

# SPHERE

13



**UP THE  
VALUE  
LADDER**

S P H E R E

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# Newsbites

## C O R P O R A T E

### Corporate Video

Keeping pace with its fast-growing operations globally, **HWL** in December released its latest corporate video entitled *Success Through Excellence*, which is available on disc and via **HWL's** corporate website ([www.hutchison-whampoa.com](http://www.hutchison-whampoa.com)). The new three-and-a-half minute promotional film captures the company's global strengths and reflects its commitment to excellence in its five key business sectors. The visual



approach is highly contemporary, utilising a specialised Hollywood-style motion-control camera technique to create some stunning visual effects that connect all the diverse endeavours of **HWL** in a seamless flow of images. The film is further enhanced by a stirring orchestral music track and a rich, lyrical voice over.

### Olympian Liquidity

In the buildup to the Beijing Olympics, **Hutchison Whampoa**, **Cheung Kong (Holdings)**, **Cheung Kong Infrastructure Holdings** and **Hongkong Electric** have collectively donated HK\$100 million towards building the National Swimming Centre. The facility will boast five pools, including one with a wave-making machine that is six times the size of an Olympic pool.

## Noted

Chinese weekly newsmagazine *Yazhou Zhoukan* has named **Hutchison** "Top Chinese Company in the World", "Top EBIT Chinese Company", "Top Assets Chinese Company", "Top Chinese Company in Hong Kong" and "Top Conglomerate". **Hutchison** was also named No.2 in the category "Top Turnover Chinese Company."

*Global Finance* named **HWL** "Best Company in Asia – Conglomerates," *IR Magazine* highly commended it for "Best communications during a takeover or merger," and *FinanceAsia* named the company "Best borrower in Hong Kong." *Asia Equities Market Report 2004*, published by the Institutional Investor Research Group,

meanwhile named **Hutchison's** Frank Sixt "Best CFO - Conglomerates Sector (Sell-side View)". The survey was based on input from 105 investment professionals and 227 sell-side analysts.



## T E L E C O M S

### Hello Geo

UK

**Geo**, a new company wholly owned by **HWL**, went to market with the UK's newest and largest dedicated fibre communications network in October. **Geo** provides a telecoms infrastructure direct to telecom providers and UK businesses with large data needs and enables UK businesses to create their communications networks ready to scale for future growth.

Until now, telecom suppliers have resisted providing infrastructure direct to customers, preferring to sell managed services. **Geo** sets itself apart from other network owners by concentrating on infrastructure and not offering managed services. Instead, **Geo** works easily with companies with complementary abilities, helping customers build solutions to best meet their needs. The UK company estimates that by 2008

its addressable market from this sector will be worth up to £1.3 billion (approximately US\$2.4 billion). **Geo's** fully-owned backbone network links all of the UK's major commercial centres with three primary backbone rings spanning 2,000km and an urban network in 12 cities covering 325km. For more information, see: [www.geo-uk.net](http://www.geo-uk.net)

TELECOMS

## Hutch Brings EDGE to India

INDIA

**Hutch** has become the first telecom operator in India to nationally roll out EDGE (Enhanced Data for GSM Evolution). The standard provides high-speed, multimedia mobile services and is deployed by leading GSM operators globally as an interim step towards 3G services. Following the July roll-out, Hutch launched *Hutch TV* in September, India's only multi-channel "TV-on-mobile" service, delivering content

from 13 different TV channels. Previously, *Hutch* has offered multimedia mobile services such as cricket video clips, mobile gaming, polyphonic ringtones, Click & Print MMS, *push2talk* and corporate e-mail through GPRS. With EDGE, *Hutch* can deliver longer video clips, allowing users to view their favourite serials, news bulletins, sports, lifestyle and travel programmes while on the move.



## Far and Wide

**Hutch** launched its services in UP West and Uttaranchal on Nov. 1 with the widest cellular network in the region providing connectivity across 140 towns and cities covering over 1,000km of

national and state highways. *Hutch* users in the region can now experience the latest range of multimedia mobile services such as *Hutch TV*, *push2talk* and mobile gaming. The company also announced a special range of Hindi-language value-added services.

## Partner Launches 3G

ISRAEL

### Partner Communications

**Company** started offering 3G service through 160 sales points on Dec. 1, 2004, and became the first network to provide full commercial 3G services including P2P video calls in the central part of Israel. Israel is the eighth country to date in which HWL has launched 3G services.

million (approximately US\$356 million) and the network will become the core asset of the joint enterprise. H3G Australia has meanwhile successfully secured a A\$1.5 billion five-year loan facility from a syndicate of banks that fully covers anticipated peak funding requirements.

## 3 for Two

AUSTRALIA

**H3G Australia** in August signed a *Heads of Agreement* with **Telstra** to establish a 50-50 enterprise to jointly own and operate H3G Australia's existing 3G network and fund future network development. Telstra will pay **Hutchison** A\$450

## GoChina Channel is Gateway to the Mainland

HONG KONG

**3 Hong Kong** has partnered with 10 leading mobile content service providers in Mainland China to deliver the *GoChina* channel. The *GoChina* channel is packed with content from **Tom.com**, **Sina News**

## Down Memory Lane

In keeping with its philosophy of adding value and giving its users a unique experience, the **Hutch Classics Film Festival** – screened in Ahmedabad in August – showcased evergreen classic Hindi films from the 1950's. Hosted by renowned film and theatre personality, Farooque Shaikh, the festival featured classics like *Mother India*, *Mughal-e-Azam*, *Shree 420*, *Madhumati* and *Mr & Mrs 55*.



**Centre**, **Handinweb** **China Stock Info Service**, **MSTAR.TV**, **Tencent QQ**, **KongZhong** **Dream Work** and **Any8 Color Wallpaper**. Some of the Mainland's hottest Java games are provided by **Digifun** and **Coolrd**, and very soon by games provider **Magma-digital.com**.



# Newsbites

## TELECOMS

### Smaller and Smarter

GLOBAL

Starting in Italy, **Hutchison 3G** introduced the *Motorola A1000* in October, the smallest smartphone with UMTS technology to hit the market so far. Weighing in at only 160g, the *Motorola A1000* is compatible with GSM and GPRS triband, has an AGPS integrated system, USB and Bluetooth connectivity, 24MB internal memory expandable to 280MB, a removable card and battery life of up to 200 hours stand-by. It is the first UMTS videophone with a double-

integrated 1.2-megapixel camera and features the latest generation 2.9 inch touch screen display that allows fast access to 3 services. Thanks to a dedicated window, users can easily keep track of SMS, e-mail, MMS and appointments while maintaining easy access to the message centre. What's more, the *Motorola A1000* features a *Symbian Operating System* that allows users to view *MS Office* documents such as *Excel*, *Word* and *PDF*, and to surf the Web at speeds of up to 384kbps. Finally, the two

sharp polyphonic speakers make the *Motorola A1000* a real music player. In the UK, meanwhile, 3 has introduced no fewer than six new handset models ahead of the Christmas trading period, including the *Motorola A1000*. Other models are the *Motorola E1000*, *Motorola C975*, *NEC e338*, *LG U8130* and the *LG U8138*.



### Multimedia Yacht

ITALY

3 Italy has joined forces with

**Radiomarelli Multimedia** to launch a "multimedia yacht" equipped with the first ever sea-based UMTS-enabled multimedia service, offering phone, fax and Internet connectivity within Italian waters.

Deploying GPS technology, the Radiomarelli Service Center (CSR) sends meteorological updates for the area where the yacht is situated. It communicates the course and the destination, regular weather updates, maritime reports, docking information and more.

Broadband Internet connectivity also provides satellite linkups for digital TV, with access to movies news and entertainment.

The new service targets ship owners and shipyards with **Pershing Spa** shipyard the first to adopt the solution.



### Hooked Up

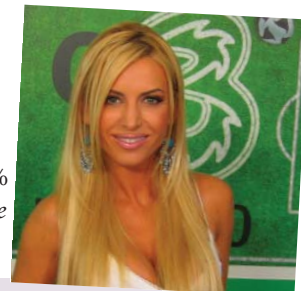
For the second year, fans of the popular *Big Brother* reality TV series are following events via *VideoDirect* connections between Italy's most famous house and their 3 videophones. During the previous *Big Brother* series, more than 50% of 3 clients connected to the house, for a total of almost 2 million minutes.

### Goals Galore

3 Italy in September launched *93° Minute*, the first TV format conceived and fully created by a mobile communications operator. Presented by sexy hosts Gisella Donadoni and Viviana

Vesce, *93° Minute* offers video clips of the best championship football action, goals, comments and interviews. The show is live on air every Sunday at 17.45, earlier than any sports TV show. An updated edition is aired at 22.45, right after the end of the night match, with a roundup of the day's action. Those who miss the live action on Sunday can watch the entire show during the following week.

Providing even greater value for fans, 3 has meanwhile cut up to 30% off the price of *StadioLive* football video clips.



### Nerve Centre

3 Italy has set up an advanced Service Operating Centre (SOC) in Trezzano sul Naviglio, Milan that coordinates the service distribution chain. It includes more than 4,500 base radio stations, 300 IT platforms and around 30 content providers. From the technical point of view, the SOC combines the traffic generated on the core voice and videotelephony network with that developed on IT platforms – two profoundly different worlds interacting with very sophisticated protocols. The SOC checks the operation of the 3 network and services via advanced monitoring systems that within seconds verify viability of content before it is put "on air". The end result is fluidity of the service, delivering a consistently high-quality signal.

TELECOMS

## 2-Million Milestone

**3 Italy** announced in September that it had hit the 2 million subscriber mark, up from 500,000 in March and 1 million in July. By the end of 2004, the **3** network will cover 75% of Italy's population of more than 57 million.



## Better Business

Reflecting its commitment to provide the very best mobile business solutions, **3 Italy** has widened its offer with the introduction of three new packages. *nTREnet.flat* is a tariff plan that simplifies business management and reduces costs by providing competitive single-tariff calling. *Tre.Dati* allows for 25MB of traffic every day on the **3** network, for a monthly fee of €20.84 and without any set-up costs. *PostOffice* is a solution dedicated to technologically advanced medium-small companies that use an e-mail service provided by an external Internet Service Provider and have a high propensity to mobility. It allows the company to choose a domain, assign e-mail addresses to employees, allocate memory capability of mail boxes and to handle employees' personal data, keeping the company's list of contacts updated.

## Mobile Video Jukebox

UK

**3** has teamed up with major record company **BMG** to launch the first ever mobile video jukebox that enables **3** customers to stream the latest music videos direct to their video mobiles. Launched on Aug. 2, the new service lets **3** customers choose from a wide selection of the latest music videos.



## Applause

*ThreePay*, the market-leading pay-as-you-go offer from **3**, has been awarded "Best Pre-Pay Package" at the 2004 Mobile Choice awards. *ThreePay's* win follows another in June for **3's** contract price plans, which won the leading "Consumer Post-pay Price Plan" at the Mobile Retailer Awards. **3** was also runner-up in **Gartner's** "2004

CRM Excellence Awards" for the implementation of *PeopleSoft Enterprise Customer Relationship Management (CRM)*. The industry research firm commended **3** for the superiority of its CRM solution, which has significantly improved customer satisfaction while reducing support and maintenance costs.

## Let's Play

AUSTRALIA

In an Australian first, **3** has launched *Badlands*, the first 3G multiplayer mobile game that allows players to go head to head against real opponents in real time via the **3** network. *Badlands* is a Java-based, tank-style game set in a post-apocalypse world.



## Dream Service

SWEDEN

**3 Sweden** has launched an unusual service called *Drömboken*, (Dream Book) that helps subscribers interpret their dreams by explaining the meaning of 40,000 different subjects.

