

SPHERE

9



A CENTURY OF PURITY

S P H E R E

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Cover: Illustration by Fei Wong

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Hutchison Whampoa Limited



News

CORPORATE

HWL Interim Results

	2003 HK\$ million	2002 HK\$ million	% Change
Profit attributable to shareholders	6,067	5,946	2%
Earnings per share	HK\$1.42	HK\$1.39	2%

Hutchison Whampoa Limited's unaudited profit attributable to shareholders for the half year ended June 30, 2003 amounted to HK\$6,067 million, (approximately US\$777.8 million) compared to HK\$5,946 million in the same period last year, a 2% increase.

Excluding exceptional gains and 3G start-up losses, profit attributable to shareholders actually increased 47%.

The results included a net profit on disposal of investments and provisions of HK\$1,922 million representing a profit of HK\$1,683 million on the disposal of the Group's European water businesses, a profit of

HK\$1,443 million from the disposal of holdings in **Vodafone Group** and **Deutsche Telekom**, a release of provisions of HK\$1,907 million, and a full write-off of the Group's HK\$3,111 million investment in **Global Crossing**.

Turnover for the period rose 41% to HK\$65,879 million.

All of the Group's divisions, except telecommunications, reported EBIT ahead of last year.

Cash and liquid investments totalled HK\$165,110 million on June 30, 2003.

For full results, see www.hutchison-whampoa.com/newsDIR/news

Bonds Bonanza

Locking in low borrowing costs, **HWL** has raised US\$4.65 billion in four separate international bond offerings this year. In July, HWL sold 10-year eurobonds valued at €1 billion (approximately US\$1.15 billion), the largest-ever 10-year euro-denominated debt offering from Asia. The lead manager was **HSBC**.

With Hutchison's business expanding in Europe, a euro-denominated bond issue complemented the company's balance sheet as it matches assets and liabilities in the same currency.

Market conditions were seen as favourable as government bond yields were near historic lows and yields on investment-

grade corporate debt had narrowed compared with government debt. Earlier in the year, HWL issued US\$3.5 billion 10-year bonds through three offerings, the largest-ever dollar-denominated debt deal from Asia. Meanwhile, a group of 15 international and local banks in July signed an agreement with **Hutchison International Finance Ltd.** in connection with a HK\$3.8 billion (approximately US\$487 million) five-year term loan facility guaranteed by HWL. The facility was oversubscribed at both the underwriting and general syndication stages.

E-COMMERCE

TOM Takes Control of CETV

The **TOM Group** has purchased a controlling stake in **Chinese Entertainment Television Broadcast Ltd.** (CETV).

TOM agreed to issue approximately 21 million TOM shares to **AOL Time Warner** at HK\$2.535 each to acquire a 64% stake in the TV channel, which is one of four with landing rights in Guangdong province, southern China.

As part of the deal, TOM will also inject up to US\$30 million over 30 months to finance CETV's operations.

TOM will take control of all management operations including business development, programme production, advertising sales and marketing



TOM Posts First Profit

TOM Group reported a first-time profit of HK\$10.2 million for the three months ended June 30, 2003, driven by strong growth of the Internet business. The group's quarterly revenue amounted to HK\$455 million, a 10% increase over the previous quarter. Internet revenue alone grew 31% quarter-on-quarter to HK\$124 million. Revenue for the six months ended June 30, 2003 was HK\$867 million, a 28% increase over the same period last year. Loss attributable to shareholders in the first half of 2003 was HK\$33 million, versus HK\$125 million for the corresponding period last year, a 74% improvement, or HK\$92 million.

For full results, see www.Tomgroup.com

noted

HWL has been ranked the No.1 business in Hong Kong and No.140 globally in this year's *BusinessWeek* Global 1000 list. *Forbes*, meanwhile, has ranked HWL 127 in its Global 500 list.

HUTCHISON WHAMPOA LIMITED



Hutchison Whampoa Limited (HWL), one of the largest companies listed on the main board of the Hong Kong Stock Exchange, is the holding company of the Hutchison Whampoa Group of companies. As one of the earliest big "hongs," or trading companies, in Hong Kong, Hutchison's history dates back to the 1800s. Today, HWL is a multi-national conglomerate with businesses spanning close to 40 countries. With over 150,000 employees worldwide, Hutchison operates and invests in five core businesses: ports and related services; telecommunications; property and hotels; retail and manufacturing; and energy and infrastructure. Its flagship companies include Hutchison Port Holdings, Hutchison Telecom, Hutchison Whampoa Properties, A.S. Watson, and Cheung Kong Infrastructure. In 2002, HWL's consolidated revenue was HK\$111,129 million (US\$14,247 million).



TELECOMS

HGC Broadens Broadband Service

HONG KONG

Hutchison Global Communications

(HGC) and **PowerCom Network Hong Kong** in May jointly introduced *Yes TV Plus*, a multi-media platform that provides sports, news and music entertainment TV programmes on personal computers. *Yes TV Plus* is provided by **Yes Television**. Exclusively available at www.hgcbroadband.com, the service initially offered three channels – *Channel NewsAsia*, *The Soundtrack Channel* for free, and highly popular *MUTV* (*Manchester United Television*) at a monthly subscription. More programmes will be added later this year.

To extend video telephony service from the corporate market to the general



public, HGC earlier launched *Net.me.Look*, a service that enables residential broadband users to make video phone calls with ease.

Strictly Business

ISRAEL

In another significant step to broaden the company's range of business services, **Partner Communications** in April launched *Orange omail*, a service that offers secured access to the office from your Orange brand mobile at all times, from anywhere in Israel and many destinations abroad.

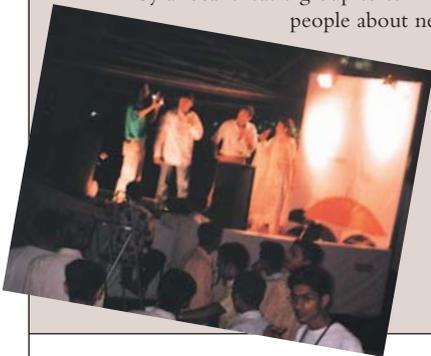
The orange omail service, a cooperative venture with **Onset**, dramatically increases the customer's ability to keep up to date constantly when out of the office, out of the house or even out of the country.

All the World's a Stage

INDIA

Hutchison Essar South

has been staging street plays as a novel way of promoting its mobile phone service. The company has been using short bilingual plays performed by a local theatre group to tell people about new



features, such as enhanced coverage in the southern state of Andhra Pradesh. The company chose street plays rather than mass media as the objective was to communicate enhanced coverage in specific pockets in the city, not expanded coverage of the footprint to new towns. "This medium has been effective as it engaging and direct," said Chief Operating Officer Kumar Ramanathan. Hutchison Essar South said it would increase its coverage from 31 towns in Andhra Pradesh to about 100. **Hutchison Whampoa**, through affiliates, runs mobile services in the cities of Delhi, Mumbai, Chennai and Kolkata. In addition to Andhra Pradesh, it also operates networks in the states of Gujarat and Karnataka.

Signed, Sealed, Delivered

HONG KONG

Hutchison Telecom has

been selected by **Hongkong Post** as the sole GPRS (General Packet Radio Service) network provider for the department's *Hong Kong-first* Collection and Delivery Management System.

The co-operation puts Hongkong Post at the forefront of deploying innovative technology for courier services, utilising Hutchison Telecom's advanced GPRS network in conjunction with PDAs equipped with a barcode-scanning function.



A Good Result

AUSTRALIA

Hutchison Telecommunications

(Australia) has reported positive EBITDA for the second consecutive half year. EBITDA for the period to June 30, 2003 was A\$12.2 million (approximately US\$7.9 million), compared with A\$2.1 million in the previous half. Total operating revenue was A\$130.5 million, an increase of 16% on the corresponding

period last year. The **Orange Mobile** business contributed A\$101.7 million to total revenue spurred by 5.8% growth in the subscriber base, to 278,861 customers. The 3G operation reported its first revenue of A\$13.6 million. EBITDA was A\$76.4 million in the red, reflecting start-up costs consistent with the business' early stage of development.

applause

Hutchison Telecom (HK) received four citations in this year's Asia Pacific Customer Relationship Excellence Awards, organised by the **Hong Kong Management Association**: Customer Service Centre of the Year (Telecoms), Corporate Service Team of the Year (Telecoms), Customer Loyalty Programme of the Year (Telecoms) and CRM Director of the Year.

The sales team also gained recognition for the fourth consecutive year with five staff receiving the "Distinguished Salesperson Award."

Newsbites



TELECOMS

Partner Profits Rise

ISRAEL Israel-based **Partner Communications** reported continued improvements in operational and financial performance in its Q2 results. Partner's Q2 2003 revenues totalled NIS1,077.2 million (approximately US\$249.8 million), up 8.6% from NIS991.6 million in Q2 2002.

EBITDA rose to NIS348.2 million, up 30.5% from NIS266.8 million in Q2 2002 while operating profit soared 58% to NIS218.0 million, up from NIS138.0 million for Q2 2002. Net income rose to NIS155.1 million from NIS25.2 million for Q2 2002. Subscriber numbers increased 14.4% to 1,949,000. Market share was estimated at 29%, up 1%.



Fit for a Princess: Stephen Sun (right), President & CEO of **Hutchison CAT Wireless MultiMedia**, presents a **Hutch Wireless Card** to Thailand's HRH Princess Maha Chakri Sirindhorn at the ICT & CAT booth during the "@home 03 by IT Trade" exhibition which Hutch was invited to jointly host in July. The Princess also received a Hutch CDMA2000 1X terminal, Sanyo SCP550 from Dr Surapong Suebwonglee, the Information and Communication Technology Minister (centre).

