
2003
JCDecaux

United Kingdom

3 UK marks the arrival of the UK's first commercial 3G mobile video and multimedia telecommunications service with a major marketing campaign. Here a poster at Waterloo station in London – home of the Eurostar train service connecting the UK with the rest of Europe – informs visitors to London that 2003 is the year of **3**.

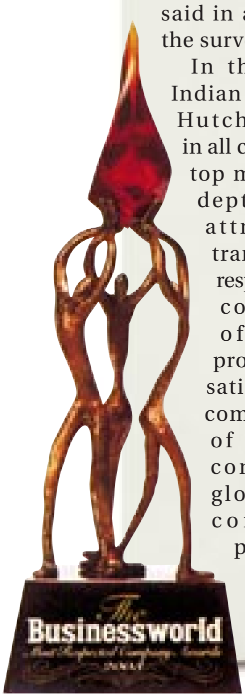
Hutchison Rated "Most Respected" Operator in India

Businessworld, one of India's oldest and most authoritative weekly business journals, has named Hutchison "India's Most Respected Telecom Company".

The award was based on polling of nearly 600 professionals and decision makers drawn from different cities in India, most with over 20 years of professional experience.

"Respect is the derivative of a company's total achievements. To gain respect, a company needs to achieve more than just big sales and profits," *Businessworld* said in a special issue covering the survey.

In the highly competitive Indian telecoms environment, Hutchison was rated No 1 in all categories: overall quality; top management leadership; depth of talent/ability to attract talent; belief in transparency/ethics; social responsiveness;environmental consciousness; quality of products/services provided; belief in customer satisfaction; track record of company; dynamism; speed of response to change; continuous innovation; global competitiveness; consistent corporate performance; returns to shareholders; value for stakeholders; and ability to cope with recession.



ESD*life* Wins Web Care Award

With the rapid development of the Internet, people from all walks of life have benefited from going on-line, whether for doing business or simply improving the quality of life. However, due to limitations in web accessibility, certain underprivileged groups have been unable to enjoy the benefits brought by this technological advancement.

The Web Care Campaign, initiated by iProA (Internet Professional Association), aims to promote a barrier-free Internet environment and provide equal opportunities to needy communities to share the benefits brought about by the Internet.

ESD*life* has been recognised for its achievements in breaking down these barriers. Following a review of various websites by the Campaign, ESD*life* received a Web Care Award for its "Electronic Service Delivery" Scheme — a core component of the Hong Kong Special Administrative Region Government's "Digital 21" information technology strategy. The *www.esdlife.com* website is designed to deliver government and commercial services via a highly secure and convenient on-line electronic platform.

Hutchison Telecom Judged "Best in Asia"

Hutchison Telecom has won the "Best Asian CDMA Operator" title in the "Telecom Asia Readers' Choice Awards 2002," for the second year running. The award honours Hutchison Telecom's achievements in, and long-term contribution to the development of CDMA mobile communications.

The Telecom Asia Readers' Choice Awards is organised by *Telecom Asia*. Winners are chosen by readers of *Telecom Asia, Wireless Asia, Telecom China and telecomasia.net.*

Hutchison Telecom has pioneered the CDMA development with several "firsts" — first operator to launch a commercial CDMA network, first to provide CDMA automatic roaming services to the US, Canada, Japan and Korea, first to introduce the 2.5G packet data mobile service with CDMA IS95B technology, first to launch a WAP platform character download, and first to launch colour display WAP phones.

Hutchison Telecom Wins Customer Services Award

Highlighting its track record of providing innovative and quality customer services, Hutchison Telecom has won the "Best Practice Award" for Customer Relationship Management (CRM) presented by Best Practice Management and the "HKRMA Customer Service Award" presented by the Hong Kong Retail Management Association (HKRMA). The company has successfully attained a leadership position in CRM by providing supreme customer services and by consistently enhancing staff quality, developing more communication channels and designing proper customer segmentation.

The Group has strong market share positions in the profit generating 2G telecommunications operations in Hong Kong, Israel and also India, a rapidly growing mobile market. In addition, this division operates a fixed line business in Hong Kong using its state-of-the-art fibre-optic network. The Group also has 3G spectrum licences in nine developed telecommunications countries, including six in Europe. Innovative and high quality 3G operations have recently commenced in the United Kingdom and Italy and are scheduled to commence in the other countries this year. The dividends received from the Group's investments in Vodafone Group and Deutsche Telekom are also accounted for in this division.

