution, as well as an Internet breakout feature over the same private IP-VPN network.

### Further expansion around the world

Extensive reach enables HGC to provide diversified telecommunications services to all customer types, with expansion continuing in both horizontal and vertical terms. From a horizontal perspective, we make full use of Hong Kong's status as a regional telecommunications hub in order to expand around the world. Vertically, we have been building HGC's service portfolio and increasing value to customers.

In terms of horizontal expansion, our reach has been extended from the US west coast to New York on the east coast, thereby strengthening multiple connections into Central and South America, as well as Europe and Canada. In addition, our presence in London has been enhanced to improve network connectivity between Asia and Europe. This involves multi-gigabit capacity on Hong Kong westbound routes to complement existing eastbound routes and achieves a highly meshed global network architecture. This also branches into Europe, the Middle East and Africa. Business reach has been extended as far as Egypt and Kenya in Africa and India in Asia. Leveraging on our existing infrastructure, **HGC** has also established co-operative arrangements with regional and country-based carriers, with the aim of stretching reach and services into specific countries of interest.

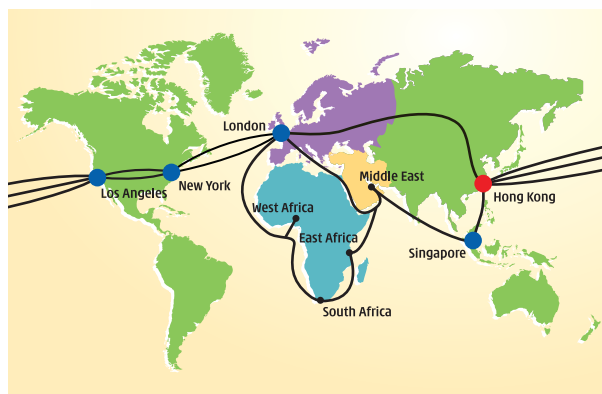
From a vertical expansion perspective, a highly-meshed network has been developed to provide full-spectrum data services, including IPLC, GEPL, IP-VPN, VPLS and IP transit. We are also able to offer disaster-recovery and business-continuity solutions delivered against stringent service level agreements. In terms of voice and switched services, various offerings available on the network include traditional voice switching and transit, plus an IDD package programme for fixed and mobile operators, as well as an international mobile data connectivity service.

### **Continuing growth in switched voice and high-bandwidth data traffic services**

#### *Voice*

In addition to addressing continuous growth in voice requirements, we have been constantly expanding to interconnect with more and more carrier customers, with the ability to terminate voice traffic in high-value countries or destinations. **HGC** expanded interconnections to reach a total of more than 280 carriers, and has now established direct mobile connections with 110-plus operators throughout more than 60 countries. Furthermore, we run Common International Platform which serves and connects Hutchison Whampoa Limited's telecommunications subsidiaries around the world to generate commercial and performance-based benefits during day-to-day operations.

Our IDD package programme enables service providers to offer attractive monthly packages featuring limited and unlimited IDD service to specific market sectors. In 2010, our IDD Buffet solution enabled partner carriers' subscribers in Indonesia and Sri Lanka to enjoy unlimited IDD service to different destinations, in addition to Hong Kong, at fixed pricing for the first time ever.



• HGC global network reach extends to Europe, the Middle East and Africa



#### *Data*

Our wholesale data business continued to grow during 2010. We co-operated with telecommunications operators that interconnect their submarine cable capacities with our **HGC** network in Hong Kong and overseas to provide world-class connectivity solutions to corporations and wholesale carriers. Activity during 2010 included drawing up plans for extending service beyond Asia and into the US, as well as Europe, the Middle East and Africa.

The Company holds the chairmanship of the Conexus Mobile Alliance, which comprises 11 mobile operators in Asia throughout 13 member countries to address a market serving a total customer base of 310 million users. The alliance was formed to enhance the customer-roaming experience and develop international roaming services to meet increasing customer requirements.