# Newsbites

## ENERGY & INFRASTRUCTURE

### Husky Q3 Results

**Husky Energy** reported net earnings of C\$286 million (approximately US\$234 million) or C\$0.70 per share (diluted) in Q3, 2004 compared to C\$249 million (diluted) in Q3, 2003. Cash flow from operations was C\$576 million (diluted) compared with C\$604 million in the corresponding period in 2003. Production averaged 324,800 barrels of oil equivalent per day, compared with 300,200 barrels in Q3, 2003, an increase of 8%. For full results, see: [www.huskyenergy.ca](http://www.huskyenergy.ca)

### Gas from Coal

**Husky Energy** in July signed a farm-out and JV agreement with **Trident Exploration Corp** to develop natural gas from coal (NGC) or coal bed methane (CBM) in central Alberta. The agreement extends the original 2002 JV for the exploration and development of NGC in the Fenn Rumsey area. The agreement calls for an additional 120 wells to be drilled over the next two years. Capital costs for drilling and associated facilities will be approximately C\$40 million, of which Husky will pay 30% to earn a 50% interest in the production.



### Exploration Agreement

**Husky** on Aug. 16 signed a petroleum contract with **China National Offshore Oil Corporation (CNOOC)** for the 29/26 exploration block in the South China Sea. The exploration block is located 300km southeast of Hong Kong and covers approximately 3,900 sq km. It is the seventh petroleum contract signed between Husky and CNOOC. Husky meanwhile has purchased a 68.7% interest in a production-sharing contract in the Madura Strait, offshore Indonesia. The US\$50-million transaction, signed in October, gives Husky a 100% interest in an exploration block where two natural gas fields have been discovered. Husky plans to develop the fields and pursue additional opportunities within the 2,794 sq km of exploration acreage.

### Well Oiled

Confirming the quality of **Husky's** White Rose oilfield, production tests carried out between July 20 and 25, 2004 estimated productive capability of the well to be between 25,000 and 35,000 barrels per day. During the tests, oil flowed to the surface at a rate of more than 9,000 barrels per day. Husky plans to drill three more production wells to produce 100,000 barrels per day at White Rose, starting in late 2005/2006.

### Muddy Milestone

A sod-turning ceremony on Oct. 28 saw **Husky** take another step forward with its planned ethanol facility. Husky is building the 130-million-litre-per-year facility adjacent to its heavy oil upgrader

at Lloydminster in Saskatchewan. It will be fully operational by mid-2006.

### Winds of Change

Green power will be made available to customers of the **Hongkong Electric Company (HEC)** when Hong Kong's first commercial-scale wind turbine begins operation on Lamma Island in early 2006. The turbine has a capacity ranging from 600 to 850 kW and is expected to produce electricity up to 700 MWh a year. The HK\$10 million (approximately US\$1.26 million) pilot project will provide HEC with important practical experience that

might underpin more sizeable projects in the long term.



PROPERTY & HOTELS

### Clients say “We Do”

Harbour Plaza Hong Kong hosted its first In-House Wedding Extravaganza on Oct. 16. Renowned for its dazzling facilities – notably its 4,500 sq ft Grand Ballroom and sublime marble staircase – the hotel features more than 10,000 sq ft of function space on its first floor, all of which was utilised for this innovative, successful event, which helped build a solid list of wedding bookings for 2005. More than 400 visitors attended with sponsorship participation from 12 companies. It also featured an eye-catching fashion show with well-

known TV personality Eddie Kwan as model and spokesman.



### Golden Guests

Managers of Hutchison Whampoa Property Group helped Guangdong’s best athletes – including Wu Hanxiong, Lao Lishi, Gao Feng and Yang Jinghui – celebrate their Olympic success at an event held in September at **Guangzhou Panyu Cape Coral**. They are pictured with Jason Tam, General Manager – China Marketing, Hutchison Whampoa Properties and Stephen Tsui, General Manager – Hutchison Whampoa



Properties (Guangzhou Panyu) Co Ltd Located in the Panyu Dashi district, the development is a paradise featuring “The Splendour of Australian Lifestyle” and occupying a site area of approximately 5.3 million sq ft, comprising a deluxe residential complex and a clubhouse with extensive facilities.

### The Moon’s a Balloon!

The Wonderful Worlds of Whampoa attracted record crowds during the golden week of Mid-Autumn Festival and National Day holidays with some eye-catching spectacles, including a famous French trapeze artist performing the story of the Chinese Mid-Autumn Festival legend under the “moonlight” of a gigantic luminous balloon. Jointly organised with the TOM Group, other highlights

included the “AC Milan Whampoa Summer Camp,” which attracted football fans of all stripes.



### Spanish Style

Guests of Harbour Plaza Metropolis enjoyed a Spanish Fiesta in October when the hotel hosted the annual “Spain in Hong Kong” cultural event at The Patio restaurant. Spanish Consul General Antonio Soler

opened the ceremony with Spanish guest chef Alberto Servalls cooking the biggest seafood paella rice ever prepared in Hong Kong. The festivities continued with flamenco dancing which featured guest appearances by celebrity models Eunice Chan and Coco Chiang.



# Newsbites

## RETAIL & MANUFACTURING

### ASW Expands Health & Beauty Operations

A.S. Watson (ASW) in August exercised its option to purchase a 40% stake in **Dirk Rossmann GmbH**, the German health & beauty retail chain.

The acquisition of the **Kruidvat Group** in 2002 brought to ASW a network of Rossmann stores in Poland, Hungary and the Czech Republic on a 50-50 JV basis. From the same deal, ASW had the option to purchase 40% of the German operation.

Rossmann has a total network of over 1,100 stores and is one of the top three players in Germany with 786 stores. Rossmann will maintain its management over day-to-day operations in Germany while ASW has representation on the board.

In another strategic deal announced

in November, ASW has formed a 50-50 JV with Korean retail company **LG Mart Co**, signifying the expansion of its flagship *Watsons* chain into the Korean market. The new company will be named **GS-Watsons** and the retail chain will be launched under the *Watsons* banner. GS-Watsons will open its first store in early 2005 and aims to establish itself as the leader in the Korea's high potential health & beauty market, with plans to open more than 10 stores per year thereafter. The expansion extends the ASW group's global presence to 20 markets worldwide.



### Ferrari Boosts Sales Drive

A Ferrari driven by Michael Schumacher in a Formula One Grand Prix race was on show at Hong Kong Airport from mid September to

the end of October, attracting crowds of admiring fans. Jointly organised by airport retailer **Nuance-Watson (HK)** and its supplier **GP Asia**, the exhibition helped boost sales of Ferrari merchandise on sale at Nuance-Watson's **The Atrium** store.

### A Fine Nose

Paolo Basso, an employee of **HWL's** wine wholesaler **Badaracco**, represented Switzerland at the world sommelier championships held in Athens in October.

### Smart Fortress

Confirming its commitment to innovation, passion and dedication, Fortress has unveiled a HK\$10 million branding campaign under the slogan "Inspiring Smart Living" with the goal of putting its customers on the digital pathway towards smarter and more enjoyable lifestyles.

Hong Kong's leading personal electronics and home appliance retailer connects with more than 30 million customers per year through 60 outlets.

### Noted

**Watsons China** on Sept. 30 celebrated its 15th year of setting up business in the Mainland.

### Stepping Up

**Watsons'** business partner **Boots** opened its first concept store in Hong Kong at the International Finance Centre (IFC) Mall on Sept. 7. Ten additional distribution points are due to be open by the end of 2004.



### Healthy Growth

**Watsons HK** opened its 50th pharmacy counter on Oct. 6 at a store in Causeway Bay. The *Watsons* health team is comprised of 100 registered pharmacists and 150 trained health and fitness advisors. *Watsons* has pioneered various health programmes, offering free health tests as well as counselling to encourage correct drug compliance. It also provides a free Pharmacist Hotline to respond to public health enquiries.

*Watsons* plans to open 15 more stores and five pharmacies by the end of 2004.

### Pharmaceutical Tie-up

**Hutchison Medipharma Ltd (HMPL)**, a pharmaceutical company under **Hutchison Whampoa (China) Ltd**, began operations in Shanghai on Oct. 25. HMPL is a world-class facility specialising in R&D, production and distribution of herbal and traditional Chinese medicine.

HMPL is focused on registering new drugs derived from Chinese medicine in international markets.

The company has built a solid platform for research and development on cancer and auto-immune diseases and has established a strong team comprised of local and international pharmaceutical professionals. HMPL has so far applied for patents on 25 items.

P O R T S

## XICT Launches New Services

The 334-m vessel *M.V. CMA CGM Hugo* made a maiden call at **Xiamen International Container Terminals (XICT)** on Aug. 1, 2004, to commence the Pearl River Express Service (PRX), a US West Coast service jointly operated by **CMA CGM** and **MSC**. PRX calls at XICT weekly with the routing of Xiamen, Chiwan, Hong Kong, Yantian, Pusan, Long Beach, Oakland and Xiamen. Five vessels are deployed on the new service.

**Maersk Sealand** meanwhile launched

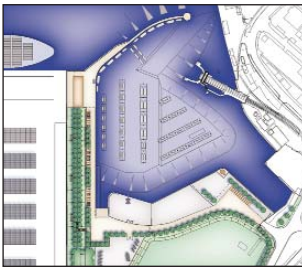


new long-haul services to Europe and a Europe-Mediterranean service, deploying a total of 15 vessels. XICT now handles over half of Xiamen Port's Europe- and US-bound containers.

## Big Day for Thamesport

**Thamesport** on July 22 welcomed *Hatsu Envoy*, the largest vessel ever to call at the Medway facility. Owned by **Hatsu Marine** the 6,332-TEU vessel is 300m long and 42.8m wide with a draft of 13.5m. Thamesport has under-

gone an extensive equipment and infrastructure investment programme in recent months and the *Hatsu Envoy* was the first in a line of larger container ships that will use the Thamesport facility as part of a global surge in demand.



## Better by Design

**Hutchison Ports (UK) Ltd (HPUK)** has won a top landscape design award for its proposal to develop a new deep-water container terminal at Bathside Bay. The "Local and Site Planning Award" was presented by the **Landscape Institute** at its 75th Anniversary Awards ceremony to **LDA Design Consulting LLP (LDA**

Design), landscape consultants to HPUK. LDA Design's concept incorporates a new wetland area, extensive tree planting and a "green" buffer zone that helps shield the working area of the Port.

## HPH Eyes Polish Port

HPH has entered into agreements to acquire a majority stake in **Wolny Obszar Gospodarczy (WOG)**, a general cargo terminal in the Port of Gdynia, Poland, with a plan to develop it into a container terminal. The Port is located on the southern coast of the Baltic Sea where 90% of Polish sea-borne containerised cargo is handled. WOG will strengthen HPH's European port network, enhancing the level of service offered by Felixstowe, Thamesport and Rotterdam.

## Shanghai Venture

**Hutchison Port Holdings (HPH)** and **Shanghai International Port Group (SIPG)** have entered into an agreement to form a JV to invest in a container terminal at **Shanghai Waigaoqiao Phase V (WGQ Phase V)**. The newly formed company – **Shanghai Mingdong Container Terminals Ltd** – is a JV between **SIPG** and **Hutchison Ports Waigaoqiao Ltd**, a subsidiary of HPH, with a 50-50 shareholding. With a tenure of 50 years, the JV has registered capital of 4 billion yuan (approximately US\$483 million).

## HPH to Develop Thai Terminals

**Hutchison Port Holdings (HPH)** entered into an agreement in October with the **Port Authority of Thailand** to develop six container terminals in the **Laem Chabang Port**.

**Hutchison Laemchabang Terminal Ltd**, formed by a consortium comprising of HPH, **Hutchison Ports Thailand** and **Lexton Thailand**, has been awarded a 30-year concession to build and operate the container terminals in Chon Buri's Laem Chabang deep-sea port. Laem Chabang is located in the middle of industrial and manufacturing zones, home to many of the world's largest producers and manufacturers and is well-positioned to become the region's transport hub. In 2003, the port handled 3.4 million TEU.