The telecommunication division's turnover increased 17% to HK$13,367 million and EBIT increased 14% to HK$818 million. These are the combined results of the Hong Kong mobile and fixed line operations, the Australian operations, India, Israel and other 2G operations and dividends received from equity investments in Vodafone Group and Deutsche Telekom. The Group's global 2G mobile subscriber base grew 34% to approximately 6.1 million subscribers at the end of 2002.

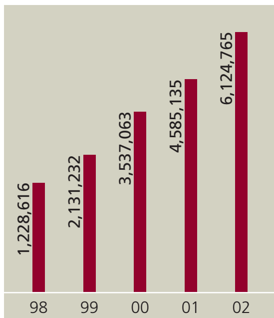
HGC, leveraging the largest full fibre optic network in Hong Kong, provides a wide array of fixed network services, including broadband, data, voice services and international connectivity.

Hong Kong

In Hong Kong, the Group's 2G mobile operation maintained its leading market position with a market share of approximately 28% and a current subscriber base of approximately 1.7 million. EBIT increased well above last year, more than offsetting the pre-operating expenses of its 3G business, reflecting a combination of a stabilising average revenue per user ("ARPU") and operational cost savings. The construction and final stage testing of the 3G network is progressing and services are expected to commence in June this year. In October, the Group sold an effective 3.73% equity interest in the Hong Kong 2G and 3G operations to a strategic partner, NEC Corporation, and the Group now holds an interest of 70.9%.

Hutchison Global Communications ("HGC") (formerly a joint venture — Hutchison Global Crossing) owns and operates a terrestrial fibre optic network in Hong Kong with over 3,300 kilometres of duct routes. HGC's fibre optic network is connected to major undersea cable-networks to provide international bandwidth and also has links to networks in the Mainland. HGC is continuing to develop its international business by offering dedicated and IP-based connectivity services for corporate customers and other carriers. HGC recorded strong customer growth, achieving EBIT in November and reducing its loss before interest expense and taxation ("LBIT") by 49% on an annualised basis compared to last year.

Mobile Telephone Subscribers



Hong Kong, Australia, India, Israel and Sri Lanka

Australia

The Group's 57.8% owned listed subsidiary in Australia, Hutchison Telecommunications Australia ("HTA"), announced a net loss after taxation of A$197 million compared to A$137 million last year which reflects reduced losses from its existing 2G operations as a result of ongoing cost reduction initiatives, offset by pre-operating expenses of A$85 million incurred as it builds its 3G network. HTA's 2G operations reported a 37% increase in Orange Mobile subscribers to over 263,000 and importantly, achieved a milestone positive earnings before interest expense, taxation, depreciation and amortisation ("EBITDA") result in the second half of the year. The 3G network is being rolled out to cover Australia's five major cities and the commencement of 3G services is scheduled in the first half of this year.

India

The Group's 2G operations in India consist of approximately 49% interests in seven operations: Hutchison Max Telecom in Mumbai, Hutchison Essar Telecom (formerly Sterling Cellular) in Delhi, Hutchison Telecom East (formerly Usha Martin Telekom) in Kolkata, Fascel in the province of Gujarat, three new licence operations in the provinces of Karnataka, Andhra Pradesh and the city of Chennai, which commenced GSM network services in June. EBIT decreased 15% reflecting the start-up operating losses in the new licence areas, partially offset by EBIT growth

Executives at the Orange Shop (Hutchison's Customer Centre in Mumbai, India) resolve a variety of service queries from the growing customer base.

at the existing operations in Mumbai, Delhi, Kolkata and Gujarat. The Group continued to penetrate this rapidly growing mobile telecommunications market and recorded an impressive 80% growth in subscribers to currently total over 2.0 million. In January 2003, an agreement was reached to purchase, subject to regulatory approval, a licence to operate 2G mobile telephone services in the state of Punjab.

Israel

The Group's 2G operations also include 42.7% owned associated company, Partner Communications ("Partner") in Israel, which is listed on the NASDAQ National, the London and the Tel Aviv stock exchanges and operates a 2G network using the Orange brand name. Partner increased its subscriber base by 26% to over 1.8 million at the end of the year and announced revenue of US$856 million, 25% higher than last year. Partner announced its first full year of positive profit attributable to shareholders of US$18 million compared to a net loss of US$69 million last year. During the year, Partner's original 2G spectrum licence was extended for an additional fourteen years to 2022 at no cost. During the year, the Group purchased an additional 7.7% interest in Partner which increased its equity interest to 42.7%.

Partner Leads in Customer Service

For orange customers in Israel, it is always good to have a "Partner". Partner Communications, the telecom operator of the orange network in Israel won top honours in the communications category of the "Customer Service in Israel 2002" contest.