ENERGY & INFRASTRUCTURE

CKI to Test-Drive "Green" Bus

In a bid to promote the use of cleaner fuels and improve air quality, **Cheung Kong Infrastructure** (CKI) has joined forces with affiliate company Canadian-listed **Stuart Energy** to test an environmentally friendly hydrogen-powered bus in Hong Kong. This world-first hydrogen-powered internal combustion engine bus will primarily be used to provide transportation for staff at Green

Island Cement (a CKI subsidiary) in Tuen Mun. The fuel will be generated at the cement plant through a process of electrolysis, which draws hydrogen from water. The prototype bus, powered by **Ford's** newly developed 2.3-litre internal combustion engine, will be delivered before the end of the year. Technical feasibility and cost effectiveness will be assessed over a 12-month period.

Record Results for Husky



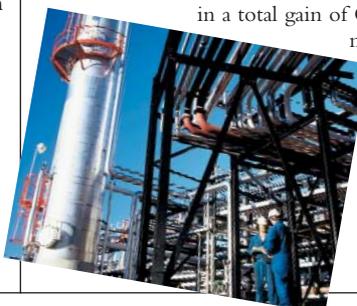
On the back of record earnings in the first quarter, **Husky Energy** again posted strong results for Q2. Benefiting from strong oil and gas prices and increased production, Husky in July reported record net earnings of C\$427 million (approximately US\$309 million) or C\$1.05 per share (diluted), compared with C\$263 million or C\$0.64 per share (diluted) in the second quarter of 2002.

Cash flow from operations amounted to C\$540 million, or C\$1.27 per share (diluted), up from C\$498 million or C\$1.17 per share (diluted) in the corresponding period last year.

The main contributors to the company's financial performance were strong commodity prices, foreign exchange gains on US denominated debt translation and lower tax provisions.

Reflecting the record earnings, Husky declared a Q2 dividend of C\$0.10 per share on its common shares, representing an increase of approximately 11% per share from the Q1 dividend of C\$0.09 per share. Additionally, the Board of Directors declared a special cash dividend of C\$1.00 per share on its common shares, resulting

in a total gain of C\$161 million for **HWL**, which owns 35% of Husky.



CKI Lifts Profits

The unaudited consolidated profit of **Cheung Kong Infrastructure** for the six months to June 30, 2003 amounted to HK\$1,403 million (approximately US\$179.8 million), 8.5% higher than the same period last year.

Turnover was HK\$770 million compared to HK\$1,028 million (restated) previously. Earnings per share were HK\$0.62 compared with HK\$0.64 (restated) in the corresponding period last year and the proposed interim dividend was unchanged at HK\$0.215.

For full results see www.cki.com.hk/

HKE Results

The unaudited consolidated profit of **Hongkong Electric Holdings** for the six months to June 30, 2003 amounted to HK\$2,193 million (approximately US\$281 million), 5.9% lower than the same period last year.

Turnover was HK\$5,207 million compared to HK\$5,156 million previously. Earnings per share were HK\$1.03 compared with HK\$1.09 in the corresponding period last year and the interim dividend was unchanged at HK\$0.58.

For full results see www.hke.com.hk/heh/financial/result03/contents.htm

Academic Funding

Husky Energy in June announced a C\$2 million (approximately US\$1.5 million) endowment for the establishment of the **Husky Energy Chair in Oil and Gas Research** at **Memorial University of Newfoundland** on the East Coast of Canada.

The research will focus on the utilisation of seismic imaging to enhance the interpretation of porosity and permeability within reservoirs.



P O R T S

Mexican Wave

HPH in July acquired a 51% stake in **LC Terminal Portuaria de Contenedores S.A. de C.V. (LCT)**. This is the fourth Port in Mexico where HPH operates and the 32nd worldwide.

LCT recently won the concession to operate and develop container-handling facilities in the **Port of Lazaro Cardenas**, on the Pacific coast. The long-term concession, which was awarded in April this year, allows for the immediate re-opening of an existing one-berth

terminal, as well as providing development rights for an 85-ha deepwater green field site.

A highly industrial deepwater port, Lazaro Cardenas is significantly closer to Mexico City than Manzanillo, the only other Mexican Pacific port serving this important market.

With existing on-dock rail facilities, the terminal is well positioned to benefit from the NAFTA rail corridor, which will stretch from the Gulf of Mexico to the US Mid-West.

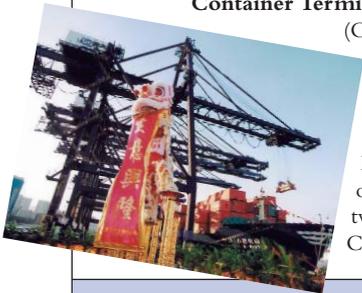


HIT Eclipses Record

Hongkong International Terminals (HIT) set a new record on July 17 for vessel productivity. Serving the vessel, *Ever Repute*, the terminal achieved a remarkable rate of 272 moves per hour. This eclipses HIT's previous record of 236 moves per hour, set in April 2000.

On July 22, HIT officially launched **Container Terminal Nine**

(CT9), located on Tsing Yi Island. Once completed in early 2005, HIT will operate two berths at CT9 North.



HPH in Shanghai JV

Hutchison Port Holdings (HPH) is a 30% shareholder in a newly formed company called **Shanghai Pudong International Container Terminals (SPICT)**. Other shareholders in the JV are **Shanghai Waigaoqiao Free Trade Zone Stevedoring Company (40%)**, **COSCO Pacific (China) Investments Ltd. (20%)**, and **Shanghai Investment Infrastructure Holdings Ltd. (10%)**.

With a tenure of 50 years and registered capital of 1.9 billion yuan (approximately US\$230 million), SPICT operates **Waigaoqiao Terminal Phase I**, located in the Waigaoqiao Free Trade Zone. The terminal handled over 1.78 million TEU in 2002.

YICT on Growth Track

Shenzhen Pingyan Railway Company (Pingyan Railway) on May 1 commenced new multi-modal transportation services for customers of **Yantian International Container Terminals (YICT)**.

Owned and operated by HPH (65%) and **Shenzhen Yantian Port Group (35%)**, Pingyan Railway supports the development of the vast inland market by providing value-added and cost-effective services while extending international container transportation from the port to the inland catchment areas.

It utilises a dedicated 24-km railway line that connects with the Guangshen Railway at Pinghunan Railway Station where it joins the main rail arteries of China.

KIT Link to Vietnam

The maiden call of *Silver Island* at **Korea International Terminals (KIT)** on March 8 signified the commencement of a new direct service between Korea and Vietnam.

Jointly operated by **Sinokor** and **Hanjin Shipping**, the service deploys three vessels, calling at KIT every Saturday and leaving on the same day for Busan, Hong Kong, Ho Chi Minh, Singapore and Pasir Gudang.

Additionally, Hanjin Shipping will use Kwangyang as their transhipment port for cargo destined for the US.

HUD Enters Australia

HUD Group (HUD) and Melbourne-based **Australian Maritime Services (AMS)** in June signed an agreement for HUD to acquire on private terms a 55% majority shareholding in AMS, along with management control of the company.

The acquisition represents the next step in the development of AMS, which commenced operations as a new company in Melbourne in May 2002, as a long-term provider of harbour towage services in Australia. A leading provider of towage services, **HUD Marine** has expanded from its Hong Kong base throughout the world in recent years.

JICT Heralds New Era

Heralding the beginning of a new era of international trade for Indonesia, **HPH** and **P.T. Pelabuhan Indonesia II (PELINDO II)** marked the official launch on March 24 of a new container hub port in Jakarta.

Since 1999, HPH and PELINDO II have together invested over US\$400 million in a modernisation programme. The construction of additional quay deck has created a continuous berth of 1,200m linking **Jakarta International Container Terminal (JICT)** and **KOJA Container Terminal**.

Newsbites

RETAIL & MANUFACTURING

Makeover for Watsons

Introducing a bright, contemporary and spacious feel, **Watsons Your Personal Store**, Asia's largest personal care chain, celebrated the opening of its first "third generation" store in June. Located at Pacific Place, Hong Kong, the 4,000-sq-ft outlet features a new range of products and is the first to introduce brand bias-free beauty consultants.

The opening kicks off a major expansion plan in Asia for Watsons that includes refurbishment of its current network of 682 stores in the region and expansion to 700 stores by the end of 2003.

In March, Watsons Your Personal Store launched its first ever outlets at the **Hong Kong International Airport (HKIA)**.

In partnership with its sister company **Nuance-Watson**, the airport's largest retail operator, three stores were officially opened on March 10.

A fourth outlet will open on completion of expansion of the East Hall.

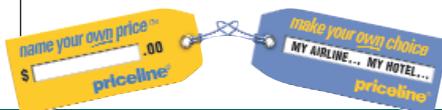
HHR Results

The unaudited consolidated profit of **Hutchison Harbour Ring** for the six months to June 30, 2003 amounted to HK\$32.8 million (approximately US\$4.2 million), compared to HK\$23.4 million (restated) in the same period last year.

Turnover was HK\$796.3 million compared to HK\$660.3 million previously. For full results see www.harbourring.com.hk/finance_ann.htm

Priceline Adds Choices

Hutchison-Priceline (Travel) has launched "Make Your Own Choice" air ticket services to complement its "Name Your Own Price" business model. The online retailer, which specialises in selling air tickets, hotel rooms and car rental to Hong Kong and Singapore-based consumers, anticipates that sales from tickets for named airlines will account for a third of its revenue.



Facelift for Fortress

Fortress, the consumer electronics retail arm of HWL, has announced a HK\$100 million (approximately US\$12.8 million) upgrading and expansion drive that will see a facelift at its existing 68-stores by the end of next year. The move is expected to boost Fortress sales by 20%. The stores will be re-categorised in three formats: Fortress World, which will offer household electrical appliances; Fortress Vision, focusing on plasma television and audio products; and Fortress Digital, selling mainly high-tech consumer products.

