

# Operations Review Fixed-Line Business



An ongoing quest for network excellence and total customer satisfaction continued when turnover and EBITDA of Hutchison Global Communications Limited ("HGC") grew 7% and 3% respectively to HK\$3,640 million and HK\$1,050 million. During 2012, HGC invested HK\$725 million in infrastructure and new technologies, representing 20% of fixed-line turnover.

Fibre-to-the-Building network provides the ideal transport system for an array of telecommunications services ranging from voice and data transmission to solution-based offerings and international connectivity. All these serve a growing customer base that includes local and international carriers, multinational corporations and small and medium enterprises ("SME(s)"), as well as local households.

## International Business

In 2012, HGC footprint expanded to include new markets around the world, based largely on local penetration strategy via direct investment, as well as co-operative arrangements with overseas carriers, in addition to ongoing enhancements to the quality and variety of our product portfolio.

The quality of our international Internet network was recognised during the year when it was ranked among the world's top-30 IP networks in an assessment involving more than 10,000 competitors around the world. This industry recognition has been earned through years of development, resilience and optimisation effort, especially in terms of increased number of Internet routes.

Relentless efforts to explore the potential held by new markets resulted in HGC becoming the first foreign telecommunications company in form of co-operation with local parties to provide international data and voice services in Myanmar. This milestone served to remind the international carriers and business communities of HGC's ability to meet the demands of emerging markets with premium grade services.

As well as serving Asia, Greater Mekong Sub-region, and well established markets in Europe and the Americas, HGC turned its attention to other regions holding business potential during 2012. The move resulted in inclusion of markets

such as Mongolia, Nepal, Afghanistan, Papua New Guinea and Sudan via co-operation with local carriers - reinforcing our "carriers' carrier" image among telecommunications operators, Internet service providers, Internet content providers and corporate customers.

Voice interconnections increased to more than 340 carriers, while direct mobile connections now include 170-plus operators throughout more than 88 countries. We also provide video coverage in 58 countries via 160 carriers.

HGC has earned a reputation for being one of Asia's leading international telecommunications players, thanks to an innovative approach to expansion in both horizontal and vertical horizon. From a horizontal perspective, we make full use of Hong Kong's status as a regional telecommunications hub to expand around the world. This is complimented with regional hubs such as Singapore for Southeast Asia, Los Angeles and New York for the United States of America,

London for Europe and Africa region. Vertically, we continue to develop HGC's service portfolio and increase value to different segments of customers, such as content providers, mobile network operators and content delivery network providers.

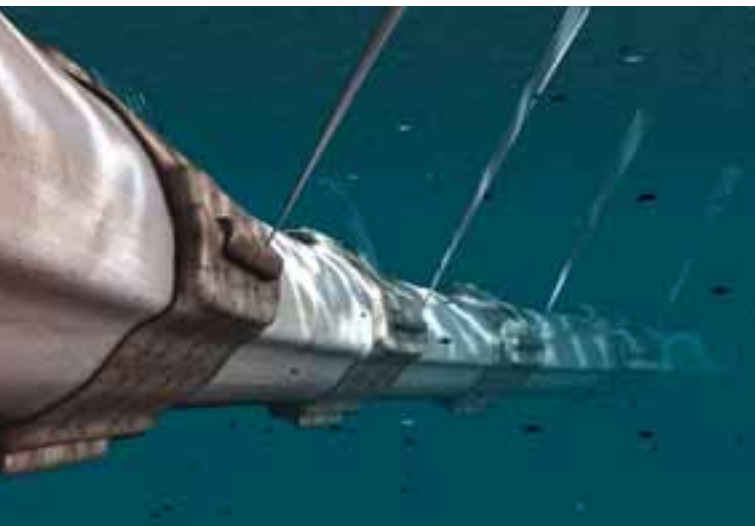


During 2012, we developed IP Packet Exchange service to help mobile operators meet explosive demand for data roaming traffic generated by the trend towards heavy data use among mobile end users. This is based on an IP network platform that interconnects with mobile service providers to deliver all IP services - including voice, signaling and mobile data - and support 4G LTE networks with IP-based applications and service.

Our close attention to detail in serving the needs of corporate customers prompted us to expand our co-location service by establishing additional Internet data centres ("IDC"). These have been provisioned in close proximity to customer organisations in the interests of efficient IT-outsourcing and easy monitoring. As part of our strategy to address different vertical industries - and with an emphasis on our IDC capabilities - we have focused on developing the content provider market. In addition, further expansion in data centre footprint and capacity is underway to manage demand from our international corporate and carrier customers.



HGC's local Fibre-to-the-Building network provides an ideal transport system for an array of services.



Our extensive international network offers ample submarine and terrestrial cable capacity.



We make use of Hong Kong's status as a telecommunications hub from which to expand around the world.

We also focus sharply on equipping our customers with unique value-added services. A prime example was launch of a one-stop-shop Carrier Network Extension service which is a convenient and low-cost solution to help our carrier customers to expand their markets in timely fashion.

In alliance with Amsterdam Internet Exchange ("AMS-IX") - the biggest Internet exchange ("IX") in the world - HGC launched AMS-IX Hong Kong, a first regional platform arrangement and a neutral world-class IX designed to raise Hong Kong's profile as a major Asian IX hub and boost regional traffic. The move opens up more than 560 international networks to end users, who will benefit from optimised Internet performance.

HGC launched Blue City as a neutral platform to address the local and international co-location, demuxing and interconnection requirements of carriers.