# FUEL FOR SPORT

*Watsons Water is a star performer when it comes to providing a sporting chance for Hong Kong's athletes.*

*By Tim Metcalfe*



It's no walk in the park being a top athlete. Even if you have natural talent to take on the best, competing at either national or international level not only requires time, effort and dedication but a significant amount of funding.

Entering events usually costs a fee. Travelling to competitions and finding somewhere to stay is also pricey. On top is the expense of equipment and gear – not to mention special diet supplements.

Then, of course, there is all that time devoted to training, at the cost of earning a living. Sport may be the road to riches for those at the very top, but most other athletes have to scrape by on the breadline.

In Hong Kong, even those athletes who do reach the highest levels struggle to make a living. Take 27-year-old Daniel Lee Chi Wo, for example. A gifted triathlete, Lee represented Hong Kong at the Athens Olympics.

Although he finished 43rd out of 50

contenders over the gruelling 1.5km swim, 40km cycle ride and 10km run, the fact that Hong Kong boasted even a qualifier for the event was a triumph. After all, Hong Kong has only one Olympic gold medal to its name – courtesy of brilliant windsurfer “San San”.

And Lee isn't giving up yet. “I didn't do as well as I hoped in Athens, but it was a fantastic experience and amazing atmosphere,” he says. “I learned a lot which should help me over the next two years, competing in the All China Games in 2005 and the Asian Games in 2006.”

The cost of staying fit and preparing for big events is substantial. “It's really a full-time job without any pay,” says Lee. “Diet supplements for my training alone cost me over HK\$1,000 a month. Without sponsorship, I doubt whether I could have reached international level in my triathlon career.”

Lee is one of the lucky few Hong Kong athletes who have been able to focus on reaching the highest competitive level –

and it's thanks in large part to sponsorship received from Watsons Water.

“It's a tough decision to become a serious athlete in Hong Kong where sports culture is still thin,” says Marina Tsui, Sports Development Manager at the A.S. Watson Group (ASW), who administers Watsons Athletic Club (WAC). Since its establishment in 1989, the club has been a major sponsor of local Hong Kong athletes, funding training camps and events for all, both at the elite and junior level.

The club started from humble origins, supporting just 30 athletes. But it has thrived and now grown into the biggest athletics sponsor in Hong Kong with more than 500 members, including a stable of over 300 youth athletes under its wing.

“It is a way for us as a company to put something back into the community,” says Tsui. “Of course, it also helps promote the pure, healthy image of Watsons Water.”

## COMMUNITY

A fully fledged member of both the Hong Kong Amateur Athletic Association and the government's Community Sports Club, WAC has successfully nurtured a number of elite athletes to an impressively high level.

Besides Daniel Lee, brilliant WAC athletic stars include long-distance runner Maggie Chan Man Yee, 28, who holds the Hong Kong record for the women's 1,500m, 3,000m, 5,000m, mile, 10km, half-marathon and marathon. She qualified for this year's Athens Olympics, but unfortunately fractured her leg before the Games and was forced to withdraw.

Another club athlete, Tang Hon Sing who competed in the Sydney Olympics and is the Hong Kong Men's 110m Hurdles and 400m Hurdles record-holder, agrees that without the WAC sponsorship he would never have reached such dizzy heights.

Watsons adopted the talented athlete straight from school and he now finds time to train in tandem with an administrative post within the club – one of just five employees who run it.

“Hong Kong does not focus so much on sports, so it's difficult to compete and earn a living at the same time,” says Tang. “The club's support was vital to me.”

Over his eight-year career, Tang has repaid the WAC's faith in him by breaking Hong Kong's 110m hurdles record no fewer than seven times and was last year named “Star of the Stars” in the Hong Kong Amateur Athletic Association's “2003 Athlete of the Year” award.

Tang hopes to complete a decade of competition over the next two years at the Asian and all China Games. “I'm sure I can break my record again,” he says.

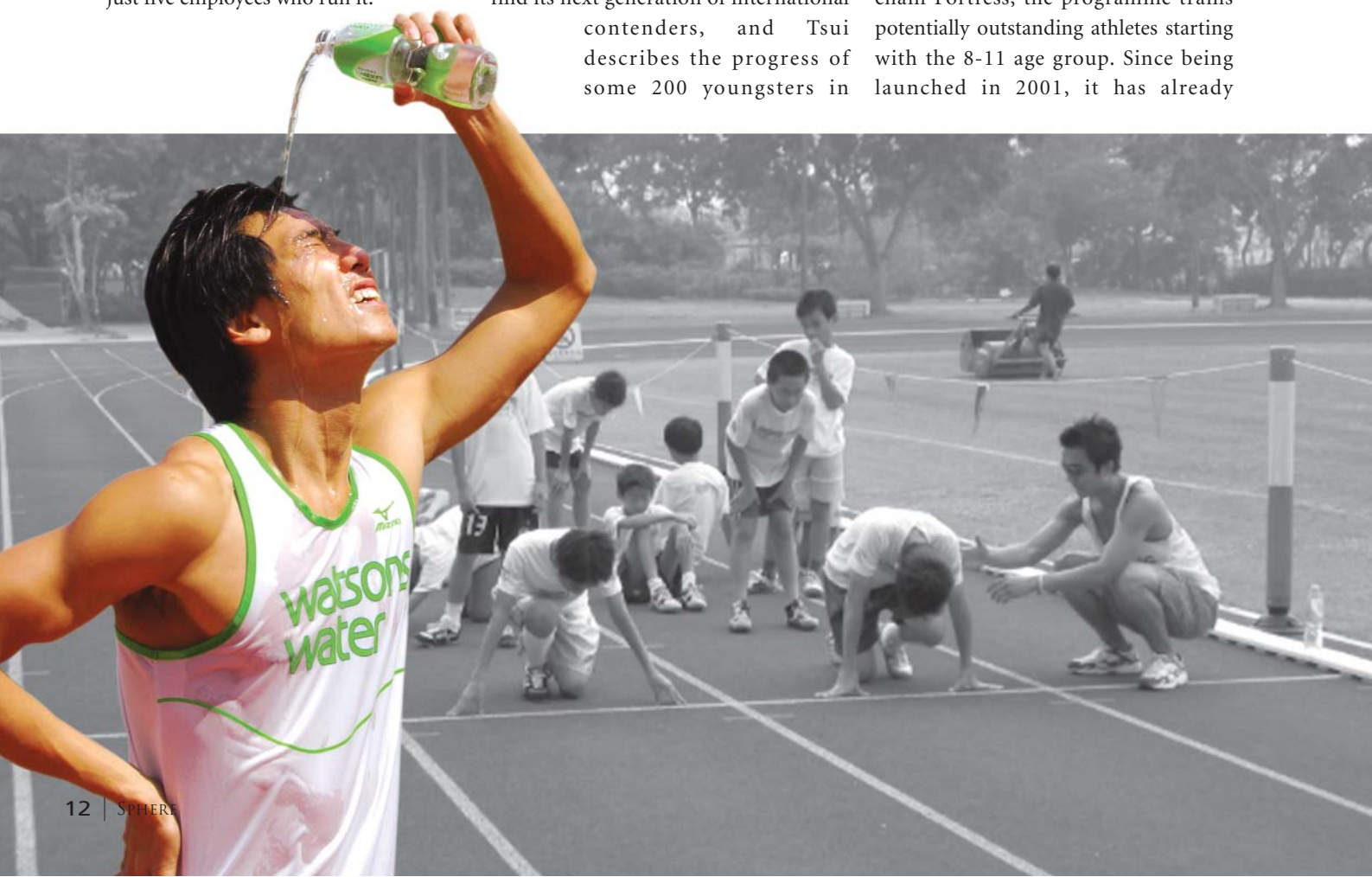
Other stars nurtured by the WAC have included Men's 400m and 800m record-holder Leung Tat Wai and Chang Yu Ho, record-holder in the Men's High Jump and Decathlon. The club has also found and trained more than 50 distinguished juniors identified from the All Hong Kong Inter-District Primary Schools Athletics Competitions.

From this Junior Elite Training Programme, the club now hopes to find its next generation of international contenders, and Tsui describes the progress of some 200 youngsters in



training as “a true highlight of A.S. Watson's sports initiative”.

Launched with supporting sponsorship from the group's supermarket arm PARKnSHOP and consumer-electronics chain Fortress, the programme trains potentially outstanding athletes starting with the 8-11 age group. Since being launched in 2001, it has already





produced more than 100 junior athletes who have set new Hong Kong records in junior age-group categories.

“The first intake is now in the 11-12 age group and setting records. It’s a great challenge and extremely rewarding,” says Tsui. “We hope some of them will be competing in the 2009 Asian Games. That is our five-year target.”

But she stresses that the programme is not all about winning. “We teach them a lot about sportsmanship as well,” she says. “They have to learn to act in a dignified way whether they win or lose. We also insist on them having the discipline to also concentrate on their studies. In fact, we regularly meet parents and monitor the academic performances and conduct of our youngsters.

“Our mission is to build character and promote the wellbeing of local youth through participation in sports, especially in track and field, while uplifting the standard of Hong Kong athletes through local and overseas training programmes and nurturing special talent in pursuit of sporting excellence.”

In the meantime, the WAC holds annual summer youth training

programmes, on the lookout for talents from the 12-18 year age group. It also organises track and field training sessions for primary and secondary school students during the summer months of July and August.


“It’s one of the largest and most prestigious summer athletic programmes in Hong Kong and has always been well received by schools and parents,” says Tsui. Over 900 children in the 12-19 age group attend every year, for just a nominal fee. Another programme specifically targets long-distance runners aged 13 and over.

Beyond training, the WAC further stages free athletic demonstrations at schools, especially on “sports days” when its accomplished athletes demonstrate proper skills for different events and share their experiences of top competitions.

“If we can arouse the interest of local youngsters to the world of sports so that they ultimately take up sports as a lifelong pursuit for physical and mental fitness, then it’s quite an achievement for us, one that is rare but very meaningful for a commercial company,” says Malina Ngai, General Manager,

Corporate Communications at the A.S. Watson Group.

And it’s not only in Hong Kong where ASW is giving a boost to local sports. “The Group encourages each country operation to identify the best way to contribute to local community sports,” Ngai adds. With operations in 20 countries and regions throughout Asia and Europe, this adds up to a lot of support for young athletes.

“You usually don’t need any special equipment or facilities to be an athlete,” says Ngai. “Really, you don’t even need designer label running shoes. You can run bare-foot. That’s the joy of athletics – it’s pure, just like Watsons Water.” 



# SIGNS OF THE TIMES

*Video telephony gives the deaf community something to smile about.*

*By Mark Caldwell*



For those of us who can hear, talking on the telephone seems like the most natural thing to do. But imagine living in a world without sound.

We would not be able to hear the phone ring, and even if we did pick it up we couldn't communicate. For deaf people, this has been a problem since the telephone was invented.

For the first time, however, those with hearing difficulties are queuing up to buy mobile video phones provided by 3 for the simple reason that the company deploys 3G technology that brings a whole new visual dimension to telecommunications.

Thanks to the video capabilities of 3, deaf people are now able to converse in a dialect they understand – sign language – and they

are giving it a big thumbs up in Europe.