In June, Fortress began showing monthly movie trailers on all TVs in its stores and introduced Fortress Radio, an in-house programme.



noted

PARKnSHOP China has been ranked 36 in the "China's Top Hundred Chain Store 2002" list by the China Chain Store Business Association. The 19-store chain had a turnover of 1.825 billion yuan (approximately US\$213 million) in 2002.

PROPERTY & HOTELS

Buyers Queue up to Invest in Rambler Crest Lifestyle

More than 20,000 prospective buyers flocked to view show flats of **Rambler Crest** when the development opened its doors for public viewing on May 31. Approximately 100 units were sold over the weekend with about 1,000 units snapped up in the first three weeks.

The 1,585-unit project, jointly developed by **Hutchison Whampoa Property Group (HWPG)** and **Cheung Kong (Holdings)**,

is located on the southeastern waterfront of Tsing Yi Island, Hong Kong.

It comprises five 40-storey towers and boasts magnificent water features that include a 200m outdoor swimming pool, massage pools, giant waterfalls, and more.

Buyers were also attracted by the range of indoor facilities, including a "6-Zone Senses Sky Garden", an Internet lounge and a

spacious clubhouse with gym and sauna.

The development even offers an array of exclusive services, including a car pool, storage space, free 24-hour satellite TV channels, in-home domestic services and special rental rates for holiday resort houses in China.

The project is scheduled for completion in April 2004.



CREAM OF THE CROP

With Hutchison sponsorship, exceptional scholars are fulfilling their academic potential in the UK.

By Mark Caldwell



When British Prime Minister Tony Blair visited Hong Kong in July it was no surprise that he made time in his busy schedule to meet with Hutchison chairman Li Ka-shing.

Not only is Hutchison Whampoa the biggest Asian investor in the UK with interests in projects worth more than £10 billion, but Mr Li and Mr Blair share a common passion for strengthening cultural bonds through educational exchange.

In 1999, as part of a package of initiatives to encourage more international students to study in the UK, Mr Blair introduced measures to beef up the long-running global Chevening Scholarships scheme, which is funded by the British Foreign & Commonwealth Office and corporate sponsors.

In line with his life-long commitment to supporting education initiatives, Mr Li has contributed £2.02 million through Hutchison towards scholarships for Hong Kong and Mainland students, which the British government named the Hutchison Chevening Scholarships.

The scholarships support outstanding postgraduate students and executives to pursue specialist studies. The scheme commenced in October 2002 and will run for four years, with up to 15 students from Hong Kong and 48 from the Mainland participating each year.

A group of these Chevening Scholars visited Mr Li at the Cheung Kong Centre on the same day as Mr Blair. They too had been scheduled to meet the British Prime Minister but, due to a typhoon, he was obliged to leave before the meeting took place. Nevertheless, the students exchanged views with Mr Li, who urged them to make good use of their professional knowledge and expertise and to seize every opportunity brought about

by the Closer Economic Partnership Arrangement (CEPA) between Hong Kong and the Mainland so as to help Hong Kong through the present economic doldrums.



Hutchison Chairman Li Ka-shing welcomes British Prime Minister Tony Blair outside the Cheung Kong Centre.

Among the scholars, Dr Dennis Ip Kai Ming, 37, will be enrolling at Cambridge University to commence a one-year MPhil – Epidemiology degree. Dr Ip is already an accomplished scholar. Besides the medical qualification he earned from the University of Hong Kong, he has completed no fewer than four masters degrees part time – in statistics (HKU), applied mathematics (CityU), travel medicine (Glasgow U) and infectious diseases (University of London).

Dr Ip, who has been employed as a medical infection control officer at Tung Wah Eastern Hospital in Hong Kong, said he would like to work for an international organisation such as WHO or perhaps go into teaching on completion of his degree at Cambridge.

“I am shifting my focus from clinical to public health,” Dr Ip said. “I have wanted to study epidemiology for a long time and I am very grateful to the Hutchison Chevening Scholarships

scheme for making this possible.”

Another outstanding Hong Kong student, Lorraine Wong, will be studying for an MA in Sociology at Warwick University in the UK.

She currently holds an MPhil degree from HKU where she specialised in English Literature and Literary Criticism. The scholarship, worth several hundred thousand dollars in tuition and other expenses, is “a fantastic opportunity,” said the 25-year-old.

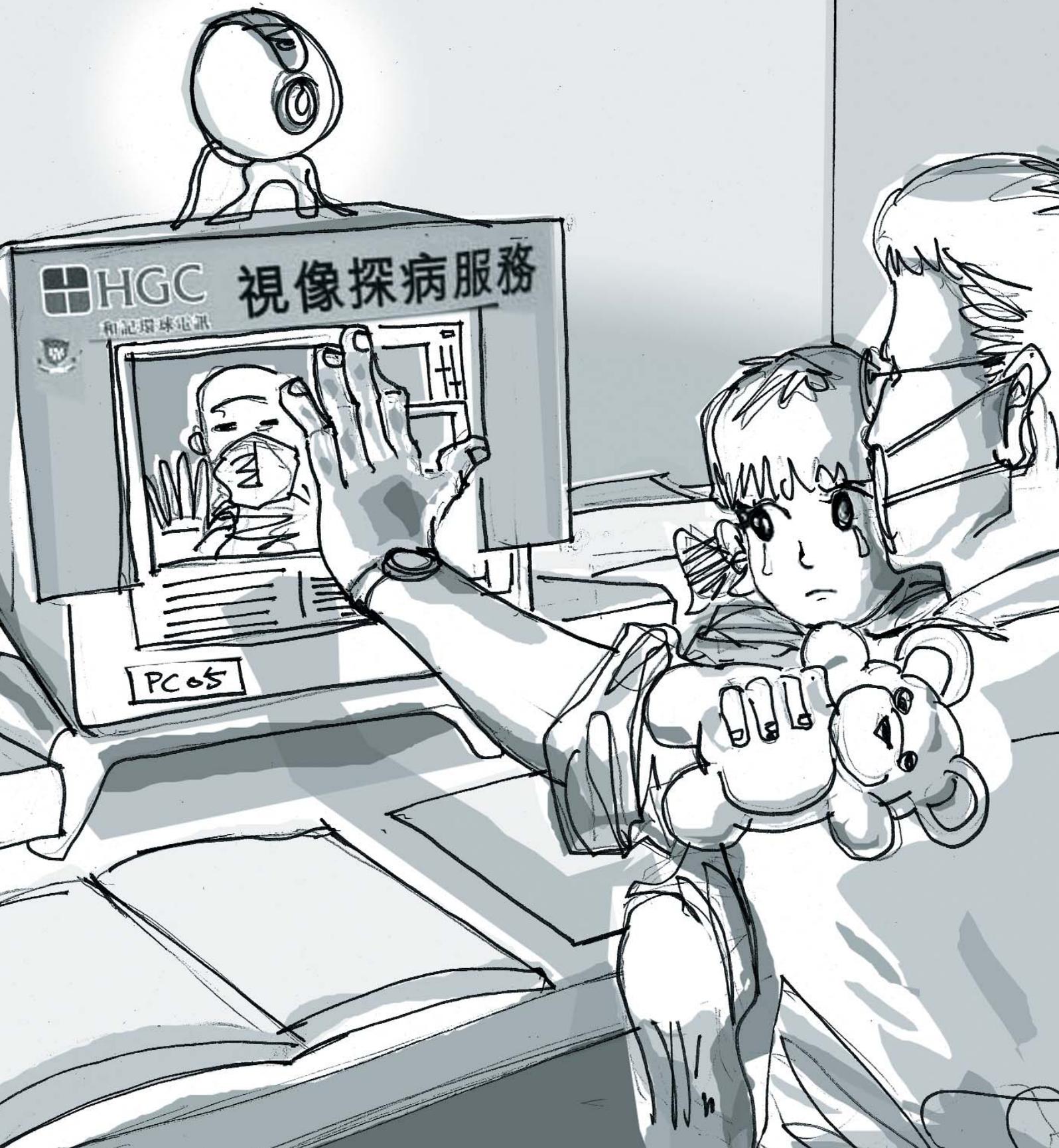
“It’s not only an academic opening but one of cultural exchange. I am really looking forward to living in the UK for a year.”

The third recipient, Jimmy Kwong, will commence his Master of Laws degree at Cambridge when the academic year begins. The 23-year-old has a first-class honours LLB degree as well as a Postgraduate Certificate in Laws (PCLL). Since graduating, Mr Kwong has focused on corporate and intellectual property law in Hong Kong.

“With globalisation, legal practitioners now require an international perspective,” he said. “The Master of Laws course at Cambridge will help give me that perspective.”

Jimmy intends to return to Hong Kong and hopes to make a positive contribution to society. He will continue to pursue his career in the corporate and banking world as well as carrying on with pro bono work in the community.

“I was honoured to meet Li Ka-Shing,” said Jimmy. “He spoke about law and order being essential for the future of Hong Kong and I was inspired by his life story. Although he never received a formal education, Mr Li has spent his whole life improving himself through reading. He made me want to try even harder to make the most of this once-in-a-lifetime opportunity and to play my part in Hong Kong’s future.”



BOUNCING BACK

When Severe Acute Respiratory Syndrome (SARS) struck in March 2003, Hong Kong's spirit of resolve and solidarity proved to be a powerful medicine in the fight against the disease.

By Mark Caldwell



THE SARS VIRUS HIT THE TERRITORY LIKE A TYPHOON, FELLING MEMBERS OF THE public and wreaking havoc on businesses. But Hong Kong demonstrated its famous resilience by staging an immediate and effective fight-back. The combined efforts of the government, corporate sector and private citizens drew into sharp focus the city's formidable "can do" attitude, winning acclaim from the World Health Organization and the international community at large.

As one of the most prominent and successful companies in the region, Hutchison Whampoa immediately took up the challenge to help beat SARS, focusing the full force of its considerable human and managerial resources on providing relief for victims, assistance to healthcare workers and support for the general population. The Li Ka-shing Group raised and contributed HK\$6,549,474 (approximately US\$840,000).