### Local Carrier Business

HGC offers a full range of connectivity solutions. In addition to traditional services like wholesale local data leased line, our thorough understanding of customer demand helps us to devise services like Metro Ethernet connection, Gigabit Ethernet links and low latency Gigabit Access connections which are well-regarded and sought after by our customers. Our expertise and superior infrastructure allow us to serve the most sophisticated customers from local mobile operators to international and local carrier customers alike.

We are well-equipped to consolidate our position as the wholesale market leader for mobile backhaul business with the advent of 4G LTE service. Our Gigabit Access Network service, which is able to provide bandwidth of up to 1000Mbps per mobile base-station, will no doubt help our customers to cope with the robust bandwidth demands generated by the smartphone trend.

## Corporate and SME Market

### Banking and finance industry, public sector and SME community

Turnover for local corporate and business market grew 6% to HK\$891 million. Private and public sector organisations benefit from a full range of standard and bespoke services that meet large-scale needs in the areas of voice, broadband, connectivity and IT solution.

One of the 2012 highlights was the launch of MetroNETX, the new generation of HGC MetroNET connectivity. MetroNETX delivers great value in supporting mission critical data transmission in banking, trading and other financial services, plus real-time applications such as real-time video conferencing.

Hong Kong's SME community continues to benefit from expansion of our coverage, and broadband upgrades in buildings, to enable provision of 1000Mbps service. We saw increasingly more cloud computing applications launched to suit SMEs - a trend set to gather pace as these enterprises migrate desktop applications to private and hybrid cloud arrangements, which in turn fuels demand for bandwidth.

### Education sector

HGC has been serving Hong Kong's primary and secondary schools with high-speed, symmetrical broadband since we pioneered to build a fibre network specifically for the education sector since 2001. This solid foundation was reinforced when we launched 1000Mbps broadband service to meet the ever-rising demands of teachers and students alike.

The year under review saw HGC eduCloud - an integrated e-learning cloud application platform dedicated to schools - join forces with Kaspersky Labs Asia Limited ("Kaspersky"), a world leading IT security provider. This alliance, provided a cloud-based network protection solution exclusively for Hong Kong schools. HGC eduCloud's range of top-class e-learning applications for schools has been steadily enhanced since launch in 2011 - and, with Kaspersky, will now provide even better network security, more control over computer usage and greater cost savings on security upgrades.

## Data Centre Business

HGC has worked in close collaboration with technology leaders such as Dimension Data, Microsoft and Oracle to deliver premium-grade cloud computing solutions that meet the unique needs of Hong Kong's private and public sector organisations.

Our well established and continued expanding tier 3+ grade data centres in Hong Kong Island and the New Territories have been accredited with ISO 27001 certification and offer services that include co-location, facilities management and disaster recovery suitable for organisations of all types and sizes. Local and multinational customer organisations have been benefiting from our expertise in data centres with our site diversity, high-speed interconnection links and experience make us the obvious choice for corporations looking for a one-stop IT solution.

The combination of our extensive Fibre-to-the-Building network and world-class data centres enables HGC to offer a complete, secure and reliable carrier-grade cloud computing service.



HGC eduCloud provides enhanced network security for schools.



HGC continues to build on its network capability.

## Residential Market

Turnover for residential market recorded at HK\$584 million during 2012. Provision of high-speed broadband service continued to be a primary focus which our customers were able to enjoy Internet-access speeds ranging from 100Mbps to 1000Mbps. Another highlight of the year was large-scale residential rollout of Gigabit Internet service based on Fibre-to-the-Home technology. Progress to date means our broadband coverage now amounts to more than 1.6 million home-passes.

The 3Home Broadband brand has become synonymous with fast and reliable network service coupled with superior and innovative value-added offerings. A prime example was introduction of the Android TV Box, which took home entertainment to a new level. The result is home TV enjoyment of a broad range of multimedia content and applications from 3Home Broadband and Google Play, heralding a whole new broadband multimedia experience.

To enrich our service portfolio, 3Home Broadband launched another exciting offer of 3Home Karaoke exclusively powered by the Android K Box. With this home broadband karaoke service, customers can enjoy nearly 1,000 pop hits at home by simply connecting the Android K Box to a home TV and our high-speed broadband. Customers transform their homes into a karaoke parlour and can make video recordings of karaoke performances and share via social networks.



HGC's data centres have been accredited with ISO 27001 certification.



## Outlook

Looking ahead, we will strive to transform ourselves from a conventional capacity provider to an all-round solution provider. In addition to bandwidth, we are developing a host of advanced services that can satisfy our customers who are looking for quality and cost-efficient IT services.

We will continue to build on our network capability, while encouraging greater numbers of carriers and multinational corporations in membership countries to connect with the rest of the world with focus on content and Internet services.

Continued migration to 4G LTE mobile communications will increase demand for our backhaul service - which connects local mobile operators, thereby adding significant impetus to our growth in the local carrier market.

We also plan to tap the potential held by other emerging markets, where effort will be channelled into promoting HGC's "one-stop Information and Communication Technology solution shop" image among telecommunications operators, Internet service providers, Internet content providers and corporate customers.

HGC is also extremely well positioned to play a major role in freeing private and public sector organisations from decades of costly IT practices by providing them with cloud computing and data centre services.

At home, our aim is to provide our customers with broadband and entertaining multimedia services, while continuously improving the overall customer experience via speed and service upgrades.



Residential customers enjoy a variety of entertainment multimedia services from 3Home Broadband.



Android TV Box takes home entertainment to a new level.