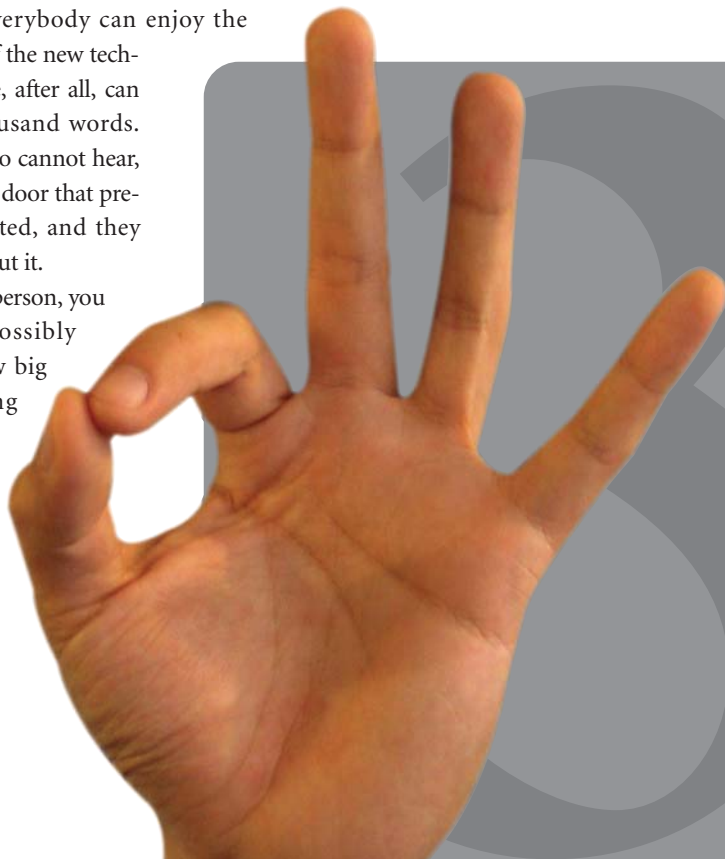
Previously, deaf people had benefited to some degree from SMS messaging, but the written language is not the common means of communication and never really caught on. Sign language, on the other hand, uses hands, eyes, mimicry and gesticulation, so video telephony enables deaf people to communicate in real time – to see and be seen as if in person.

Of course, everybody can enjoy the visual element of the new technology – a smile, after all, can be worth a thousand words. But for those who cannot hear, 3 has unlocked a door that previously was bolted, and they are euphoric about it.

“As a hearing person, you could not possibly understand how big 3G is among the deaf,” says Helena Fremnell Ståhl, Information

Manager at *Sveriges Dövas Riksförbund* (SDR), the Swedish National Association of the Deaf.

3 has revolutionised Andy Lundberg's life. “Suddenly I feel free,” the 37-year-old told local media in Sweden. “I was hesitant about 3 at the start, but as more and more people subscribed, I understood that it would not be possible to be without one. It is a milestone that has been passed



for all deaf people.”

Fellow subscriber Hans Smedberg concurred: “3 didn’t realise what they did when they gave us the opportunity of unlimited phone calls. We talk all the time. It feels like a gift from above.”

The enthusiasm amongst this niche market came as a pleasant surprise to the company, which began operations in Sweden in May 2003. There are about 10,000 deaf or hearing-impaired people in Sweden, and by September this year 4,000 of them had already purchased a 3 video mobile phone. Extrapolate that for their surrounding family, friends and other points of contact, and the community can be multiplied tenfold.

“The trend happened almost by accident,” confirms Elisabeth Lennhede, Head of PR at Hi3G Access, which operates the 3 brand in Sweden. “It started in the town of Örebro, about 200km south of Stockholm, which has a big deaf community with special schools and so on. By coincidence the staff in our 3Store knew sign language and were able to explain to people how to make video calls. Before long, the take-up rate among the deaf community exploded in all of Sweden.”

The local media also took notice, with extensive coverage in newspapers and on TV, and subscriptions snowballed further.

“There is enormous emotional

impact and value,” Lennhede adds. “Recently, a deaf mother described being able to call her child for the first time. She had tears in her eyes. It has made a huge difference to them.”

Thus far, the favourite handset model among the deaf community has been the *NEC 616*, due to its high-quality video capability.

Realising the potential to not only increase subscriber numbers, but also to really change lives for the better, 3 Sweden, in collaboration with the SDR, is looking at ways to improve and extend its services. Already, its website has a page that uses sign language to

### Deaf communities appreciate that 3 is a company that really listens

inform deaf people about 3 (see: <http://www.tre.se/tecken>). Other initiatives are under consideration.

Meanwhile, a new project led by the National Post and Telecom Agency, in cooperation with SDR, is looking at ways for the deaf community to be able to call emergency services.

The message is also spreading fast in other countries where 3 operates.

In Denmark, where the deaf

community numbers around 5,000, about half have already signed up with 3, according to Mika Lassen, Communications Manager of H3G Denmark.


“A month or two after we launched, the Danish Deaf Society made a TV programme about how useful the new service is to the deaf community,” she recalls. “They said: ‘This is the best technology that has been developed in 50 years.’ At last they could communicate in their first language over long distances. We realised that while people were having great fun with video telephony, it could also be very, very useful.”

3 Denmark has been working with the deaf community to identify areas where services can be enhanced. The company also aims to find staff who are fluent in sign language to work in its 3Stores.

In Austria, where 3 has been in operation since May 2003, the company has introduced the 3Visual tariff package in cooperation with WITAF (Vienna Deaf and Dumb Care Society) based on the needs of deaf consumers with an emphasis on video telephony. To help improve services, 3 provided WITAF with 20 handsets to test, receiving practical advice and input from deaf users.

One groundbreaking development to emerge has been the introduction of an interactive mobile sign dictionary that contains about 1,700 signs. Called “Art and Culture – Virtual Frame,” the project was initiated by 3 together with the Institute for Media Art and Science Transfer. Signs were specially developed and short videos produced that provide the most important signs in a simple form. The sign language dictionary can be built interactively by continuously adding words and signs while ready-made video clips can also be sent in a video message format.

More innovations will surely follow.

It’s still early days, but everybody is talking about it, and deaf communities have already come to appreciate that 3 is a company that really listens. 

IS  
GOOD





# INSIDE THE BOXX

*Blending e-commerce expertise and logistical savvy, bigboXX.com has emerged as  
Hong Kong's leading office services provider.*

By Tim Metcalfe



Since the dotcom bubble burst a few years ago, predictions that there would soon be a new era of “virtual companies” with “paperless offices” have been significantly toned down. The traditional office is healthier than ever, and will be a cornerstone of business life for a long time yet.

It's somewhat ironic therefore that *bigboXX.com* has built its success on applying a dotcom strategy to selling traditional office supplies.

To classify *bigboXX.com* as a pure dotcom company is not entirely accurate. In reality the company is a trader with a fleet of 20 delivery vans and three warehouses storing its huge inventory of over 8,000 items for offices – everything from pens and paperclips to computers, printers, furniture, potted plants and pantry supplies. What distinguishes *bigboXX.com* from other stationery suppliers is that it uses a virtual shop front, deploying advanced computer systems to interact efficiently with customers.

In Hong Kong, office supplies is a big business-to-business industry, with

a corporate market estimated to be worth HK\$3 billion a year. As a significant consumer, Hutchison Whampoa has not overlooked its potential. Such was the motivation behind the establishment of *bigboXX.com*, which after only four years since launching is today the biggest office supplies provider in Hong Kong and one of the few dotcoms that has not only survived the high-tech meltdown but has thrived.

The sales volumes of some products are quite staggering: 500,000 paper clips a week; three million sheets of copy paper; 20,000 file boxes. Each week, *bigboXX.com* also sells the equivalent of 2,000km of bathroom tissue!

“We can essentially supply anything you want,” says Chief Operating Officer, Ronnie Fung. “And if we haven't got it, we can source it very quickly. We are evolving into a total office service provider and it's a unique business. Many companies offer one service, others provide several, but we supply everything. It's a one-stop shop for all office products and services. We are positioned as procurement experts.”

Products are sourced worldwide and new suppliers are constantly coming on board. Russia and South America will soon be supplying paper, for example.

With turnover rising steeply, and a workforce up from just 10 at the start to 130 at present, *bigboXX.com* is now officially Hong Kong's leading office supplies provider.

On its books are 40,000 registered customers, with 15,000 of them active at any one time, including premium customers like HSBC, DHL, Midland Realty, Goldman Sachs, Morgan Stanley, Merrill Lynch, ABN AMRO and Federal Express. Even the Salvation Army is a customer.

Consolidating its market-leading position, *bigboXX.com* recently announced a major office supplies contract with Hong Kong's MTR rail network, worth more than HK\$24 million over the next three years.

“This is strong endorsement of our dedicated efforts to providing top-notch





customer if there is a problem. Instead, customers link directly to *bigboXX.com*'s IT platform. There is no human intervention: the system queries the warehouse, and then comes back to the client to confirm the order. If an item is not available, the system finds out from the purchasing department when the stock will be replenished, then asks the customer whether he can wait for a few days. If the customer says no, the system will offer substitute items.

The platform also includes management tools for clients. Each has a dedicated account that records purchases. They can sort transactions by item, date, volume and price. Flagging the frequency and volume of purchases can be a useful tool for spotting unusual movements, indicating possible wastage or pilferage. The system can also limit the spending power of personnel placing orders.

"It's like having a credit card limit," says Fung.

Because *bigboXX.com* delivers daily, companies no longer need to tie up their cash in inventory, or waste valuable storage space. Delivery is free and there is no minimum order, adding to the portal's advantage in this very competitive market.

The portal also uses the database to learn more about customer behaviour – a key advantage of e-commerce in profoundly changing the face of marketing. Its customer relationship management module constantly mines for indications of changing customer preferences and can segment by industry to glean vital marketing clues from order patterns of individual companies.

"We can pull out by

segment – extra large, medium or small," says Fung. "We can see instantly what the margins are for each segment, its revenue contribution and the product mix."

*We are committed  
to delivering by  
the next day  
and have a 98.5%  
success rate*

The platform is powered by one of the most innovative systems on the market, called *mySAP.com*.

"Our primary objective was to have a total solution that linked the back end with the front end, and then to get customers and orders," Fung explains.

Key elements in building the portal included such priorities as better performance, on-time delivery and better customer service.

"It was essential to differentiate ourselves from others and SAP is a prominent leading edge company known for its innovation," he adds.

*bigboXX.com* uses a series of SAP modules, including financial accounting, controlling, materials management, sales and distribution, and the Business Information Warehouse module, which provides data mining capabilities that give a complete view of business operations and information automatically, instantly and accurately. SAP even enables the company to send targeted e-mails of special offers to customers and provides an interactive online audit trail so they can track every item they buy and every dollar they spend.

### Responding to the Market

*bigboXX.com* is continually broadening its range of services to cater for changing

market demands. In light of the rising demand for information management from companies, particularly in the banking & finance, securities and legal industries, a Records Management service has been launched. The service is a value-added document management, storage and logistics solution with its own dedicated 10,000-sq-ft warehouse offering secure information storage, efficient document delivery and comprehensive reporting functions for management of critical information assets.

"The service is built on our unique strengths in the integrated IT platform, logistics and warehousing system," says Fung.

*bigboXX.com* also operates a Print Centre, which caters for digital and offset printing, and a Premium Centre that sources gift items for promotions.

Also being launched is a relocation service for offices.

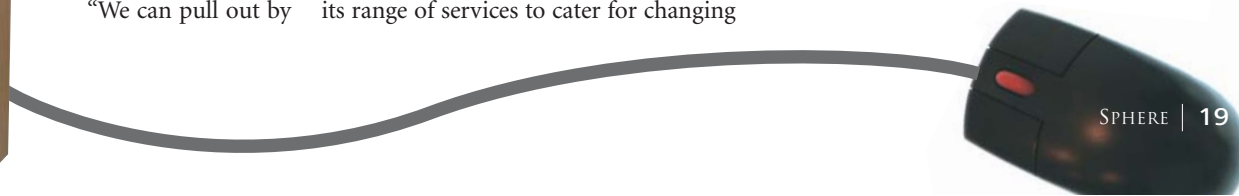
"With 40,000 customers, a large number move office every year," notes Fung. "We can do that as well, since our goal is to provide a complete office solution. Be it a big corporation, a medium-sized business or a small office set-up, they will be able to get anything they need for office operations from *bigboXX.com*."