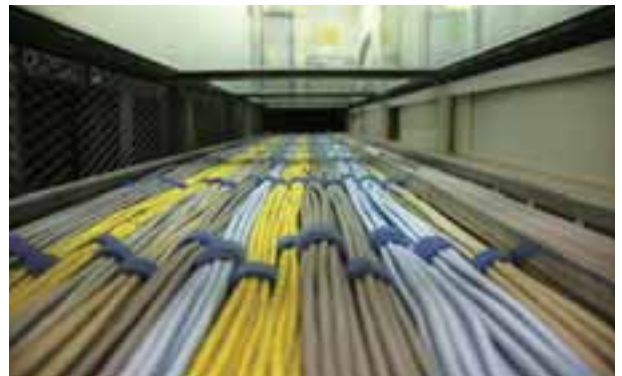
• A dedicated management team leads the International Business Division

Investment in various submarine cable systems across Asian, transpacific and transatlantic regions enables the business to provide carrier-grade multiple-gigabit connectivity via SDH, as well as Ethernet and wavelength-based platforms, to many tier-one carriers. In addition, leading Internet Service Providers and carriers in the region are using **HGC's** robust Internet backbone to meet rapidly-growing demand for Internet bandwidth in their own countries.

As well as serving the backbone needs of telecommunications carriers, the division has diversified by providing connectivity to meet the lower bandwidth but higher service level requirements of telecommunications carriers serving corporations with IPLC, IP-VPN and VPLS, plus international Internet solutions. Our global reach and number of international circuits we provide have increased as a result, with **HGC** now being regarded by many customers as a "solutions provider".

The one-stop-shop *HutchConnect* platform, established in Hong Kong to connect all major data centres, international

telecommunications carriers and cross-border connectivity system to China, continues to be a preferred choice of carrier-neutral capacity management solution. Four multi-service packages introduced during 2010 – *DataConnect*, *VoiceConnect*, *HybridConnect* and *MultiConnect* – provide even better solutions to address diverse requirements that include data, voice and different layers of service such as Ethernet, MPLS and IP.





• HGC is committed to facilitating the exchange of ideas at industry seminars

## LOCAL CARRIER MARKET

### *100% optical-fibre infrastructure helps mobile operators satisfy the robust data demands of an upward smartphone trend*

Presiding over infrastructure comprising 100% optical-fibre has enabled us to win a major share of the market that provides high-speed Metro Ethernet leased lines to many of Hong Kong's mobile operators. Known as "backhaul", these networks carry land-based traffic at high speed between the Internet and mobile phone cell sites. A proliferation of iPhones, other smartphones and wireless devices in Hong Kong has placed huge demand on bandwidth for backhaul circuits serving mobile operators because of the massive volume of data being consumed by end users.

In addition, capacity in our extensive optical-fibre network is in demand among international carriers wanting to satisfy their local-loop needs in Hong Kong.

During 2010, our Ethernet backbone transmission capability continued to be developed as a way of strengthening our ability to serve mobile operators, following introduction of the next generation of mobile broadband technology – known as LTE or 4G – in 2011. In fact, we are now ready to provide Hong Kong's

mobile service providers with Gigabit Ethernet leased lines to serve their cell sites.

Continuous investment in our network since inception has brought a sharp focus to bear on stability and excellence, winning widespread recognition among local carriers. This has resulted in a leading share of the market and an excellent position from which we continue to capture the explosive data-orientated demand forecast for the future.





• HGC and Microsoft Hong Kong deliver cloud computing power to enterprises in Hong Kong

## CORPORATE AND BUSINESS MARKET

### *Enabling businesses to reap the benefits of today's bandwidth – demanding applications*

We act as telecommunications partner to a growing number of medium-to-large-sized corporations, serving them with a full range of off-the-shelf or customised offerings that commonly involve broadband, local data, hosting, data centre and mobility services. We also manage the large-scale needs of the banking and finance and government sectors with solutions based on leading-edge technologies.

During 2010, mission-critical support for the corporate market was bolstered by enhancing HGC's Dense Wavelength Division Multiplexing (DWDM) network and providing 1G-10G MetroLambda service, with capacity to offer speeds up to 40G. The technology behind MetroLambda enables multiple circuits to be carried by one fibre, removing reliance on a "spaghetti" of networks to connect data centres and offices, while cutting cost and boosting reliability.