Life has returned to normal in this bustling metropolis. Residents have adopted a much more hygienic and caring approach to everyday living, and the community is lobbying hard for tourists to return. Hong Kong is a little sadder in the wake of the tragedy, but it is also much stronger.

Like many healthcare colleagues battling in the frontline to stem the SARS outbreak, Caroline Fu*, a nurse at Princess Margaret Hospital (PMH) fell victim to the virus in early April and was hospitalised.

Her husband Peter, who is on the pharmacy staff at PMH, was left to take care of their 6-year-old daughter.

To prevent the virus from spreading, patients were put in quarantine with no visitors allowed.

"For the first two weeks, I felt powerless to help Caroline because, although we could speak to each other by mobile phone, it was so hard to provide emotional support without being able to see or touch," Peter recalls. "We felt very isolated from each other."

Then, halfway through Caroline's illness, the Fu family's prayers were answered.

Understanding the needs of patients to

be able to see their loved ones, Hutchison Global Communications (HGC) responded swiftly.

As owner of Hong Kong's largest fibre-optic network, HGC deployed its extensive technical know-how to provide free "Video Visit Services" at Princess Margaret and Wong Tai Sin Hospitals.

To keep families and friends abreast of patients' condition and rate of recovery, HGC set up computers equipped with video telephony services in the isolation wards which in turn were connected to Video Service Centres in the hospital lobbies. The process involved laying broadband cables linking to the HGC fibre-optic network, testing the computer equipment and providing logistics services to set up a booking system.

Once the Video Visit Service was in operation, Peter and Caroline were among the first to experience this novel service.

"Knowing that I could finally talk to

my wife 'face-to-face,' I naturally also brought our daughter who wanted very much to see her mother," Peter recalls. "The service ran extremely smoothly. There was no delay, the transmission was flawless and the resolution was perfect. Amidst all the worry, it was a very special moment for us. As a family, we were extremely grateful for the service."

Dr Ko Wing-man, Director (Professional Services & Public Affairs) of the Hong Kong Hospital Authority (HKHA) said the Video Visit Service provided more than just a safe and convenient visiting option. "I believe [it] was a strong factor in their recovery," he said.

The initiative was in fact a joint effort between several members of the Li Ka-shing group of companies. While HGC provided full back-up and support, the Li Ka Shing Foundation donated 50 computers and Cheung

*Names have been changed to protect the privacy of the individuals.

Kong (Holdings) contributed the Innomedia videophones

UNITED FRONT

The Video Visit Service was by no means the only gesture on the part of HWL companies. The SARS crisis brought out the best in all the businesses and employees alike. They demonstrated uncommon unity and generosity, reflecting the fighting spirit of the Hong Kong public at large.

The World Health Organization (WHO) first reported the SARS outbreak in Hong Kong on March 12 and the fight-back began immediately, with hospitals and medical staff in the frontline. As the virus spread, the public became reluctant to visit hospitals and clinics. Some hospitals reported that as many as 20% of Hong Kong's estimated one million chronic illness patients skipped their scheduled appointments, preferring to get their health information elsewhere. In some cases, they even failed to pick up their medication. As a consequence, the demand for health-related information soared.

To meet this demand, Watsons Your Personal Store started publishing leaflets and extended operating hours of its pharmaceutical services. With 139 stores in the territory, Hong Kong's favourite high street health & beauty chain already had the experience and infrastructure to make a significant impact. A year earlier the chain had established the "Pharmacy Self Care Programme" to provide health-care advice to customers.

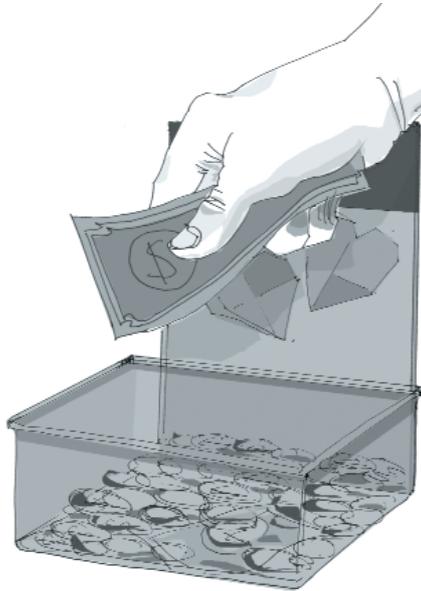
Watsons estimated that in April alone more than 100,000 people sought advice from pharmaceutical service providers or collected leaflets on SARS prevention tips.

Watsons also teamed up with the Drug Education Resources Centre (DERC) to launch the "General Drugs & SARS Hotline," the first professional counselling service of its kind in Hong Kong.

The Hotline had widespread volunteer support from institutions, community clinics and other public health organisation pharmacists. With a huge surge in demand for professional advice and information, pharmacy graduates from the Chinese University of Hong Kong donated their time to answer general calls and offer professional drug and healthcare counselling.

Hutchison Whampoa Properties (HWP) meanwhile was among the first companies in Hong Kong to implement

the most stringent cleaning procedures at all the properties under its management to protect and reassure tenants and visitors.



The Li Ka-shing Group raised and contributed a total of HK\$6,549,474 towards the fight against SARS

RACING TO THE RESCUE

The PARKnSHOP (PNS) supermarket chain initiated a two-week fundraising campaign – in conjunction with affiliated retailers Great, Watsons Wine Cellar and Fortress – to raise money for the "We Care Education Fund" to help children who have lost one or both parents to SARS.

"The outbreak brought immeasurable tragedy to many families, and at least 30 children have been orphaned by the disease," said Iwan Evans, CEO of the A.S. Watson Group's Food, Electronics & General Merchandise division. "PARKnSHOP wants to do something practical and demonstrate our sympathy with these families, and the deep sense of loss we share with the entire community."

The initiative worked in three ways: Firstly, PNS donated 1% of all its Hong Kong sales on two shopping days; secondly, customers contributed their loose change at collection boxes located at checkout counters, and; thirdly, staff were encouraged to make donations.

PNS and partners had hoped to raise HK\$1 million, but the effort was such a resounding success that the final figure

was more than double at HK\$2,108,288 (approximately US\$270,000).

After the fund-raising period, PNS collected a further HK\$242,541 for "Project Blossom," an initiative by the Hong Kong Performing Artistes Guild and co-organised by local daily *Ming Pao*, to help SARS-affected families.

Throughout the fight-back, PNS was also active in various other initiatives, providing foodstuffs for medical personnel; donating gift bags to cheer up Amoy Gardens residents (the worst-hit community) who had been placed in isolation camps; and contributing prizes for a TV charity show held in benefit of Amoy Gardens residents. Watsons Water also offered support to the Amoy Gardens community, sponsoring distilled water.

Meanwhile, doing what it does best, PNS ensured that Hong Kong residents did not run short of cleaning supplies to combat the SARS virus. PNS airfreighted in supplies such as bleach, liquid soap and protective gloves at no extra expense to customers. PNS also sourced a million oranges for health-care workers on behalf of the Li Ka Shing Foundation (see sidebar).

In other initiatives taken by HWL's associated companies, Hongkong Electric (HKE) offered loan-guarantee measures to help retail, restaurant, tourism and entertainment businesses, which were the worst hit. In addition, HKE donated HK\$125,000 in support of the "Operation UNITE" campaign.

To express their respect for frontline medical staff, Hutchison Harbour Ring, HWL's manufacturing arm, donated HK\$20,000 to the "One Heart One Mind Anti-SARS" campaign.

Fortress, the electrical appliance retail chain, also pitched in to help distribute the Red Cross "Heart-to-Heart Cards" through its outlets. The cards gave SARS prevention tips and urged the public to show appreciation for medical personnel and encouragement to patients.

Once the virus had been contained, HWL again gave generously, this time HK\$100,000 in support of the establishment of the Sports Medicine Foundation for SARS Rehabilitation. The initiative will help patients to overcome the effects of prolonged immobilisation and to regain an active and productive quality of life.

CARING COMMUNITY

As a major player in Hong Kong, the HWL Group employs almost 30,000

people, representing the community at large. They gave generously, collectively donating (through their employers) a considerable sum in the fight against SARS.

Apart from the HK\$177,000 contributed by PNS's staff, HKE's employees donated more than \$132,000 to the HKHA Charitable Foundation. The staff at Hongkong International Terminals (HIT) meanwhile showed their support for neighbouring Princess Margaret Hospital, collecting HK\$102,500 to help purchase protective suits for the health workers. HIT matched the amount donated by its staff, bringing the total to HK\$205,000.

Additionally, the Community Caring Group (CCG) – a staff volunteer group of HIT – launched a “Courtesy Telephone Calls” project to advise and remind the elderly on SARS-preventative measures. The CCG also made a separate donation to buy surgical facemasks for the elderly.

SILVER LINING

A collective sigh of relief greeted the announcement by the WHO on June 23 that Hong Kong was at last free of SARS. In the short term, SARS has taken a heavy toll, not only in terms of the tragic loss of human life, but also on the economic well-being of the city. Yet the community has again shown its resilience in the face of adversity. The crisis has focused attention on the already world-class health system in ways that will pave the way to permanent improvements for the management of all diseases.

For the first time in history, the full might of the world's scientific community worked together to identify, isolate and eradicate the SARS virus, and Hong Kong scientists played a significant role, being the first to identify SARS as a strain of the corona virus.

“While we count the human and economic cost of the SARS outbreak we should also acknowledge the good things that have come out of it,” said Director of Health Dr Margaret Chan, citing “the individual acts of heroism and charity, the collective will to win the battle, the stronger sense of community, and the increased understanding of the importance of personal and environmental hygiene.”

Visitors have started coming back to this world famous destination while Hong Kong residents are getting on with business in a cleaner and more caring post-SARS environment. 