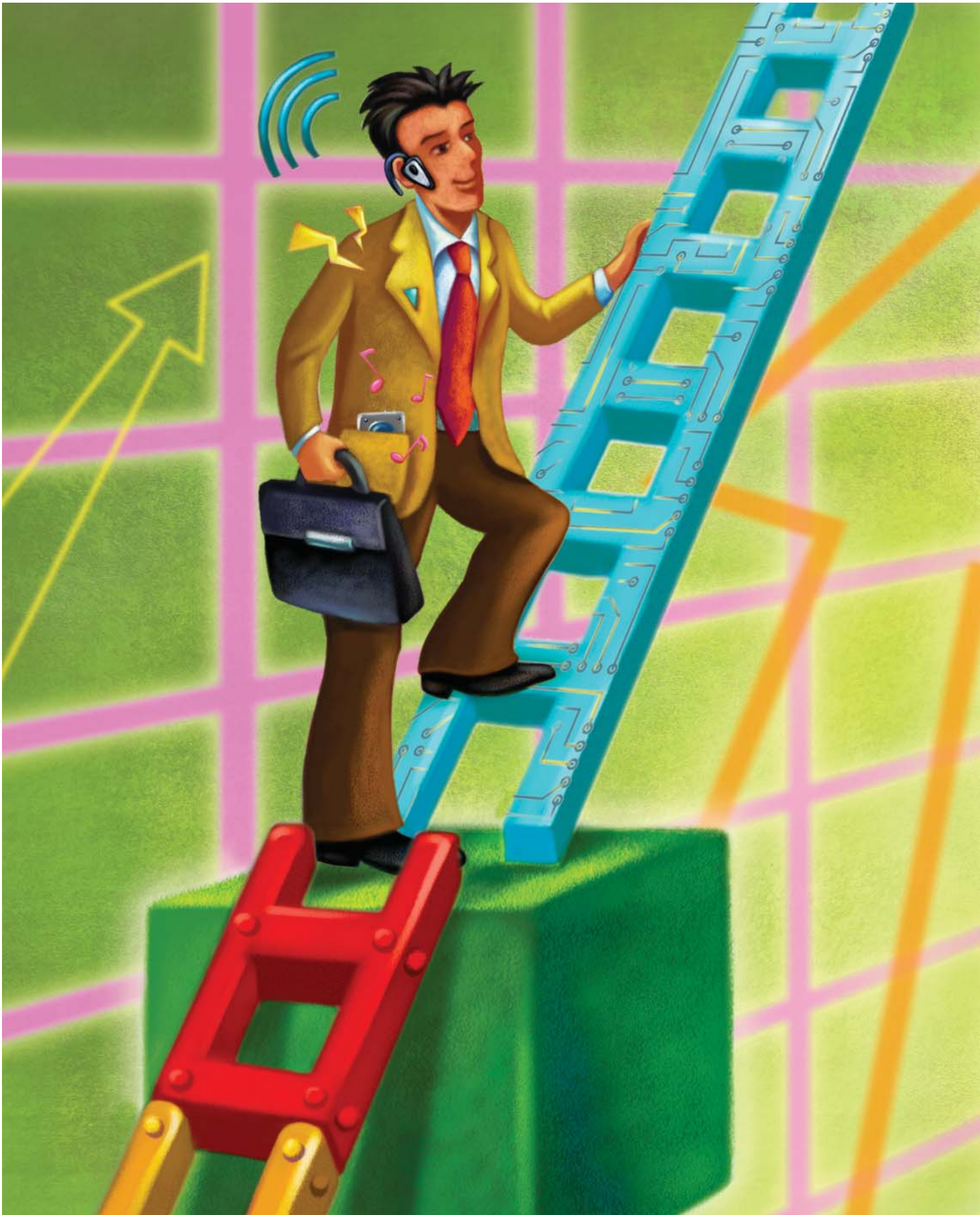
Growth for *bigboXX.com* in Hong Kong will be driven by increasing the range of products and services.

"We are also looking at geographical expansion, although there is no time-frame yet," says Fung.

Through a network of partnerships, *bigboXX.com* ultimately envisions expanding across Asia, and Mainland China is an obvious target for expansion.

"We can easily extend the model there," says Fung. "But we have to be sure we can fulfil orders. That's the big challenge of e-commerce – meeting orders quickly. If we can do that, the potential in the Mainland is vast. The Mainland has a population of 1.3 billion, and some companies are still delivering stationery by bicycle over there."





# UP THE VALUE LADDER

*i.Tech Dynamic has earned a reputation as a top flight manufacturer of digital electronic devices; now it's raising its own brand profile.*

*By Mark Caldwell*



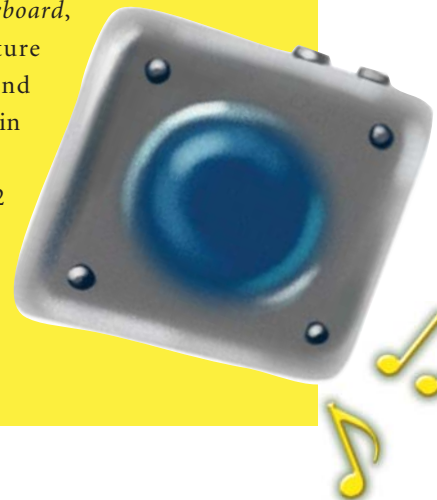
If ever there was an ideal product to launch a consumer-electronics brand, the *Virtual Keyboard* must surely be it.

To see the *Virtual Keyboard* in action is to glimpse the future. Not much bigger than a matchbox, this astonishing device projects an infrared image of a full-sized keyboard on to any flat surface. It can be linked to mobile phones, laptops or PDAs via a wire-free Bluetooth connection, giving users all the benefits of a keyboard without the hassle of having to haul one around.

The *Virtual Keyboard* is one of the first in a range of

cutting-edge consumer electronics devices bearing the i.Tech brand name. It is a name the world is likely to be hearing a lot more of. Invented by Israeli company VKB Inc, i.Tech then successfully finished off the industrial design of the *Virtual Keyboard*, made it possible to manufacture it commercially in volume, and secured the first sales in the UK in August this year.

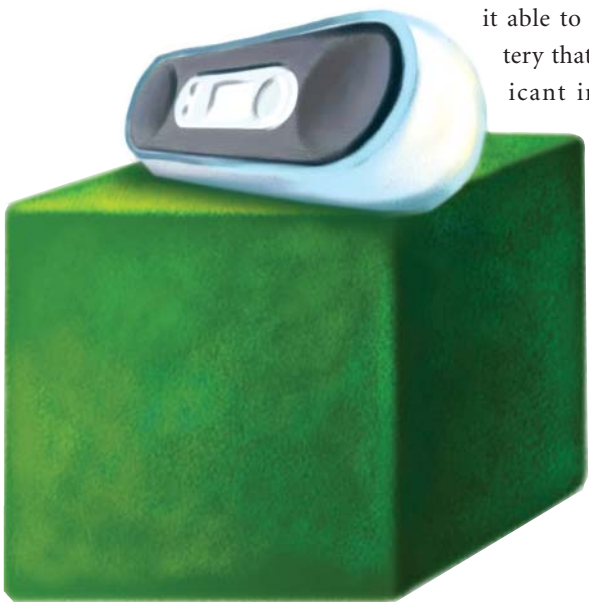
Since its establishment in 2002 as a division of well-known toy manufacturer Hutchison



Harbour Ring (HHR), i.Tech Dynamic has focused on turning good ideas into commercial products, providing high-tech solutions for a range of blue-chip clients who require OEM (Original Equipment Manufacture) or ODM (Original Design Manufacture) services.

In this capacity, i.Tech produces consumer electronics appliances for well-known brands. Products include hands-free MP3 players and radios, Bluetooth headsets, mobile phone chargers and camera modules for mobile phones. Partners include heavyweights such as Motorola, NEC, its siblings in the Hutchison Whampoa (HWL) group such as 3, and Capital Radio Xfm in the UK.

The division has also proven adept at solving troublesome problems on behalf of its customers. For example, i.Tech recently provided a timely solution for NEC by developing a high-capacity battery to power 3G handsets. Not only was



it able to design a battery that was a significant improvement in terms of battery life and other capabilities, but i.Tech also was able to

*i.Tech Dynamic turns good ideas into commercial products*

manufacture hundreds of thousands of them in less than two months.

**Strategic Roadmap**

In just a few short years, i.Tech has established an impressive track record as an outfit that can deliver high-quality products to a specialised market at competitive prices.

These efforts are clearly paying dividends, with high growth within the division contributing to HHR's bottom line. i.Tech had a turnover of HK\$342.5 million in 2003 – still small compared with the HK\$1.8 billion of the toys operation, but impressive after a standing start just two years earlier.

“From the outset, our strategy has been to position ourselves as a specialist in categories that we think have high growth potential, such as wireless digital tech-

nology,” says Patrick Tsang, i.Tech's General Manager – Marketing & Technology, who has been at the forefront of plotting i.Tech's course.

More than simply manufacturing quality products for other brands, Tsang sees tremendous potential in raising i.Tech's profile in the consumer market by commercialising technology under its own brand name.

Having successfully spearheaded HHR's rapid evolution up the value chain from toys to consumer digital electronics, i.Tech is now pursuing a strategic migration from OEM and ODM to Original Brand Manufacture (OBM).



It is in the area of OBM that the *Virtual Keyboard* is particularly significant because it is one of the first major products manufactured by i.Tech to carry its brand name. The product was unveiled at the 3GSM conference in Cannes last February, and has since been commercially launched in the UK.

“We shipped a small quantity to the UK and have had very good feedback,” says Tsang. “The first shipment was of ‘wired’ versions; the next is wire free, meaning they connect to devices via Bluetooth technology, with no need to ‘plug’ them in. We expect them to be a hot item for Christmas 2004.”

A headset, a dongle and a radio using Bluetooth capabilities have also been successfully launched in the UK bearing the i.Tech logo, and an exciting new basket of handy brand-name gadgets is due for release before the end of the year. While the details of individual products are still shrouded in secrecy, the common denominator among them is that they embody the concept of convergence of consumer electronics, deploying a range of technologies such as Bluetooth, MP3, and digital audio broadcast (DAB) that will allow users to enjoy a combination of functions while on the move.

“We create innovative products that customers desire,” says Clement Wong, i.Tech’s Senior Marketing Manager – Sales and Marketing Department, “we do this by bringing together the best of several technologies in a creative way.”

To further expand the product range, the division has

invested in additional manufacturing resources and increased the size of its engineering and R&D workforce. Alliances are also being forged with companies worldwide seeking to develop their concepts into commercially successful products.

*Our strategy is to position ourselves as a specialist in categories with high growth potential*

**Core Value**

The spate of new i.Tech branded products does not mean the division will ignore its core business of manufacturing products for estab-

lished customers, Patrick Tsang stresses. There are separate R&D teams – one for OEM and ODM customers and the other geared to create innovative new products for the i.Tech brand.

“Going forward, OEM and ODM will continue to contribute the bulk of our business,” Tsang confirms. “We offer excellent manufacturing capabilities at our plant in Panyu, along with an exceptional team of design







engineers. But we also see great potential to add value by creating our own brand. We have registered various trade names and tested the market. Our research shows that the i.Tech name is well received. If we can successfully get our brand recognised in the market, we can grow faster.”

Tsang concedes that it is no easy matter to establish a new brand in a competitive marketplace. For a start, it can be extremely expensive to raise consumer awareness.

“But what if we have an excellent product and no other company wants to participate?” he asks. “Either we must abandon it, or we manufacture and market it ourselves. If the big brands are not interested we can still produce the product and sell it.”

To some degree, the strategy is a bit like walking a tightrope. “On the one hand, you do not want to marginalise existing customers; on the other hand, you have the ability to commercialise innovative products that are high value added,” says Tsang.

“We will consider both scenarios.”

### Gadget Wizardry

Given its strong links with HWL and the Group’s burgeoning interests in telecommunications, it was natural for i.Tech to focus on technology relevant to the telecoms industry. It therefore positioned itself as a “turnkey mobile companion solutions partner” deploying technologies such as Bluetooth to produce devices such as wire-free headsets for major handset manufacturers.