### *Expanding high-speed broadband coverage to serve more members of the growing SME community*

Growth in the small-to-medium-sized enterprise (SME) market remained relatively subdued in the aftermath of the global recession. However, we have been planning ahead with the aim of upgrading broadband speed and expanding coverage to provide better service and serve more SMEs.

Efforts to drive our expansion plans have included a number of aggressive offers designed to increase the port utilisation ratio and achieve better return on investment. In addition, a strategy has been developed to achieve deeper penetration throughout major business buildings in Hong Kong.

Our sixth call centre was established at Foshan in the Guangdong Province of China in 2010. As well as enhancing customer loyalty, these call centres provide a dedicated account service to individual SMEs that maintains a healthy level of ARPU.

### *HGC serves the majority of Hong Kong schools*

We were the first Internet Service Provider to install a fibre network to provide primary schools, secondary schools and institutions of tertiary education with high-speed, symmetric broadband service – and have commanded the largest share of this market since 2003. As well as serving the majority of



• HGC strives to bring the most advanced telecommunications solutions to cater for corporate customers' diversified needs





- HGC enhances fixed-line network and facilities with unwavering effort

Hong Kong schools with broadband connectivity, we provide network-related services and products including managed security service and switches.

We have also been acting as commercial partner to a number of schools during the pilot stage of the Hong Kong Education Bureau's eLearning project and have provided support such as broadband service upgrades, Wi-Fi network design and infrastructure consultancy.

### *Enriching a portfolio of services for our data centre customers*

We have been serving the premium data centre needs of bluechip enterprises and multinational corporations, such as the banking and finance sector and we now run facilities in both Hong Kong Island and New Territories. Establishment of more data centre sites has been planned for 2011 in order to address major growth expected in this market, primarily as a result of rising technology investment throughout Greater China and other parts of Asia.

Our offer to the market currently includes basic co-location and facilities management services, plus a new cloud computing-enabled capability that will enrich our portfolio of managed services and operational outsourcing offerings. In December 2010, we signed a memorandum of understanding with Microsoft Hong Kong Limited to make the powerful benefits of cloud computing available to Hong Kong's SMEs, as well as organisations that characteristically lack IT resources, such as schools. Our move into cloud computing will enable us to offer the fullest range of data centre services, such as disaster recovery solutions, as well as other software applications from various technology partners.



# Operations Review

## Future Development



• 3 Hong Kong's Central Network Control Centre ensures the highest level of mobile network performance

The Group is extremely well positioned to play a leading role in serving the increasingly-sophisticated needs of both business and consumer markets, as a new era of data-heavy services in fixed and mobile domains dawns in Hong Kong. This largely thanks to a series of infrastructure upgrades and enhancements, as well as innovative applications of the latest technologies as they emerge. The upshot for our subscribers is an unrivalled customer experience based on our state-of-the-art integrated networks and a level of quality in all aspects of service that maximises end-user loyalty and reinforces customer retention.

### MOBILE

The sharp upturn in demand for data services is particularly prevalent throughout Hong Kong's mobile communications community, which is expected to expand, in line with ever-rising numbers of new handheld devices released onto the market.

We aim to establish more retail shops to manage growing demand for data from the mobile communications community. The design adopted will be a perfect match of simplicity and style to help spearhead the move into a new fibre-optic era. These shops offer true one-stop service, including subscription to our mobile and bundled tariff plans under the 3ree Broadband



- HGC operates world-class network infrastructure and facilities

brand as well as sales of handsets and handheld devices. All this provides customers with an eventful experience and a simple and convenient lifestyle.

Our command of the largest subscription base, in conjunction with the perception of 3 as the prime choice for iPhone, other smartphone and tablet device users - plus an ongoing succession of lifestyle and business-enhancing services - positions us well to reap the benefits of an explosion in data usage.

## FIXED-LINE

Leading in FTB provision, **HGC** plans to take the extraordinary capabilities of optical-fibre all the way into commercial premises to serve connectivity and information needs with speeds up to 1,000Mbps.

**HGC's** optical-fibre supremacy also enables us to meet the upwardly-spiraling requirements of mobile operators under pressure to deliver vast amounts of data to handheld devices, especially after the forthcoming LTE rollout.

In addition, drawing on our extensive network, we will continue to deliver diversified telecommunications solutions to our international customers on the back of growing demand for high-bandwidth data traffic services.