HOME-GROWN HEROES

While tourists and business travellers avoided the territory, school children stayed at home and the rest of the community hunkered down, Hong Kong's health workers laboured round the clock to beat SARS. Amid all the suffering and fear that the disease created, they persevered with quiet courage. Their bravery became an example and an inspiration to everyone.

This remarkable group of professionals put their own lives at risk in order to help others at a time when very little was known about the virus. Many were separated from their own families in order to protect their loved ones from coming into contact with the virus. More than a quarter of total cases were medical staff, and some of them paid the ultimate price.

By the time the SARS outbreak had been brought under control, 386 healthcare workers had contracted the disease and eight had died – four doctors, three healthcare assistants and a nurse.

Acknowledging the vital role of the medical fraternity, many donations were specifically targeted to help frontline medical staff, and HWL had no hesitation in contributing HK\$200,000 to the “Hong Kong is Our Home” fund to show its support.

Meanwhile, Mr Li Ka-shing donated one million oranges to all healthcare workers through the Li Ka Shing Foundation, which is a major and long-standing contributor to health-care initiatives in both Hong Kong and the Mainland.

“All front-line medical workers are facing up to unprecedented challenges and enduring a very heavy workload without any complaints,” Mr Li said. “They are doing their very best to serve the public and are demonstrating the highest standards of medical ethics and professionalism.”

The oranges were shipped in from the US and were the



equivalent of around 20 days' supply for all 50,000 healthcare workers.

Other than providing a source of Vitamin C to help boost their immunity, the donation was intended to convey a heartfelt message of support and to show how much the dedication and self-sacrifice of healthcare workers is appreciated.

Hong Kong's medical workers also won the highest praise from the international healthcare community.

Dr David Heymann, Executive Director of Communicable Diseases at the World Health Organization said that with its dense population and fluid border with China, Hong Kong had one of the hardest outbreaks to control.

“Hong Kong benefited from the contribution of its outstanding scientists, epidemiologists, and clinicians, who were at the forefront of efforts to track down source cases in the various clusters, identify the causative agent, develop diagnostic tests and work out treatment protocols,” Dr Heymann said.

Hong Kong also led the way in the control trials of drugs, trying to determine what would work best, Dr Heymann continued, adding that the city's medical professionals had pioneered many of the control measures used to successfully contain smaller outbreaks elsewhere.

“Thanks to the success of Hong Kong the whole world can now feel safer from the SARS threat,” Dr Heymann said.



Global 3G Footprint



Australia

Company name	Hutchison 3G Australia
Licence Fee	A\$196.1 million
Date licence acquired	March 2001
Tenor	15 years
Spectrum	30 MHz (Mel. Syd.); 20 MHz (Ad. Bris. Perth)
Population	13.7 million
Ownership structure	HTAL 80.1%;TCNZ 19.9%
Network vendors	Ericsson
Commenced services	April 2003 (Mel. Syd.); July 2003 (Ad. Bris. Perth)
Retail outlets	More than 200



Austria

Company name	H3G Austria GmbH
Licence Fee	€ 139 million
Date licence acquired	Nov. 2000
Tenor	20 years
Spectrum	25 MHz
Population	8.2 million
Ownership structure	HWL 100%
Network vendors	Siemens; Nokia
Commenced services	May 2003
Retail outlets	More than 200



Italy

Company name	H3G Italy S.p.A.
Licence Fee	€ 3,254 million
Date licence acquired	Nov. 2000
Tenor	15 years
Spectrum	35 MHz
Population	57.7 million
Ownership structure	HWL 88.67%, San Paolo Imi 5.58%, 3G Mobile Investment Spa 2.23%; CIRtel 1.66%; Others 1.86%
Network vendors	Ericsson; NEC / Siemens
Commenced services	March 2003
Retail outlets	More than 1,900



UK

Company name	Hutchison 3G UK
Licence Fee	£4,385 million
Date licence acquired	May 2000
Tenor	No expiry date
Spectrum	35 MHz
Population	59.6 million
Ownership structure	HWL 65%; NTT DoCoMo 20%; KPN Mobile 15%
Network vendors	NEC / Siemens; Nokia
Commenced services	March 2003
Retail outlets	More than 2,000



Sweden

Company name	Hi3G Access AB
Licence Fee	€0.011 million (Attr. cost *)
Date licence acquired	Dec. 2000
Tenor	15 years
Spectrum	35 MHz
Population	8.9 million
Ownership structure	HWL 60%; Investor AB 40%
Network vendors	Ericsson (home); Nokia (3GIS). Hi3G covers 30% of pop with 100% 'home' network and 70% through 3GIS, jointly owned with Vodafone and Orange
Commenced services	June 2003
Retail outlets	More than 170

* The licence was awarded following an assessment exercise in Sweden. Attributable cost refers to the purchase price of the tender documents



Denmark

Company name	Hi3G Denmark
Licence Fee	Danish Kroner 950 million
Date licence acquired	Oct. 2001
Tenor	20 years
Spectrum	35 MHz
Population	5.4 million
Ownership structure	HWL 60%; Investor 40%
Network vendors	Ericsson



Hong Kong

Company name	Hutchison 3G HK
Licence Fee	HK\$619 million
Date licence acquired	Oct. 2001
Tenor	15 years
Spectrum	35 MHz
Population	6.8 million
Ownership structure	HWL 71%; NTT DoCoMo 24%; NEC Corp 5%
Network vendors	NEC; Siemens; Nokia



Ireland

Company name	Hutchison 3G Ireland
Licence Fee	€50.7 million
Date licence acquired	June 2002
Tenor	20 years
Spectrum	35 MHz
Population	3.82 million
Ownership structure	HWL 100%



Israel

Company name	Partner Communications
Licence Fee	NIS220 million
Date licence acquired	Feb. 2002
Tenor	20 years
Spectrum	25 MHz
Population	6.6 million
Ownership structure	HWL: 42.67%; Matav 7.43%; Elbit 12.19%; Eurocom 9.91%; Polar Com 2.44%; Public: 25.36%



Norway

Company name	Hi3G Access Norway
Licence Fee	62 million NOK
Date licence acquired	Sept. 2003
Tenor	12 years
Spectrum	35 MHz
Population	4.5 million
Ownership structure	HWL 60%; Investor 40%

3 FOR ALL

Hutchison 3G has spent two years developing the technology; now the race to sign up consumers has begun.

By Mark Caldwell



Since entering the 3G arena, Hutchison 3G (H3G) has emerged as a leading global player holding ten licences, with the recent addition of Norway to its global footprint. Crucially, H3G is the first player to operate dual-mode 3G services.

To date, the 3 service is available to customers in five markets – the UK, Italy, Australia, Austria and Sweden. Hong Kong and Denmark will follow later this year while Ireland and Israel are at various stages of the rollout plan.

Following Italy and the UK, 3 Australia was the third market to go live, with services activated in Sydney and Melbourne on April 15. On the back of what 3 Australia described as “very positive” sales, the national rollout was completed in July, two months ahead of schedule, to include Perth, Adelaide, Brisbane and the Gold Coast.

“What we’ve seen in Sydney and Melbourne has been encouraging and it’s made us move more quickly,” said Kevin Russell, CEO of H3G Australia.

The company believed it had a head start on its competitors of “at least 12 months,” Russell added, forecasting that it could be cash-flow positive by late 2006.

3 products were initially available at 19 Hutchison-owned flagship 3Stores in Sydney and Melbourne, extending to 250 retail points by the end of September. Strathfield Car Radio, Brisbane Car Sound and Allphones outlets are among the franchised stores also selling the 3 handsets.

Heralded by nation-wide advertising

campaigns, 3Stores opened in Austria and Sweden on May 5, offering competitive tariffs and extending opening hours to cope with public demand.

Customers in Austria were immediately able to try out their 3Services,

By July, Innsbruck and western parts of Austria had gone live, bringing the total population coverage for 3G services to 30%. Additional regions will be added this year. As in all countries where 3 operates, 2G roaming is available outside the 3G network.

In Sweden, the 3 network currently covers about 30% of the population. Customers can sign up at 3Stores in Stockholm, Gothenburg and Malmö, or through independent distributors GEAB, The Phonehouse, Dialect, RingUP, SIBA, Audio Video, Expert and Sekvencia.

The right numbers

In its half year results, released in August, HWL reported that 3’s summer promotional offerings in Italy, the UK, and Australia had been very well received.

Approximately 520,000 customers had signed up worldwide, with 300,000 in Italy, 155,000 in the UK, 50,000 in Australia and the remainder in Sweden and Austria.

Hutchison said it expected strong consumer demand in the autumn and Christmas period and was working with its handset suppliers to ensure an adequate supply to meet the rising demand.

available in Greater Vienna and environs as well as Linz, St. Pölten, Eisenstadt and Graz. Initially, customers could sign up at 3Stores in Vienna, SCS Vösendorf, Graz, and Linz, at the 3Webstore or at 20 specialised dealers. Multimedia retailer chain NiEDERMEYER, along with hypermarkets Cosmos, Media Markt, Promarkt and Saturn, later also signed up as retail partners.

MORE FOR LESS

With initial glitches sorted out and 3 services already up and running, the battle for the hearts and minds of consumers began in earnest at the start of the European summer.

Across all markets, 3 introduced competitive pricing that hit the headlines, but it was in the UK that the temperatures rose to fever pitch.

In June, two new packages – *VideoTalk 500* and *VideoTalk 750* – offered great value in comparison to existing voice services in the UK, representing customer savings of as much as 50% and sending ripples through the industry.

“When 3 went live in March we focused on a particular segment of the market,” explained Gareth Jones, COO of H3G. “Our new pricing options reflect the natural acceleration of the business and the broadening out of our market focus. We are shaking up the market to give customers a better deal.”

By switching to 3, consumers not only get voice and SMS for a lower price, but also gain access to a wide selection of new multimedia content and advanced capabilities such as video calling.

"Unbeatable value on voice is not a marketing gimmick or a loss leader," Jones said. "We are passing the long-term savings of a more efficient technology on to our customers."

