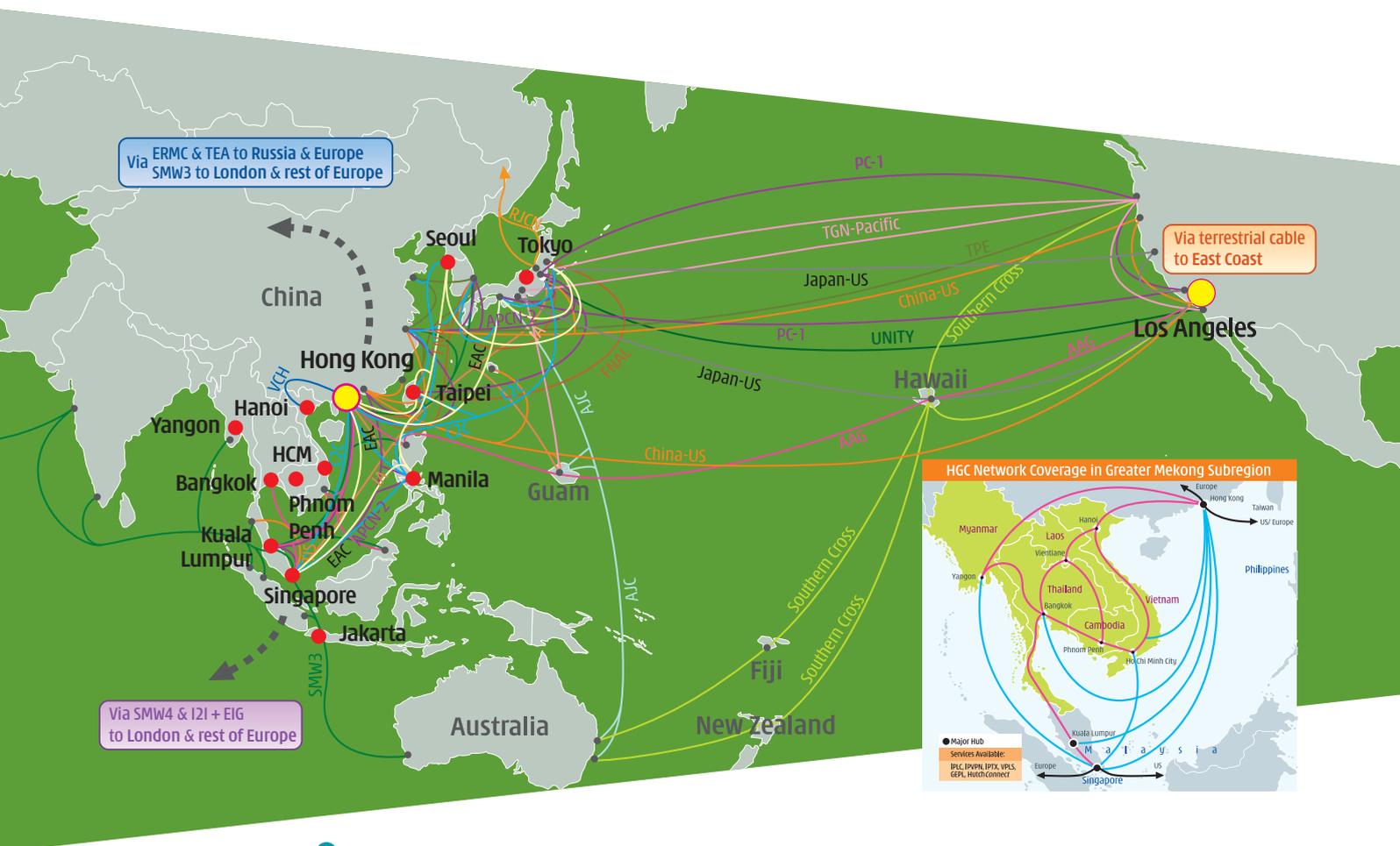


Operations Review

Fixed-line Business



1 HGC's global network reach.

During 2011, Hutchison Global Communications Limited ("HGC") invested HK\$529 million in its Hong Kong network infrastructure, representing more than 15% of fixed-line turnover and demonstrating an ongoing commitment to network excellence.