From the outset, i.Tech realised that it had to position itself as a specialist,” notes Tsang. “Most customers want to work with a specialist company. No company can be a genius at everything. We wanted to participate in a few selected categories that we think have high growth potential.”

### *A turnkey mobile companion solutions partner*

Beyond manufacturing gadgets for the telecommunications sector, i.Tech has identified other specific areas where it believes there are good commercial prospects.

“We think digital audio broadcast (DAB) will be a star performer of the future,” Tsang reveals. “Europe, the UK, China, Korea and Canada all plan to replace analogue broadcasting technology with digital in the next few years. North America will also make the switch, using slightly different technology. A year ago, we started looking at DAB. We have developed a new line of audiovisual products using the technology and we will launch our first two

products in the UK shortly.”

In parallel with DAB technology, i.Tech Dynamic also sees great potential in personal entertainment devices.

“People are getting more and more busy,” notes Tsang. “They have no time to go to the movies. So we have been developing audiovisual products around the entertainment theme, such as a hand-held viewer that can be watched on the bus or in a taxi.”

The division has already produced some eye-catching prototype products. The PowBOX, for example, is an MP3 player, a handset headset and a data storage device all rolled into one small, stylish package – and it will be brought to market at a very competitive price. Another is an elegant DAB radio with hi-fi quality sound that also plays MP3 files from SD and MMC cards and offers a ten-

minute DAB record and replay button. Yet another is a nifty multimedia viewer that can be watched anyplace, anytime.

Hot on the heels of the product launches in the UK, i.Tech plans to introduce products bearing its brand name into the Hong Kong market. If the brand is well received, Mainland China and Taiwan will be next.

Tsang believes i.Tech has the necessary tools to crack the code to become an internationally recognised brand. “We have identified key growth

areas in the market,” he says. “These technologies have a big future; we have the manufacturing and marketing expertise and we have a good chance to become a major player.”

“The product idea is the most important,” Tsang adds. “The technology behind the iPod is not unique, but the packaging is unique. The challenge for us is to convince people to try our products and enjoy the experience.”

### **Eyes on the Prize**

For a young, relatively unknown operation, i.Tech’s ambitions may seem grand. However, there are several factors that work in its favour.

For a start, the division is ideally positioned geographically,

with strong management in Hong Kong and state-of-the-art manufacturing facilities in Southern China, where costs are relatively low by global standards and where good logistics networks enable the efficient shipping of products to market.

As a subsidiary of HWL, HHR and its i.Tech Dynamic division have access to business connections that most start-ups could only dream about. With 3G operations in eight countries

## *We stress the ‘Dynamic’ in i.Tech Dynamic*




under the 3 brand, as well as global 2G operations that span four continents (*see story, p.28*), HWL is one of the biggest players in the global telecommunications arena. Consequently, it has enormous clout among industry players such as handset manufacturers, and has been able to introduce these big names to i.Tech's capabilities.

i.Tech is one of the preferred suppliers of selected mobile accessories for the Hutchison Group's 3G multimedia service worldwide, which already has over three million subscribers and is growing fast.

These connections give i.Tech a solid customer base to maintain and increase its turnover while also participating in the very latest technology. With stable earnings from its core customers, the division has the luxury of being able to apply its innovative energy to creating exciting and original new products.

In the late 1970s, Sony introduced its "Walkman" and has been riding the wave of success ever since. Twenty-five years on, i.Tech Dynamic has the *Virtual Keyboard* along with a selection of other pioneering OBM merchandise, each one of which is another rung in the ladder to brand success.

"i.Tech Dynamic will not build its reputation on one product alone," says Tsang. "Rather, it is our spirit of innovation and inventiveness that will prevail. That's why we stress the 'Dynamic' in i.Tech Dynamic." 



## STEPPING-STONE

*PMW is perfectly positioned to help companies achieve their goals in China and the rest of the world.*

In January, Warner Bros. Consumer Products (WBCP) announced a multifaceted agreement with PMW-GB Agency Ltd (PMW) to become its exclusive products licensing agent for Mainland China, Hong Kong and Macau.

The move was a significant milestone for PMW, which was set up in 2002 by Hutchison Harbour Ring (HHR) as a joint-venture company with Global Brands Group plc, to serve as its sourcing, trading, retailing and licensing arm with the overall aim to capitalise on HHR's expertise and broaden its business scope.

This agreement establishes PMW as an Authorised Licensed Retailer for WBCP, with exclusive rights to operate "Warner Bros. Studio Stores" and "Warner Bros. Studios Presents" retail formats within the same markets.

Additionally, the company has non-exclusive licensing rights to manufacture and distribute WBCP merchandise for sale in Authorized Licensed Retailers outside of the US and Canada.

Working under a list of WBCP suppliers, PMW provides design, product development, production and quality management services. Merchandise includes apparel, accessories, bags, toys & games, stationery & paper goods, gifts & novelties, houseware, consumer electronics and personal care products. WBCP's brand portfolio includes Looney Tunes, Harry Potter, Superman, Batman, Scooby Doo, and The Powerpuff Girls.

PMW adheres to the highest quality standards and, although still a young company, has been able to leverage on the extensive contacts of both HHR and its majority shareholder Hutchison Whampoa to ramp up growth.

Listed on the Hong Kong Stock Exchange since 1991, HHR was one of the first to take advantage of China's open-door policy in the



# TO INTERNATIONAL TRADE



early 80s, establishing its toys manufacturing operations in southern China. The combination of management expertise from Hong Kong, low production costs in the Mainland and an established worldwide network give the company a competitive edge that overseas competitors find difficult to match.

PMW can utilise HHR's knowledge, business network and manufacturing capabilities in the Mainland while Global Brands Group brings a great deal of experience to PMW, having worked with WBCP in Europe for more than 12 years.

Leveraging on HHR's hard-won expertise, PMW specialises in opening the door for foreign companies wanting to establish business connections in China – and for Chinese companies looking to reach world markets.

"PMW amalgamates what HHR has accumulated as a platform," explains Ricky Ip, PMW's General Manager – Trading and Sourcing. "It is a vehicle that consolidates HHR's expertise in China and enables us to diversify into areas beyond the manufacture of toys and premium products."

PMW provides local and overseas retailers advice and assistance on a wide range of business needs to help up-and-coming or experienced retailers to stay ahead not only in the booming China market but in the rest of the world as well. Its global sourcing & trading expertise helps businesses through every stage of the cycle, turning concepts into actual products and then bringing them to the global marketplace.

Clients can also work with PMW to keep up with the latest trends, news, consumer behaviour and market-sensitive information pertaining to China. PMW's team of professionals in product development, manufacturing and sourcing can lay the groundwork for companies to implement trouble-free manufacturing services in the Mainland and, when the products are ready, assist in providing sales and marketing services.

For example, the tie-up with Warner Bros. establishes a powerful formula for the way their branded products are presented to consumers in the region in the future.

Merchandise is mainly targeted at the young and young-at-heart, with lines for infants, the 8-14 age group, and 14 and above. Branded products are already being sold through the "store in store" concept at selected outlets. The first flagship "Warner Bros. Studio Store" – a speciality shop that focuses on the total Warner Bros. experience – is due to open in Shanghai in 2005, with many more to follow.

"This is an ongoing project," says Ip. "In future, we expect to have several hundred point-of-sale stores in Hong Kong, China, and Macau."

The venture is off to a flying start. In July 2004, 15,000 visitors from more than 80 countries attended the Hong Kong Licensing Show, held simultaneously with the Summer Sourcing Show. A highlight of the event was the first Premier Asian Licensing Awards in which Warner Bros. was judged "Best Licensing Agency of the Year" for its Harry Potter promotion merchandise.

"Chinese consumers have awakened to Western brands," notes Ip. "Warner Bros. entertainment is widely available in China and is shown on terrestrial TV, so more and more Chinese consumers are buying the branded items."

"This is only the beginning," Ip adds. "We have a strong vision and we are ready to talk to anyone who is looking for a stepping-stone into China or a bridge between China and the rest of the world, or to source or sell products in any part of the world."





# THE NEW FRONTIER

*Newly listed Hutchison Telecom is poised to capture valuable growth opportunities in emerging telecoms markets.*

*By Mark Caldwell*



**H**utchison Telecommunications International Limited (Hutchison Telecom) listed on the Hong Kong and New York stock exchanges in mid-October. It was the largest Asian spin-off IPO in 2004 year-to-date, the largest IPO by a Hong Kong issuer in 2004 year-to-date and the first-ever Asian-focused emerging markets telecom IPO.

The listing opened the door for investors to gain exposure to high-growth emerging mobile telecommunications markets, such as those in India and Thailand, while balancing the portfolio with established and profitable telecoms operations elsewhere.

Hutchison Telecom brings together a stable of telecommunications companies owned by Hutchison Whampoa (HWL) that operate in eight key markets: Hong Kong, Macau, India, Israel, Thailand, Paraguay, Sri Lanka and Ghana. Collectively, the businesses currently have over 11 million subscribers, assets of more than US\$5 billion and revenues in excess of US\$1.29 billion in 2003.

With Goldman Sachs as lead underwriter, HWL offered 1.155 billion shares representing 25.67% of Hutchison Telecom's share capital. HWL remains the largest shareholder with 70.1%.

The offering closed on October 6 and

trading started on October 14 on the New York Stock Exchange (code HTX) with American Depository Shares (ADS) representing 15 ordinary shares. The stock made its debut on the main board of the Hong Kong Stock Exchange on October 15 (code 2332). The listing raised US\$899 million with the shares priced at HK\$6.01 and the ADS's at US\$11.67.

Despite challenging global equity markets, the deal was comfortably oversubscribed with strong demand from US and international institutional investors. The proceeds from the IPO will effectively be repaid to HWL, which has invested around US\$2.7 billion into the Hutchison Telecom

group. But raising cash was not the primary motivation for the listing.

**Right Time**

“It was a good opportunity to ascribe paper value to Hutchison Telecom and allow investors to participate in the future growth in the company,” notes CFO Tim Pennington, who played a key role in the IPO. “Hutchison Telecom had reached an inflection point in its development. We had achieved a critical mass in our customer base and also reached the peak of the capex cycle for the current businesses.



The next step was to become a public company, which would allow us to develop the business to the next level.” At the helm of the development process is Dennis

Lui, Hutchison Telecom’s CEO.

“Market timing was a crucial consideration,” he says. “If we had waited for two more years before listing, we might have got a better price for our shares because our business would be bigger and market sentiment might have improved. But we felt there is

*There is a tremendous window of opportunity right now for growing markets in Asia, Eastern Europe and the Middle East*

a tremendous window of opportunity right now for growing markets in Asia, Eastern Europe and the Middle East.”

“Currently, the bigger telecoms players in Europe and the US are resting a bit after the financial difficulties the industry has faced in the past few years. In our opinion, this has made now a good time to enter new markets at moderate prices. The IPO gives us additional liquidity to do that and it gives us acquisition currency in terms of the stock, which we might

want to use in a merger situation.”

“By choosing to list now, we can tap into financial markets (Hutchison Telecom has a US\$1 billion bank loan facility), enjoy independence as a company, and act with the interests of our own shareholders in mind.

**Track Record**

HWL has spent almost two decades building the Hutchison Telecom portfolio. The Group started out in the telecommunications business back in 1985, when it began offering mobile

communications services in Hong Kong.

Since then, Hutchison Telecom has established a formidable track record, earning a reputation for being able to enter challenging markets and succeed where others could not.

HWL built the *Orange* brand and nurtured it into a leading global brand. The second-generation (2G) mobile telecommunications business was established in the UK in 1994 and then sold in 2000 for a US\$14.6 billion consideration.