Adding to the momentum, the 3 UK network was extended in June to cover Northern England, Scotland, Wales and Northern Ireland, completing the deployment of the 3 commercial service across the UK. The network now covers 70% of the population with services available in over 50 cities, giving customers access to video calls, news bulletins, market updates, comedy, film clips and football highlights, to mention but a few.

Coinciding with the extended coverage, 3 has completed the first phase of its retail rollout – the most rapid to hit the

high street in recent years. Over 2,000 stores nationwide now offer 3 products. These include the flagship 3Stores, "stores within stores" in Superdrug shops and traditional outlets, including Carphone Warehouse, Phones4U and Dixons Stores Group.

The Italian public responded enthusiastically to 3 from the very beginning. The service went live on March 3 and more than 100,000 early adopters signed up in just 75 days. The network now covers 50% of the population and the figure is set to hit 80% coverage by 2005. Along with the 14 3Stores, which have been consistently full of customers from Day One, the company has approximately 1,900 point-of-sale outlets.

Prices have risen in Italy compared with the *Founders* offer but, at €0.15 per minute for voice calls compared with the €0.25 national average, the offer represents a substantial discount for one of Europe's most connected nations.

Supported by a very popular TV campaign, 3 Italy launched *Estate 3*. The promotion enables customers to turn in "old generation" handsets for a €250 discount on the purchase of their UMTS "*video-fonino*". In a subsequent promotion that has seen the daily activation rate triple, 3 Italy has introduced further attractive incentives on the handset offers to encourage customers to switch their personal numbers over to the 3 network. It seems that in Italy, 3 (or *tre*) really is the magic number.

Customers of 3 are already inventing unique applications for the new technology. The dermatology department at Humanitas, one of the top private Italian health care centres, is using the 3 services to provide early consultation and prognosis to patients who use 3.

Italian customers were also given a wider handset choice with the July introduction of the NEC e808 to complement the NEC e608 already available, a move

Great Escapes

FANCY A HOLIDAY IN THE Bahamas or Berlin while heading home in a taxi, walking in the park or out on the town with friends? Now customers of 3 UK can plan a trip to anywhere from anywhere. 3 UK has partnered lastminute.com, Europe's leading online travel agency, to launch a unique service that allows customers to use their handsets to search for great deals on holidays and access travel information.

In the picture

3 UK HAS SIGNED UP MYMOVIES to deliver a weekly update of the latest movie information, including the Top 10 Cinema Box Office Charts, behind the scenes features, reviews, previews, and celebrity interviews.

3 Italy has partnerships with both Mediadigit and Cinemorfo, allowing customers to get their daily dose of the latest Showbiz gossip, download a trailer from the newest movies, search for their closest cinema and even book their tickets.



Just for laughs

3'S MISSION HAS ALWAYS BEEN TO deliver the most useful and the most entertaining content. In short, it adds fun to functionality. Anyone who saw the irreverent and "subversive" marketing clips introducing the world of 3 to UK consumers is bound to have had a good chuckle. Who can forget the lager lout "recycling" his beer, or the snow-skiing enthusiast tumbling off his sofa?

If you missed these, there's plenty more to come.

In the land that gave us Benny Hill and Monty Python, 3 UK has signed

Zeppotron, the comedy and entertainment arm of Endemol UK, to provide amusing content in video, audio, text, animation and graphics formats. Video highlights will include *How 2*, a series that offers helpful advice in topics like dancing, flirting and, (dare we say it?) farting. Whatever you want to say, you can be sure to find an

amusing way to get your message across. Sample animations include *See & Know*, a tongue-in-cheek guide to the world around us. *The Doodles*, a series of comic shorts in the classic British picture-postcard tradition, offers even more mirth.

"It's like having a court jester in your pocket without worrying that you're going to sit on his bells," quipped Zeppotron Managing Director Paul Gilheany.

Video comedy clips are also available in Australia, produced exclusively by pay TV company The Comedy Channel. Italian subscribers, meanwhile, are getting their fair share of humour through various content partners utilising their unique M-site concept.

Austria offers its daily comedy clips under the name "*SchachMatt*" ("*Checkmate*"), a satiric illustration of daily life provided by Gerald Matt. 3 Austria also features *Graz 2003* with short video clips about events and exhibitions being staged in the city, which is this year's European cultural capital.

In Sweden, 3 offers short stories from one of the country's most popular comedy duos. They joke about just about anything – from selling your body to science to hawking Grandma's paintings on the open market.

that reflects H3G's strategy to continue working with handset manufacturers to bring exciting new models to all its markets.

Attractive and simple pricing is apparent throughout 3's areas of operation. 3 Australia surprised industry rivals and analysts alike when it revealed a highly competitive tariff plan that included usage caps and incentives that gave customers greater value than that provided by established fixed line and mobile phone-data service providers.

Recent promotions have centred on the very popular "2 for the price of 1" deal, which has further stimulated demand.

In Austria and Sweden, analysts described the pricing as "aggressive," with service bundles starting at €19 in Austria and SEK349 (approximately US\$45) per month in Sweden.

"Our attractive bundle of services encourages customers to use new mobile services and video telephony more and

more," said Chris Bannister, CEO of the Swedish arm. "This attracts lots of attention both from the media and in the streets."

3 Austria meanwhile has offered voice telephony costing almost 35% below the cheapest 2G provider. "We want to ease our customers into the new world of mobile multimedia by offering common voice telephony at cost," said CEO Berthold Thoma.

FUTURE CALLS

On the global front, Hutchison Whampoa and NTT DoCoMo announced their agreement to cooperate. Under the agreement, the two pioneers will share information on handset development, radio network architecture and development of global 3G standards, as well as explore potential areas of cooperation in applications development, international 3G roaming, and corporate sales and systems solutions.

Meanwhile, 3 has continued to build out the networks worldwide, increasing its coverage on an almost daily basis. In Hong Kong, 3 has already completed the city's first 3G network, with NEC and Siemens as joint suppliers of the radio access network, and Nokia as the core network provider. Earlier, 3 Denmark appointed Ericsson to supply its infrastructure, and signed up TDC as the 2G roaming partner.

Simultaneously, 3 has established a strong retail presence with several thousand affiliated outlets worldwide.

"We have spent over two years developing and testing the technology," said Vincenzo Novari, CEO of H3G Italy. "Now it's here, it works and we've been selling it for five months. The feedback from our customers has been fantastic. They love making video calls and downloading football clips. The aim now is for us to accelerate 3's transition from a technology start-up to a completely customer-focused business." 

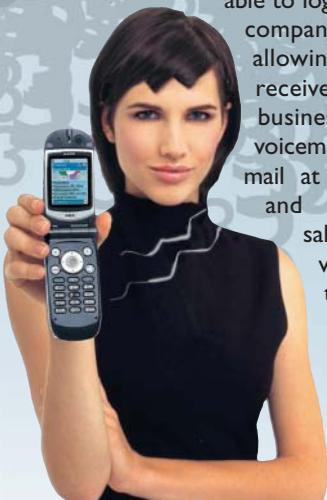
Just the business

RIDING ON THE SUPERIOR bandwidth offered by 3G technology, 3 is enlarging its a range of cutting-edge applications for businesses.

3 Sweden, for example, is working with Accenture to provide mobile data services that enable customers to access the Internet through their laptops using their 3G-handset as a modem. They will also be able to stay connected to their work e-mail while on the move.

Similar services will be available in other 3 markets. UK customers will be able to log on to their company network, allowing them to receive and send business e-mail, voicemail and fax-mail at high speed and to access sales and service information that is integrated with existing back end systems.

In Italy, 3 for



Business was launched on June 3, providing mobile connections to Intranet networks at speeds of about 400Kb, along with a customised home base and special tariff options to business customers. 3 Italy is also offering the 3 *aWebcam* service, allowing customers to make and receive videocalls with webcam-equipped PCs connected to the Internet.

Already, customers can enjoy convenient e-banking, such as that offered to Swedish customers through an alliance with SEB, which makes it possible to actively manage personal financial data through a 3 handset.

In Australia, a much-anticipated 3 for *Business* offer will be introduced in the coming months, providing tailored packages for businesses. 3 Australia has also entered into a deal with Fairfax - publisher of *the Australian Financial Review* - and *Channel 10*, which allows 3 customers to view the day's financial news *Market Wrap* through their handset a full four hours before the programme is screened on the 10pm late news.

Naturally, many content offerings are country-specific, but 3 has been quick to deploy useful applications in its other markets, effectively leveraging on its global footprint.

The Sporting Life

IN A HARD-TO-BEAT OFFER TO British football fans, those signing up for the 3 services before September 30 gain free access to the first three months of the Premiership season.

3 Italy meanwhile has signed exclusive partnership deals with the top 11 teams in the Italian league, covering over 80% of the country's fan base. The VideoSquadra subscription allows fans to enjoy the most important and exciting moments "with" their team. Until the end of August, an annual VideoSquadra subscription was offered to new 3 customers at 50% off the regular price.

Swedish supporters are not only able to see their national football squad in action, but their favourite ice-hockey teams as well.

Golfing enthusiasts in the UK were able to keep tabs on this year's Open Championship held at Royal St Georges. Two-minute video clips of highlights were delivered twice daily with scores updated every five minutes. Customers could also watch previews, interviews and classic "Golden Moments."

As part of a sponsorship agreement with Cricket Australia, 3 customers can use their handsets to watch key moments of test and international one-day matches played in Australia. 3 Australia has also established an arrangement with Melbourne-based Essendon Football Club (Australian rules), further strengthening the brand.





The Big Picture

HUTCHISON 3G'S INTERNATIONAL BRAND GROUP HAS BEEN ACTIVELY building the 3 brand globally. While the brand identity remains the same in all countries where 3 operates, the advertising and marketing strategies have been conceived for local markets, according to language and cultural differences. The group meanwhile scooped the coveted Gold Award for "Best Corporate Image Film," conferred by the International Visual Communication Association. Here's a look at some recent advertising and marketing campaigns.