HGC runs an extensive coverage of fibre-optic network in Hong Kong, with four terrestrial fibre connections to the telecommunications operators in mainland China at Man Kam To, Lo Wu, Lok Ma Chau and Shenzhen Bay. In addition, growing submarine cable capacity enabled us to extend our international coverage to yet more cities in Asia, the Americas, Europe and the Middle East with co-operation of carriers around the world.

Our core IP backbone network enabled us to expand and enhance Gigabit Access Network of HGC in 2011 to address the sophisticated demands of industries such as the financial services and insurance sector with low-latency, high-bandwidth and highly-resilient services.

New York
Via AC-2, FA-1 & TGN-A
to London & rest of Europe



2 A dedicated management team leads the International Business Division.

- Invested HK\$529 million in network infrastructure
- International business with global reach
- Commanding a major share in local carrier market
- 1 Gbps residential broadband service in offer

International Market

Establishing a solid international services platform for both mobile and fixed domains has enabled **HGC** to continue expanding international coverage, create network diversity and enhance service scope.

Our "carriers' choice" status has been reinforced among telecommunications operators, Internet service providers, multinational corporations and enterprises, while our network reach now includes more cities in Europe with co-operation of local country-based carriers.

Data

The year under review saw continued penetration of the data market, along with a growing customer base across the Greater Mekong Subregion, as well as the Middle East. In addition, our business reach was extended to the growing economies of India, Nepal and Pakistan.

An ongoing series of co-operation arrangements with country-based carriers is set to extend **HGC** service coverage to markets all over the world. In Africa, for example, we now reach Sudan and Zimbabwe as well as Brazil in South America, together with countries that have limited access such as Kazakhstan, Kyrgyzstan and Uzbekistan. Entry to these new markets helps us acquire international corporate customer organisations that want to enter these geographies from other parts of the world.

This has created opportunities to serve new carriers and enterprise customers seeking to outsource their network needs, which is differentiating **HGC** from other players.

Voice

In 2011, **HGC** increased interconnections to reach more than 320 carriers, while establishing direct mobile connections with 130-plus operators throughout more than 65 countries, and providing video coverage in 55 countries via 135 operators.



1 An experienced management team leads the Corporate Business Division.

2 HGC is one of the accredited SDNet/2 service vendors for Hong Kong Exchanges and Clearing Limited.

New developments in 2011 included unlimited International Direct Dialing ("IDD") partnership expansion, as well as a new unlimited weekly IDD plan to reach a number of different destinations.

In addition, we increased the number of minutes handled by voice platform of **HGC** via the extension of our voice network into Europe and the United States of America.

Services

Year 2011 saw continued expansion of a highly-meshed network, enabling provision of a full-spectrum of data services that include International Private Leased Circuit, Global Ethernet Private Line, IP Virtual Private Network ("IPVPN"), Virtual Private LAN Service and IP transit, as well as new Voice-over-IPVPN and WAN optimisation services. This was complemented by provision of a wide-scale IP-based network to cope with the trend of using IP as a general transmission protocol.

HGC continued to improve service and value for customers. This included launch of our network outsourcing service to address the needs of telecommunications carriers and multinational corporations opting to rely on **HGC** for global network establishment and local service support. The solution involves our provision of hardware equipment and network infrastructure, along with round-the-clock remote hands service management, all in local markets as required by customers.

Growth has been fueled by the need to provide cloud applications for the end-user market, along with a one-stop-

shop solution service for Internet content providers and application service providers that amounts to a bundling of international connectivity, co-location and systems integration capabilities. This has resulted in more content and applications being hosted by the network of **HGC**.