Funded in large part with profits



<p><b>1983</b></p> <p>Hutchison starts mobile business in Hong Kong</p>	<p><b>1985</b></p> <p>Launches the first commercial Advanced Mobile Phone Services (AMPS) in Asia using AMPS network</p>	<p><b>1986</b></p> <p>Acquires and merges with a number of paging companies to develop paging services in Hong Kong</p>	<p><b>1987</b></p> <p>First to offer uninterrupted cellular coverage through Hong Kong’s cross-harbour tunnel</p>	<p><b>1988</b></p> <p>Awarded a total communications system licence for Hong Kong and becomes the world’s first cellular operator to provide both AMPS and TACS networks in a single location</p>	<p><b>1989</b></p> <p>First in Hong Kong to launch trunked mobile radio communication system</p>
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from Orange, HWL's rollouts of 3G operations under the 3 brand worldwide have dominated the headlines while its other valuable telecoms assets have gone relatively unnoticed.

Yet Hutchison Telecom is a telecoms powerhouse in its own right. The company amalgamates its group of mainly 2G businesses that collectively make it a world leader in emerging telecoms markets.

"The listing will give the telecoms group outside of 3G some real momentum," says Pennington. "It is

a strategic opportunity that will give us increased focus and credibility and take the business forward."

Following a gruelling 18-day IPO roadshow spanning three continents, and having successfully completed the IPO, Hutchison



Telecom is now looking to move to the next level.

"We aim to expand our footprint both through buying into existing businesses and through setting up new ones," says Lui, adding that Hutchison Telecom always seeks to maintain operational and financial control.

*Hutchison Telecom has earned a reputation for being able to enter challenging markets and succeed where others could not*

"We will invest in superior networks, strong branding, innovative products and excellent customer service," Lui continues. "Through increased integration of our businesses we will also benefit from economies of scale, with synergies in the areas of branding, procurement, product development and technology transfer."

**Balanced portfolio**

The appeal of Hutchison Telecom for investors is that it provides rare access

to a balanced portfolio of telecoms businesses with an emphasis on Asia and emerging markets, managed by a team of seasoned telecoms professionals.

"Hutchison Telecom gives you exposure to fast-growth markets like India, balanced with established businesses such as those in Hong Kong and Israel," notes Pennington. "It also offers

direct exposure to the growth potential of 3G in Hong Kong, and Israel. We aim to be the No.1 or No.2 business in the markets we're in – either through investment or acquisition."

Of the developed markets in its portfolio, Hutchison Telecom is the No.1 mobile operator and the No.2 fixed-line operator in Hong Kong and the No.2 operator in Israel – a position attained in just four years.

In the burgeoning India market, Hutchison Telecom has a leading



ACFI	PII	PII	ACFI	PII	PII	HUI	PII	PII	PII	HUI	PII	
8500	54.9000	54.9500	55.0000	55.0500	57.1000	59.1500	60.2000	61.2500	62.3000	63.3500	64.4000	65.000

ON TELECOMMUNICATIONS HTX - WILL RING THE OPENING BELL HUTCHISON TEL

**1992**

Unveils the first telepoint (cT2) service in Hong Kong under the brand name "Tien Dey Seen"

**1993**

Obtains licence to build a fixed telecom network service in Hong Kong

**1994**

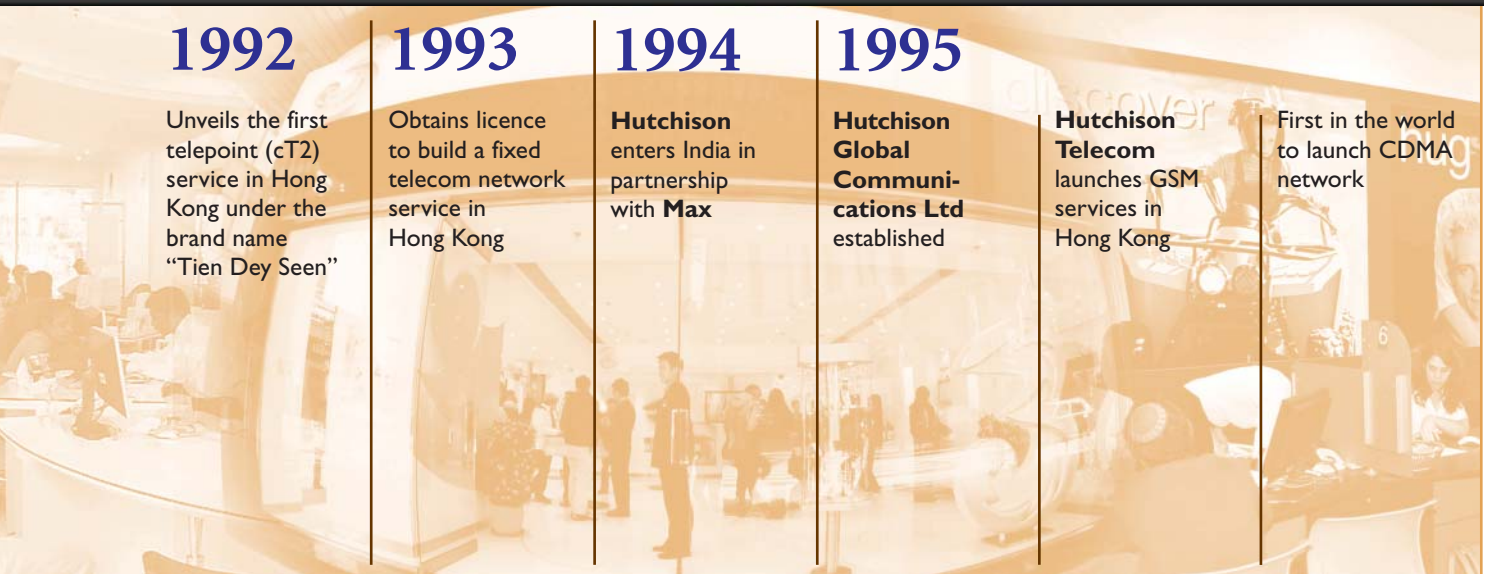
Hutchison enters India in partnership with Max

**1995**

Hutchison Global Communications Ltd established

Hutchison Telecom launches GSM services in Hong Kong

First in the world to launch CDMA network





presence in the high-value metropolitan circles. It is No.1 in Mumbai, Calcutta, and Gujarat, and No.2 in Delhi in terms of subscriber numbers, and the company is also ahead of its competitors when it comes to average revenue per user (ARPU).

Over the past few years, the India market has been developed through a combination of capital investment and acquisitions. Hutchison Telecom plans a further listing in the future to consolidate its India operations.

“The India business will be listed at some stage, subject to the right market and commercial conditions, and meeting pre-listing requirements,” Pennington confirms.

The India listing is further to Hutchison Telecom’s agreement with its local partners to do so, and

it would also make it easier for the India operation to tap into local financing to drive its expansion.



Two companies that fall under the Hutchison Telecom umbrella are already independently listed: Partner Communications (Partner) and Hutchison Global Communications Holdings (HGCH).

Partner completed the largest ever IPO by an Israeli company when it listed on the NASDAQ and London Stock Exchange in October 1999 and on the Tel Aviv Stock Market the following year. In just four years, Partner overtook one incumbent operator to become No.2 in the market.

Earlier this year Hong Kong-based fixed line fibre-optic broadband service provider HGC merged with local companies Powercom and Vanda, a company listed on the Hong Kong Stock Exchange, which was subsequently renamed Hutchison Global Communications Holdings.

“These types of arrangement are typical in telecoms where joint ventures with local operators or investors are commonplace, and remains a valuable strategy and technique to establish value of the business and add capital,” says Pennington.



“For the external investor, there are different opportunities to access the value created by Hutchison,” Pennington adds. “With HGCH, investors gain exposure to the Hong Kong fixed-line market. With Hutchison Telecom, you are buying an investment in eight markets, with both fast-growth and established businesses.

While Hutchison Telecom does not expect to pay a dividend in the short term, its management believes that the long-term prospects for growth are encouraging.

“Hutchison has developed this business over the past 10-20 years,” says Pennington. “We see some



## 1997

Forms **Partner Communications Company Ltd** in Israel

Acquires 100% interest in **Lanka**, Sri Lanka

## 1998

First in Asia to offer GSM Dualband telecommunication service under the brand name “Orange”

Acquires 80% interest in **Kasapa** (formerly Celltel Limited) in Ghana

## 1999

**Partner** introduces Israel's first GSM network under the *Orange* brand and completes IPO

## 2000

**NTT DoCoMo** acquires 19% strategic equity interest in Hong Kong mobile operations

Acquires Delhi operations and enters Calcutta and Gujarat markets in India

Entry into Thailand

**Global Crossing** becomes 50% partner in HK fixed line operations

Acquires 100% of the equity of **Hutchison Paraguay**

tremendous opportunities to expand our footprint. We are focused on higher population areas and have a lot of experience in building networks – where to put them and how to get returns from them.”

### Good Morning Vietnam

Vietnam is next on Hutchison Telecom’s expansion radar. The company recently announced the signing of a Business Co-operation Contract (BCC), with Hanoi Telecom to develop the nascent local market. The contract is subject to final government approval, which is currently pending.



“Vietnam is a very exciting and challenging market, but challenging markets are what Hutchison does best. We went into Israel when others didn’t want to go; we stayed and

grew into India when many were leaving; and we made a success of each of them. We have been very successful in Hong Kong amidst intense competition. We are the people who can make a success of what others consider too much of a challenge. We believe our initial investment in Vietnam and cash

*We can introduce new technologies as they develop and at the right time for particular markets*

cost will be low, so there is good potential for a substantial return.”

Elsewhere, Hutchison Telecom has small interests in Sri Lanka, Ghana and Paraguay.

“These are potentially strong growth markets but it’s still too early for us to be widely involved,” says Pennington. “However, by having a foot in, we are getting to know the market, getting to know people. These are intangible things not yet reflected on the balance sheet. Our small exposure gives us the

opportunity to assess markets. This is very valuable for the future.”



### Technically Speaking

There are those who might argue that second-generation technology is on the way out and will soon be surpassed by newer-generation technologies such as 3G.

However, Dennis Lui is careful to explain that there is a clear distinction between the telecoms needs and affordability within emerging markets compared to developed ones.

“In developed markets such as Hong Kong there is over 100% saturation, but in India, for example, less than 5% of the population has a mobile phone,” he says.

“At some stage the technology curve will see India move to 3G. Hong Kong is sufficiently developed for 3G and 3G was introduced in Israel in December.

ACEI	PII	PII	ACEI	PII	PII	H&I	PII	PII	PII	H&I	PII	
.8500	54.9000	54.9500	55.0000	55.0500	57.1000	59.1500	60.2000	61.2500	62.3000	63.3500	64.4000	65.000
ON TELECOMMUNICATIONS HTX - WILL RING THE OPENING BELL HUTCHISON TEL												

## 2001

Global customer base reaches 4.5 million

Acquires licences to operate GSM services in Karnataka, Andhra Pradesh & Chennai in Indian licence auction

Launches GSM services in Macau

## 2002

Global customer base reaches 6 million

Buys out **Asia Global Crossing's** 50% stake in **Hutchison Global Crossing**

**NEC Corporation** acquires an effective 5% strategic equity in Hong Kong mobile operations

## 2003

Global customer base reaches 8.9 million

Launches **Hutch CAT** in Thailand

Adds Punjab, Haryana, Rajasthan and UP (East) circles to India operations

## 2004

First in Hong Kong to roll out world class 3G service under the brand name “3”

Global customer base reaches 11.2 million customers at 30 June 2004, with IH YoY growth of 67%

**Hutchison Global Communications** joins forces with **PowerCom, Vanda Systems** and **GlobalCentre** to form listed company **Hutchison Global Communications Holdings**

**Hutchison Telecommunications International Limited** lists on the New York and Hong Kong stock exchanges on Oct. 14 and 15

**Hutch India** launches services in UP (West), Uttaranchal, West Bengal & Sikkim

**Partner** launches 3G services in Israel

In Thailand, the market is quite sophisticated, so we have introduced CDMA1X, which is almost like 3G, though not quite. Because of our track record and pedigree (we've introduced 3G not just in Hong Kong but through our parent in Europe and Australia), we can introduce new technologies as they develop and at the right time for particular markets. At the end of the day, the customer does not care about the kind of technology used. We are focused on being the leader for a particular market – delivering innovative services that are right for those particular customers at the time.”