Partner CEO Amikam Cohen said that since the day of the company's establishment, orange had set itself a strategic goal of providing fast, quality and efficient service. The high level of service was based on an evolving and continued customer-operator relationship with each of the company's more than 1,800,000 orange customers, Cohen added.

This ongoing focus on customer relationships put orange ahead of other cellular companies.

One of the UK's flagship **3** Stores, ready to open the doors to the UK consumers eager to explore the company's innovative 3G handsets and services.

Europe

In Europe, the Group currently has a 65% interest in Hutchison 3G UK, an 88.7% interest in Hutchison 3G Italy, a 60% interest in Hi3G Access, which holds 3G licences in Sweden and Denmark, a 100% interest in Hutchison 3G Austria and a 100% interest in Hutchison 3G Ireland. The Group now has over 5,700 staff focusing on completing state-of-the-art 3G networks in Europe and commencing commercial services. In November, the first person-to-person video calls via **3** handsets over the commercial UMTS network, were conducted between Rome and Milan and also London. The Group remains on schedule to benefit from a first to market advantage as one of the first operators in each country to launch 3G high-speed multimedia services.

In the UK, network testing and business readiness testing have been carried out successfully, the company is "open for business" and the delivery of handsets to customers began in mid-March this year. Agreements with major high street retailers including Dixons, The Link and Phones 4u for the distribution of **3** services have been announced and flagship **3** stores opened. A marketing campaign is underway to build consumer awareness of the **3** brand

and services. In June, Hutchison 3G Ireland was awarded a national 3G licence in the Republic of Ireland and plans have been developed to extend the network and operations to take advantage of the synergies between the UK and the Ireland operations.

Hutchison 3G Italy is also well advanced and "open for business". The delivery of handsets also began in mid-March this year. The initial marketing media campaign attracted over 100,000 expressions of interest registering on-line to reserve an early subscription to the new service. Flagship **3** stores have been opened and agreements with other distribution outlets have been established. The announced handset pricing policies and tariff plans have received positive market reviews.

Network rollout in Sweden, Denmark and Austria is benefiting from the start-up experience and the successfully completed network and handset testing processes of the UK and Italian businesses. The 3G services in these three countries are scheduled to commence later this year.

The development of 3G operations is being undertaken in a co-operative manner by all of the Group's 3G businesses. The operations are co-ordinating their efforts to design and build their networks and supporting software infrastructure, to take advantage of procurement

Night view of the two-storey Negozio **3** located in the heart of Milan.

A salesperson at the **3** store in Milan describes the advantages of UMTS to potential customers.

economies of scale and to share skills and resources. Joint strategies are being used for the acquisition and development of information technology and content. This approach has delivered cost savings and related benefits through Group purchasing, including the strengthening of strategic relationships with industry participants. Through a rigorous review of capital expenditure requirements, operating methods and costs, the Group is projecting to reduce the aggregate peak funding requirements for its 3G businesses through to 2005 by approximately €4,000 million (HK$31,000 million). By the end of this year, approximately 100% of the licence costs and approximately 70% of the capital expenditure requirements for the 3G operations are expected to have been incurred, substantially completing the 3G telecommunication investment phase. The peak funding requirements for both the UK and Italy operations are being met by the existing mainly non or limited recourse syndicated bank loans and matching loans from equipment vendors. The Group expects to provide some additional financial support to its 3G businesses during their start-up phase and the Group has substantial liquid assets to cover any such requirement. As all of the 3G businesses move in 2003 from a development phase to full business operations, the Group is confident that the breadth and quality of this new generation of multimedia telecommunication services with its appealing content and applications will be successful. The Group's 3G operations in the UK, Italy, Sweden, Denmark and Austria along with the CDMA-1X operation in Thailand were in a pre-operating investment phase in 2002 and the related pre-operating expenses of HK$1,871 million which have been charged to the profit and loss account, have been compensated for by the release of provisions made in previous years.

The CDMA-1X network operations in the greater Bangkok area in Thailand successfully commenced in February this year.

On 9 August 2002, the Group together with Singapore Technologies Telemedia received the United States of America Bankruptcy Court's approval of an agreement for each to invest US$125 million for a 30.75% interest in a newly constituted Global Crossing ("GC") on its emergence from bankruptcy. GC owns and operates an integrated global fibre-optic network that reaches 27 countries and more than 200 major cities around the globe. This transaction is scheduled to be completed in the first half of 2003, subject to obtaining regulatory approvals and satisfaction of other closing conditions.