Network Enhancement

HGC continued a strategy of developing Hong Kong as a global telecommunications hub in order to extend our international footprint. Our network enhancement approach is also supported by hubs in Singapore, Los Angeles, Japan, New York and London, which provide our network design with robustness and resilience, complementing network penetration into emerging markets such as the Greater Mekong Subregion, Africa and the Middle East. This has given rise to highly-meshed, world-class telecommunications services and an increase in network-to-network connections that extend coverage into new regions, with a focus on maximising opportunities as part of our market strategy.

Business Alliances

We chair the Conexus Mobile Alliance, which comprises 11 mobile operators in Asia throughout 13 member countries serving more than 320 million customers. The alliance was established to enhance the customer roaming experience and develop international roaming services to meet upwardly-spiralling end-user expectations.

At the same time, a strategic alliance between Vodafone and certain members of Conexus provides Vodafone's customers with greater support in Asia, while meeting our corporate customer requirements and roaming needs.



和記學界雲端服務

- 3 HGC launches the first integrated cloud platform for the education sector.

Local Carrier Market

Infrastructure made up of optical-fibre enables **HGC** to lead in provision of high-speed Metro Ethernet leased lines to the mobile operators of Hong Kong. Known as "backhaul", these networks carry land-based traffic at high speed between the Internet and mobile phone cell sites.

Our leadership was reinforced in 2011 when **HGC** launched the Gigabit Access Network to provide such mobile cell sites with Gigabit Ethernet leased lines. This resulted in a local Ethernet network aiming to boost the highest-bandwidth to equip mobile operators with leased lines. Operators can upgrade bandwidth to each cell site to up to 1Gbps in easily-scalable fashion. This far-sighted move was also significant because the huge capacity now available will be sufficient to meet the bandwidth-hungry needs of the new LTE era, which will involve transmission of vast amounts of data to a wide variety of end-user devices.

Corporate and Business Market

Banking and Finance Industry Plus Public Sector and SME Community

As a leading one-stop ICT service provider, **HGC** addresses the needs of the corporate community of Hong Kong with a full range of off-the-shelf or customised offerings that commonly involve broadband, local data, hosting, data centre and mobility services. Our revenues in this market

continue to grow from managing the sophisticated needs of the banking and finance industry, as well as public sector and SME community, by producing tailored solutions based on leading-edge technologies.

This was also reinforced by enhancement of our Dense Wavelength Division Multiplexing ("DWDM") network, plus provision of 1Gbps-10Gbps MetroLambda service. This technology enables multiple circuits to be carried by just one fibre to connect data centres and offices. It also provides the highest resilience and service levels, as well as a complete spectrum of network interfaces to support mission critical applications.

HGC became one of the accredited Securities and Derivatives Network ("SDNet/2") service vendors of Hong Kong Exchanges and Clearing Limited ("HKEX") in 2011 to provide leased line service to exchange participants and information vendors. **HGC** was able to meet all technical requirements and committed to satisfy every service level defined by HKEX, in terms of providing service for exchange participants and information vendors. This success demonstrates our commitment to deliver world-class service, while bolstering our well established position in the corporate and business market.

As well as serving large corporations, we have strengthened our position as a preferred partner to small-and-medium-sized enterprises by offering customised services including telephone, IDD and call centre outsourcing and broadband coverage enhancement with speeds of up to 1Gbps to serve mission critical applications.



Cloud Computing and Data Centres

Significant moves towards leadership of the emerging cloud computing market in Hong Kong were made in 2011 by collaborating with industry giants. Collaboration was made with a number of leading ICT solution and services partners, including Dimension Data and Oracle, to provide the next generation of industry-based cloud services to the corporate and business market.

Such collaboration built on an already strong and well-established capability comprising one of the most extensive FTTB networks in Hong Kong, world-class data centres, colocation, facilities management and innovative telecoms solutions – all making **HGC** a prime candidate for local cloud computing supremacy.

These moves followed strategic collaboration with Microsoft Hong Kong to make the benefits of cloud computing accessible to SMEs, as well as other entities usually lacking substantial IT resources, such as schools and non-government organisations.