Just for kicks

HONG KONG FANS WENT into a state of rapture when two of the world's great teams – Liverpool and Real Madrid – turned up in the territory on July 27 and August 8 respectively to play the beautiful game. True to form, these sporting giants dazzled capacity crowds, notching up 6-0 and 4-2 wins against the home team at the Hong Kong Stadium.

The star-studded line-ups included the likes of Michael Owen and Emile Heskey for Liverpool and David Beckham, Ronaldo, Luis Figo and Roberto Carlos on the Real Madrid squad.

Hutchison Telecom Hong Kong (HTHK), which is launching 3 services this year, was on the ball from the outset.



As the only official sponsor from the mobile sector, HTHK threw its full weight behind both the Invest Hong Kong Football Challenge 2003 and the Real Madrid Asia Tour 2003, offering prospective customers of 3 the chance to win tickets to attend the matches and get up close to their favourite players.

The online campaign also served to remind Hong Kong consumers that the upcoming 3 services will give them a grandstand view of exclusive video action from overseas, including the English Premiership League and a selection of European national and league matches, not to mention live score updates and breaking football news.

Saturation guaranteed

IN SWEDEN AND AUSTRIA, THE marketing campaign concentrated on the message "I 3 You." This was later complemented by more product-oriented communications. Additionally an initiative called "Team 3" saw people demonstrating video calls and video content in public places to generate customer interest.



Dancing to stardom

POPULAR BRITISH BAND Liberty X teamed up with 3 UK to find ten talented people from around the country to take part in their new music video, called "Jumpin".

Budding video stars visited one of over 2,000 participating mobile phone retailers nationwide, watched an exclusive clip of Liberty X on a 3 video mobile and submitted an application to explain what star qualities they have.

Of the thousands of entrants, 175 were chosen to audition at the grand final on August

11. Fifty went through to a final audition and ten were chosen to appear in the video.



Up close and personal

Take a closer look.

www.three.com.hk

IN HONG KONG, 3 launched a billboard advertising campaign in June. Passers by were invited to peer through a small hole in the billboard of 3's flagship store to see surprising objects displayed behind.



▶ Surprise, surprise

RESIDENTS OF AUSTRALIA'S main capital cities have enjoyed a light-hearted and fun advertising approach, focusing on 3 bringing friends and families closer together. One example that brought smiles to viewers' faces was a TV commercial that featured a grandmother in Italy who is so surprised to receive a videocall from her family in Sydney that she falls off her chair!



▶ Instant recognition

STARTING ON JUNE 1, THE latest €30-million-advertising campaign went "live" in Italy, covering all the most important media and incorporating three new 30-second, TV ads.

Humorous, sexy and sentimental, this next set of hugely popular Italian television spots continued the theme of the launch ads, fea-



turing three female characters. These three girls have made their way into the hearts of the Italian public and have now reached almost iconic status.

So far, over €100 million has been spent on advertising and the investment has paid off with more than half of Italians now recognising the "Tre" brand.



▶ They said it couldn't be done

A RECENT ADVERTISING CAMPAIGN in the UK took a page from the history books in comparing the scale and complexity of bringing 3G services to market to that of landing the first man on the moon.

The commercial opens with a shot of the earth and a voice-over: "They said it was flat."

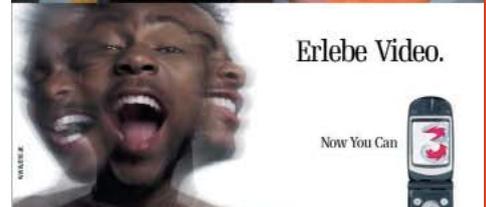
Followed by a movie clip of an early attempt at flight: "They said it couldn't be done."

Another vignette features a man speaking on a bulky 80s handset: "They said it would never catch on."

Then: "What do they know?"

The commercial then cuts to people using 3's videophones, and the words: "Open your eyes."

The spot effectively positions 3 as the heir apparent in the mobile market, and earned a "pick of the week" award from *Campaign*, the UK's top-selling advertising magazine.



COVER STORY



A CENTURY OF PURITY

After a hundred years in business, Hong Kong's favourite water brand is fresher than ever.

By Charles Anderson



A lot of water has passed under the bridge since 1903 when A.S. Watson & Co, chemists and druggists of Hong Kong, introduced a drink of “guaranteed absolute purity” to slake the thirsts of its more discriminating customers.

In those days, distilled water was something of a sideline for the crown colony's premier apothecary. It was sold alongside toilet preparations, carbolic soap, gout tinctures, hair wash, dentifrice, whisky, ginger beer and wines from the company's granite-and-brick premises in Des Voeux Road, Hong Kong. The store was just a couple of streets away from the British Empire's most thriving harbourfront, perched on the south-east coast of Imperial China.

Today, in its centennial year, the distilled water sideline has moved centre stage. Watsons Water is a subsidiary in its own right of A.S. Watson & Co, now part of the Hutchison Whampoa Group, which acquired the business in 1981. Its water distillation plant at Taipo in Hong Kong's New Territories is the largest in the world, producing 430 million litres annually – enough to fill 140 Olympic-sized swimming pools.

Long the market leader in Hong Kong with “superbrand” status, Watsons Water is now becoming increasingly popular in Singapore, Taiwan, Macau and Mainland China.

The brand has just completed a major overhaul of its image and products to coincide with its 100th birthday.

MAKING HISTORY

The Watsons story, however, does not begin in 1903. It even predates the founding of colonial Hong Kong in 1841. The company which later took the Watson name first opened its doors way back in 1828 in Canton, where its dispensary provided free medical services to the poor people of the southern Chinese city now called Guangzhou.

In those days, Canton was the only legal access point to China for pushy European traders doing business for big com-



panies back home and in India. It was an uneasy relationship, peppered with mistrust on both sides. The “gweilos” were confined to premises on Shameen Island, where visiting sailing ships delivered daily necessities alongside their main cargoes.

By late 1831, if an advertisement in the *Canton Register* is any guide, it appears the company had become a commercial operation dealing largely in relieving the after-effects of over-indulgence for the heavy-drinking, meat-eating Westerners.

The next decade saw a period of unrest that culminated with the Treaty of Nanking in 1841 when Hong Kong was ceded to Britain. Along with many other Canton traders, A.S. Watson & Co moved 100 miles down-river to the new colony.

Those were tough days for the new inhabitants, European and Chinese alike. The vagaries of climate, disease and inadequate shelter made life a misery for many of the men encamped on a small strip of land beneath the inhospitable peaks of Hong Kong Island. The Hongkong Dispensary, as the company was renamed, was soon in business in a makeshift shed at Possession Point, selling medical necessities to soldiers and sailors – and distilling its own water to make the medicines they needed.



In 1858, one Alexander Selkirk Watson was employed as the company's first professional pharmacist. He stayed for 30 years, taking over the company and giving it the A.S. Watson & Co name.

By 1903, the company had grown significantly, keeping pace with the young colony's rapid development. Five hundred Chinese and 50 Europeans were on its payroll, with company branches in the Chinese cities of Shanghai, Guangzhou, Fuzhou, Hankou and Tianjin and an office in London. In Hong Kong, it

served an impressive colonial city boasting a port that nearly matched the size of London's and easily topped New York's. As a trading centre, Hong Kong was among the world's busiest. As a place to make money, it was virtually unbeatable.

With demand for “safe” water growing, A.S. Watson & Co added commercial distilled water to the aerated version it was already producing, promising that it was “the purest that can be obtained ... the best ingredients only are used.”

Seven decades of preparing 100% pure water for its medicines was beginning to pay off.

In 1906, 7,772 steamers arrived in Hong Kong, averaging 22 a day. For the colonial captains of ships and industry, the Hong Kong Club at the harbourfront offered a luxurious



In the early days, the very best containers were glass. Occasionally, Watsons changed the shape and design of its bottles but the basic material remained the same for more than 70 years.

In the 1950s Watsons Water introduced the office-sized bottle, leading to the widespread adoption of the office water cooler, which evolved to offer a hot water option as well.

retreat, replete with porcelain baths, electric fans, and furniture of the finest Javanese teak. In these luxurious surroundings, they enjoyed Amoy oysters, seasonal mango ice cream, curries “made opiate with powdered poppy seeds,” the noblest wines of Europe, and mutton brought by Australian steamer from Queensland. These privileged few also indulged in the refreshing pleasures of Watsons Water, distilled in Hong Kong.

But behind the solid facade of the colonial streets and the pretty homes that had sprouted on the lower slopes of the island, poverty lurked. Five thousand Westerners lived in comparative comfort while many of the 300,000 Chinese were packed into tiny houses in the western districts, where poor sanitation was a constant problem.

As the years rolled on, the problems intensified. The horrors of the Japanese occupation (1941–1945) emptied Hong Kong’s streets and crushed its economy.

In 1949, Hong Kong was engulfed by hundreds of thousands of refugees who crossed the border attracted by the laissez faire system, or simply looking for a better life. The urban areas became the most densely populated in the world, bringing the inevitable problems of housing, poor health and crime. Most serious, perhaps, was the critical water shortage. At one stage in the 1960s, standpipes on the

streets were turned on for only four hours every four days.

Naturally, the demand for fresh drinking water intensified. Bottles of Watsons Water now made their way from the Watsons factory into the homes and offices of all who could afford it. Although Watsons had purchased the colony’s first motor truck for deliveries, the bottles were transported mainly by barge and rickshaw, or were carried by men with poles.

In spite of its problems, the city’s businesses and commercial districts flourished again in the 1950s and Watsons’ office-sized containers started appearing. Made of glass and therefore needing careful handling, they nonetheless increased in popularity as the city moved into a more sophisticated mode. As well as providing refreshment for staff and visitors, a Watsons Water carboy in your office helped your image.