With its valuable footprint in emerging markets, Hutchison Telecom is making an important social impact, with many of its customers enjoying mobile communications for the first time at affordable prices.

Customers in more developed markets have also seen significant benefits in both quality and price, with Hutchison Telecom leading the way in introducing the latest services and technologies.

With a global subscriber base now exceeding 11 million and steadily rising revenues, Hutchison Telecom will keep customers – and investors – talking for a long time to come. 

# Frontline Footprint \*All figures as at June 30, 2004

## Israel

- **Partner Communications** launched in 1999 under the *Orange* brand, and became the No.2 mobile operator in Israel within four years.
- Approximately 2.2 million customers, or 32% of the market.
- The most profitable operator in terms of operating margins with a high proportion of premium customers.
- The first to offer a GSM network in Israel and introduced 3G services in Dec. 2004.
- Partner is listed on the Tel Aviv, NASDAQ and London Stock Exchanges with Hutchison Telecom as the largest shareholder.

## Ghana

- **Hutchison Telecom** owns an 80% interest **Kasapa Telecom Ltd.**
- Kasapa reaches approximately 50,000 customers, in the cities of Accra, Tema and Kumasi, providing affordable basic prepaid voice services to the wider market and offering an attractive proposition to customers with limited disposable income.

## Paraguay

- **Hutchison Telecommunications Paraguay** operates a GSM network covering Paraguay's major urban centres.
- Operates under the *Porthable* brand with approximately 51,000 customers.

#### India

- **Hutch India** provides 2G services using digital GSM technology.
- Through six service operators, the company reaches approximately 5.8 million customers.
- Holds total licences for 13 of the 23 defined service areas that cover 56% of India's population and 74% of mobile customers.
- Area covers high-value customers representing 70% of India's GDP, with higher-than-average ARPU.
- With approximately 4% penetration, India offers exceptional growth potential.

#### Hong Kong & Macau

- **Hutchison Telecommunications (Hong Kong) Ltd** is the No.1 mobile operator in Hong Kong with 1,957,695 customers – a 26% share of the mobile market.
- First in Hong Kong to offer GSM Dualband, CDMA and 3G networks
- Provides all mobile services (2G GSM/CDMA/PCS, 2.5G GPRS/IS95B and 3G UMTS) under the 3 brand in Hong Kong and positioned for fixed-mobile convergence opportunities.
- 35.5% market share in Macau with 155,276 GSM customers.
- Total number of mobile subscribers in Hong Kong and Macau is more than 2.1 million.

- **Hutchison Global Communications Holdings (HGCH)** is an integrated telecommunications and information technology company providing the world's leading 10Mbps symmetrical broadband network in Hong Kong.
- HGCH has the largest fibre-to-the-building telecommunications network in Hong Kong and is also a major provider of capacity in the region.
- HGCH is listed on the Hong Kong Stock Exchange with Hutchison Telecom as the largest shareholder.

#### Thailand

- **Hutchison CAT Wireless MultiMedia** is a JV with **CAT Telecom**.
- First to offer high speed data and innovative multimedia services to mobile consumers.
- The company markets its CDMA2000 1X network services under the *Hutch* brand in 25 central provinces.
- *Hutch* has approximately 529,999 customers.

#### Vietnam

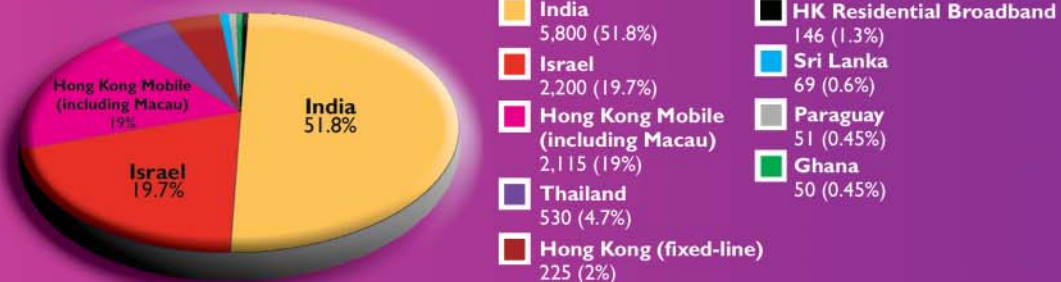
- **Hutchison Telecom** has signed an agreement with **Hanoi Telecom** to roll out a CDMA 2000 network with 50% coverage at launch.
- With a population of 83 million and 3.5% penetration, Vietnam represents a major growth market.

#### Sri Lanka

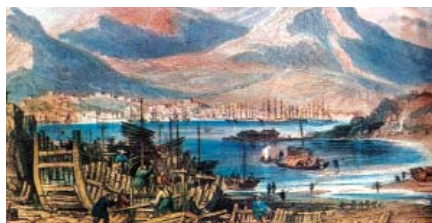
- **Lanka** is the holder of one of four nationwide mobile telecom licences in Sri Lanka.
- Operates under the *Hutch* and *Rankatha* brands with approximately 69,000 customers.
- In the process of completing a nation-wide roll-out of GSM services.

### Hutchison Telecom subscribers ('000)

Total subscribers 11.2 million



# THE HUTCHISON STORY



*A tale of vision, enterprise & success that is older than Hong Kong itself.*



A lot of water has flowed down the Pearl River since the first company associated with Hutchison Whampoa Limited (HWL) was founded in Canton (now Guangzhou) in 1828. During those 176 years, the fortunes of Hong Kong and the merchants who made the island their home have risen and fallen, and risen again.

Today, HWL is participating in one of the most exciting chapters in its history.

While remaining focused on its core businesses – keeping international trade flowing, operating manufacturing plants, running busy retail outlets and erecting landmark buildings – HWL is also seizing the opportunities presented by new technologies in areas such as telecommunications and e-commerce.

In recent years, HWL has emerged as a leading player in the mobile telecoms industry and is a pioneer in rolling out the latest generation 3G networks.

HWL embraces the globe, operating on five continents in 42 countries, but Hong Kong is home, and the Group's businesses are intertwined with daily life in the territory.

When Hong Kong Island's lights go on, the power comes from Hong Kong Electric.

Hundreds of thousands of people communicate daily over

mobile phone networks run by 3 Hong Kong.

The A.S. Watson group, which operates water and beverage manufacturing facilities and offers a vast range of goods in its 450+ retail outlets, directly traces its roots 176 years and 130km up the Pearl River to Guangzhou. People buy their rice at PARKnSHOP and their TVs at Fortress stores.

On the international scene, HWL takes pride in being able to operate globally yet integrate with local cultures.

Hutchison Ports Holdings, the world's largest container ports operator, keeps boxes moving across the continents, with 35 ports operations worldwide.

Husky Energy pumps oil from the frigid fields of northern Canada and from beneath the North Atlantic Ocean floor.

Eleven million people in seven countries stay in touch via mobile networks provided by Hutchison Telecom, a company listed in both New York and Hong Kong.

When an American child receives a toy for Christmas, or when a UK customer purchases a bluetooth headset for his mobile phone, there's every likelihood these items were made by Hutchison Harbour Ring, a listed manufacturing arm of HWL.

When residents of South Australia plug in to the electricity supply, the power keeps flowing thanks to HWL's investments

in Australian utilities companies; and when a Milan businessman makes a videocall, it's because HWL has built 3G networks across eight countries worldwide.

Cityscapes as diverse as London, Singapore and Beijing have been transformed by HWL's property arm while its hotels welcome guests in China and as far away as Grand Bahama.

HWL's health & beauty businesses are meanwhile changing the face of retail across Europe and Asia, with operations that span 20 countries and regions.


HWL's impetus has accelerated greatly in the past 25 years. Listed on the main board of Hong Kong Stock Exchange with a market cap of US\$36,199.06 million (as at Nov.26), HWL is a key constituent of the Hang Seng Index.

This is a far cry from 1950 when 22-year-old immigrant Li Ka-shing arrived from Mainland China with few assets other than a sharp wit and a steely desire to succeed.

He established a plastics firm he named Cheung Kong (Long River). The tiny enterprise was typical of thousands that struggled through the desperate 50s and 60s, but hard work, a keen acumen for business opportunities and adroit management fuelled its success.

In September 1979 Cheung Kong took a majority stake in HWL, making Li Ka-shing the first Chinese to take control of a "hong," one of the powerful and exclusive British-controlled trading companies that dominated Hong Kong's business landscape.

Today, the Li Ka-shing Group of Companies is highly respected across the globe and Mr Li Ka-shing is seen as the epitome of Hong Kong success. The Li Ka Shing Foundation has contributed more than HK\$5 billion towards health, education and culture, both at home and abroad.

In the 1950s, plastic flowers were hot. Half a century later, Li Ka-shing and his Group are still at the cutting edge, this time of the information and technology revolution, combining Old Economy strength with New Economy vigour. The vision remains strong. 

## FACT FILE

Stock code **13** on the HKSE

**5** core businesses: ports & related services; telecommunications; property & hotels, retail & manufacturing; energy & infrastructure

Operations in **42** countries

Over **170,000** employees worldwide

Approximately **HK\$145 billion** turnover and **HK\$14 billion** profit in 2003

**206** berths in **35** ports

**4,600** stores in **20** countries and regions

## HINDSIGHT

# 1994

In April 1994, Hutchison Telecom (UK) launched Orange plc as the last entrant in a field of four mobile telecoms operators in the UK.



Analysts were pessimistic about the chances of success, forecasting that the market would be unable to sustain a new entrant. Pundits joked that *Orange* was a lemon.

Undeterred, *Orange* immediately began building a distinctive identity that set it apart from the clutter. Its branding, masterminded by Doug Hamilton of Wolff Olins, was unlike anything seen before.

The promotion began with mysterious "teaser" print advertisements featuring the slogans: "Talk", "Laugh", "Listen", "Cry".

TV advertising was equally provocative: "In the future we'll think it's strange voices ever travelled down wires. The future's bright, the future's Orange."

Meanwhile, *Orange* announced the end of "money for nothing" monthly line rentals and introduced innovations that transformed customers' negative perceptions on mobile communications. Simple-to-understand talk plans, per-second billing, caller ID, free itemised billing and direct customer relationships set the tone for the rest of the industry. Hutchison Group Managing Director Canning Fok enthused, "Orange is set to change the way people communicate, allowing people to do the things they would like to do with 'normal' phones, and more, on a small wire-free phone."

Two years after its launch, the *Orange* brand was better recognised than any of its rivals. "The really astonishing thing about the success of *Orange* was how personal it all was," recalls Doug Hamilton, who is now Global Creative Director of HWL's Global Brands Group. "Just as victory has many fathers, so success has many authors. Everyone who touched it thought that somehow they had invented it, and in their own way they had. Customers thought it had been specially made for them, and in a way it had. Above all, the beauty of *Orange* was in the simplicity of the idea; 'the wirefree future,' the optimism of it, the brightness. It was brilliantly communicated, and single-mindedly carried out with just a little bit of luck in the timing. Unstoppable."

An IPO on April 2, 1996, saw *Orange* plc shares listed on the London and Nasdaq markets. Major shareholders at the time were HWL with 48%, and British Aerospace with 22%. With a valuation of £2.4 billion, *Orange* plc became the youngest company to enter the FTSE-100.

By July 1997, *Orange* had signed up one million customers and was named the best performing share in 1998.

In late 1999, *Orange* was sold to Mannesmann AG in a deal for which HWL received US\$14.6 billion in cash, notes and shares for its stake in *Orange* plc.