We have been serving the data centre needs of local and international corporate customers, such as those in the banking and finance sectors, for many years and now run facilities in Hong Kong Island and the New Territories. These geographically-dispersed tier-3+ data centres have been accredited with internationally recognised certification and provide our premium customers with one-stop-shop IT solutions, managed services and disaster-recovery capabilities.

Education Sector

HGC is a leading Internet service provider in the primary and secondary schools in Hong Kong. In terms of network coverage, we cover majority of local primary and secondary schools in Hong Kong. In 2011, our leadership was strengthened by launch of 1Gbps broadband service to meet rising demand for bandwidth.

HGC eduCloud Service is structured to allow customers to choose the combination of high-speed bandwidth, virtualised cloud facilities and eduCloud applications that best meet their needs. For just a single monthly fee, customers can begin eLearning projects immediately, regardless of scale or size, and enjoy the many advantages delivered by **HGC** eduCloud Service, along with professional support, all at affordable cost.

We also acted as commercial partner to a number of schools during the pilot stage of the eLearning project of Hong Kong Education Bureau. In this regard, we have provided support such as broadband service upgrades, Wi-Fi network design and infrastructure consultancy, as well as a more-recently established cloud platform from which to access eLearning content.

Consumer Market

Provision of high-speed broadband Internet services remains our prime focus. More than 1.5 million households fall within our Hong Kong homepass coverage, representing one of the most extensive, highly-scalable and resilient Fibre-to-the-Building (“FTTB”) networks in the territory. We offer symmetrical speeds up to 1Gbps and have introduced exclusive valued-added services to enhance the overall broadband end-user experience.



1 "I Wanna Go Home" campaign heightens recognition of 3Home Broadband in the market.

During 2011, we seized the initiative in the local broadband market with launch of the 3Home Broadband "I Wanna Go Home" campaign, based on a fresh and exciting online experience. This heightened recognition of our brand in the marketplace and was supported by an expanded distribution network and professional 3Home-Runner installation team.

Under the banner "Love Speed! Love Going Home!", our 3Home Broadband service was designed to enhance lifestyles with a combination of advanced fibre-optic connectivity and packages of diverse content for all ages. "Foz Kids" is a parent-controlled application that enables children to browse online content specific to age and interests, while 3Jetso provides exclusive offers to 3Home Broadband customers via various group buy sites and "Shot'n Print" provides an online photo-print service across mobile and fixed-line platforms. "KKBOX" opened up access to the largest database of Chinese songs and high-definition music videos in the world, while 3Books, an award-winning application, offers a database of more than two million fiction/non-fiction books, magazines, photo books and comics.

As these value-added services grow in popularity, 3Home Broadband continues to roll out increasingly more family-oriented content and arrange joint promotions with well-known vendors to maximise broadband enjoyment for our residential customers.

During 2011, we introduced "3Broadband Specialist" retail outlets with a strategic focus on sales of bundled mobile and fixed-line products to existing customers. We now aim to enhance our customers' shopping experience with more tailored offerings such as value-added service training.

Outlook

Internationally, our ongoing geographical expansion plan will enable further development of our "carrier's choice" offer in various regions. Meanwhile, continued development of new services integrating international mobile and fixed-line network services over a single IP network is set to meet a new wave of broadband demand. We also aim to collaborate with global exchange organisations, with a view to launching a world-class platform and developing Hong Kong as a premier Internet exchange hub in Asia.

Our 2011 launch of a Gigabit Access Network, which provides mobile cell sites with Gigabit Ethernet leased lines will help HGC consolidate its position as the preferred choice of backhaul provider, especially when mobile operators roll out LTE in 2012 and beyond.

On the business side, we continue investing to increase our coverage of commercial buildings, while launching a Gigabit Passive Optical Network broadband service. A new phase of our data centre in Wong Chuk Hang is currently under construction, with the aim of going live in 2012 to serve mainly financial services players and international enterprises with co-location and facilities management offerings.

From a consumer market perspective, our FTTB network is able to extend household coverage across the local residential market and offer ultra-high speed broadband services up to 1Gbps, thereby positioning us well to increase market share.