The Hong Kong authorities eventually responded to the growing water shortage by constructing a system of giant reservoirs. In 1960 it began piping in water from China. The new supplies were more than welcome and the government was acknowledged as doing its best to maintain quality, but still there were lingering doubts about the safety of water coming from a largely unknown source. The thirst for



By **1977**, as the pace of life quickened, the company introduced the 500ml plastic bottle, replacing glass versions and making it handier for people on the move.



In **1979**, plastic containers replaced glass in the commercial sector and a wider range of carboys was introduced. The water dispensers pioneered by Watsons Water had become, well, indispensable.

In **1993**, Watsons was the first to introduce a 5-litre bottle. Another innovation, the unique “Super Seal System” for water dispensers, was introduced in **1994**, putting an end to spills and splashes.



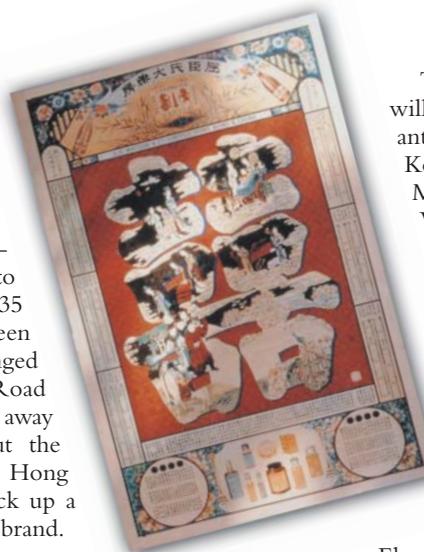
purity was accentuated, demand continued to rise, and Watsons Water was happy to oblige.

A.S. Watson and Co knew its market back in 1903, as it does today. Through the slow expansion of the pre-war period, into the economic restrictions of the 50s and early 60s and on to the rapid development of the past 35 years, clean tasting, purified water has been in constant demand. The city has changed its face countless times, and Des Voeux Road and the rest of the city centre are worlds away from their Edwardian precursors. But the seven million people who now call Hong Kong home are still more likely to pick up a bottle of Watsons Water than any other brand.

FAST FORWARD

At the ultra-modern plant he oversees in Taipo, Ricky Cheung, Managing Director of A.S. Watsons Industries, sees plenty more growth for the company, driven by the burgeoning demand for his products.

Although much has changed in 100 years, Ricky would be hard pressed to better the company's early description of its science and technology: "The water is skilfully filtered on the most scientific principles," Watsons said in 1903. "The machinery employed is of latest design and most approved type."



Take a tour of the Watsons plant today and you will come away in no doubt that its purity is guaranteed. The original water comes from Hong Kong's normal supply system, originating in the Mainland, but by the time it is decanted into Watsons' famous green- and blue-topped containers it has been through 28 automated production steps and 103 quality checkpoints.

The first filtration stage removes large-grained particles, the second takes away organic substances and odour while the third filters out small-grained particles. The water then goes through a softening process before it even gets to the distillation stage, where it is heated to 105°C before a final sterilisation process eliminates any minuscule bacteria that might be in the pipework.

Electronic scanners are also on hand to detect problem bottles.

The final product, in stylish plastic bottles and small containers for domestic use, or larger carboys for dispensers at commercial operations, is then sent on its way to shops, offices, homes, hotels and schools all over Hong Kong.

REFRESHING OPTIONS

Distilled water, as opposed to "mineral," remains Hong Kong's water of choice.

"Hong Kong did not have access to large quantities of

In **1996**, Watsons developed the smaller 1-litre water "Junior" to meet the needs of the home user and in **1998** it was first to launch the streamlined light-blue "Handy Bottle" with an integrated handle that made it simple and easy to replace.



In **2002** the company launched a distinctive new bottle design as well as a brand new product – "Watsons Water With Minerals." The design won the "Best Packaging Material Printing" category in the Hong Kong Print Awards.



In **2001** the company unveiled the stylish "Platinum Water Dispenser" along with the "Oxygenated Water Dispenser," targeting sports and health facilities. Another innovative offering, "Watsons Water Facial Spray," filled a gap in the beauty market.

mineral water, which comes from underground,” Cheung explains. “It’s something that people got used to. Distilled water has a sweeter taste than mineral water, which is slightly salty. That suits the local palette.”

But times change and recent market research showed that while Watsons distilled water has always been associated with a healthy lifestyle, there was also significant demand in Hong Kong for mineral water. So in 2001 Watsons Water began to market what it sees as the best of both worlds: distilled water with appropriate minerals added.

“We are still giving the purity of distilled water,” says Cheung, “but we add pure minerals rather than minerals which you may find in other types of mineralised water. In Europe, it comes out of the ground, there are a few checks to make sure there’s nothing harmful, then it’s straight into the bottle.”

Watsons Water With Minerals, was introduced during an initiative two years ago to rejuvenate the company image through honing its product range and revitalising its marketing.

“Like many established brands in mature markets, our brand was

perhaps getting a little tired,” Cheung recalls. “So we decided to refresh our approach to business and our consumer offerings.”

In came a smart new bullet-shaped plastic bottle, sleek and moulded to fit the hand, with a handy lid that can double as a cup. Watsons’ famous green labelling was enhanced, and a blue version introduced for the “With Minerals” drink.

A state-of-the-art “Platinum Water Dispenser” was also introduced to the market, complete with a triangular water container, an LED display that tells you when cup and water supplies are low, and the kind of design that fits into any modern office. A smaller version designed for household use has also been launched.

Another addition to the range was a new “Oxygenated Water Dispenser” providing five times the oxygen content than in normal water, targeting athletes and other health-conscious people who want fast replenishment of oxygen.

An award-winning advertising campaign called “It’s Your Body” heralded the arrival of the new products. The TV and print media slots spelled out the importance of water to health, and what happens if you don’t get enough of it. The successful strategy saw sales and



Also in **2002**, the company introduced “Watsons Water for Sport” in a convenient pouch pack, offering a thirst-quenching alternative for athletes and youngsters.



In **2003** Watsons launched the “Super Mini Water Dispenser” which, aside from being compact, comes in a variety of attractive designs to suit all tastes.

market share rise further in a highly competitive market.

“Most of the things we do tend to be in response to consumer demand,” says Cheung. “We do a lot of research all the time with consumers in many different aspects, whether it’s the water, the dispenser or the type of service they want. That research gives us good guidance as to where we should be developing in the future.”

The company also publishes guides to provide water information to the public.

RAISING A GLASS

The centennial year is of course something special to celebrate. Very few companies or brands can claim such a distinction and Watsons Water is the only water brand in Hong Kong to achieve “Superbrand” status. (It recently won “platinum” for the fifth consecutive year in the “Reader’s Digest SuperBrands Awards” based on reader surveys.)

Besides celebrations such as a high profile centennial luncheon and a parade in the shopping and tourist sector of Tsimshatsui, the occasion is being marked by the “Year of Hong Kong Creativity” during which a new limited edition label by avant-garde local artists is introduced every month. Each incorporates a letter of the alphabet; collect them all and you spell out the brand name.

As for the future, the potential is obvious. While it is easy to take the availability of pure water for granted, it is worth bearing in mind that, according to the United Nations, about 1.1 billion people around the world still lack

access to adequate drinking water.

As growing populations put more pressure on limited water resources, the need for clean, healthy and affordable drinking water will continue to rise.

“Whenever you want to look to the future, just look at history,” says Cheung.

With Watsons Water already a familiar and popular brand across Asia, the company is focusing attention on the vast Mainland market. Fast-rising incomes, a growing middle class and an increasing awareness of health matters in the major cities have led to the opening of water plants in Beijing, Shanghai and Guangzhou with sales offices in Shenzhen and Dongguan in the Pearl River Delta.

“We are in the process of completely relaunching Watsons Water in China this year,” says Cheung. “We are currently introducing the new consumer pack bottles. That’s going to help us stand out in the market.”

It is ironic, perhaps, that A. S. Watson & Co, the tiny company that moved out of Canton at the founding of Hong Kong and has become a retail giant in its own right, is returning in force to Mainland China where the story began all those years ago.

As far as its subsidiary, Watsons Water, is concerned, Ricky Cheung has no doubt the next 100 years will be as successful as the last. “Carbonated soft drinks are tending to be in decline. All the big soft drinks players are getting into hot water,” he says. “Bottled water is the fastest growing non-alcoholic beverage market virtually everywhere in the world.”

We’ll drink to that.



To celebrate its centenary, the work of well-known local artists is being featured on the Watsons Water bottle labels throughout 2003.

OVERFLOWING WITH FRESH IDEAS

There was a time when most consumers would have scoffed at the concept of buying water in bottles. Water, after all, is as basic as the air we breathe. It falls from the sky, flows down rivers and is widely available at the turn of a tap. The reality, however, is that regular and convenient access to clean drinking water is the exception rather than the rule.

In Hong Kong, Watsons was the first to see the commercial potential of bringing such a simple commodity to the consumer in a convenient way. While the core product was nothing new, the concept of bottling it for consumers' convenience was very novel indeed.

In that sense, the Watsons Water story is as much about packaging and marketing as about the product itself.

The company has played a leading role in the global cultural shift in water drinking habits, maintaining its pre-eminent market position by staying up to date with consumer needs and fulfilling them through new ideas that make it convenient, safe and pleasurable to drink pure water.

As the market leader, Watsons Water has an enviable reputation. The company remains committed to ongoing investment in research and development, in advanced technologies and in recruiting the best people to consolidate and expand its position.

TECHNOLOGY

In July 2001 Watsons Water revamped operations with the installation of robotic arm technology to coordinate the movement of bottles along the production line until they are crated.



of production space.

Additionally, all key quality measurements of the production process are monitored on a real-time basis from the quality assurance department and the production offices. The information can be accessed via the Internet at any location from around the world under the Watsons Supervisory Control and Data Acquisition System.

No wonder Watsons Water is the first water supplier in Asia to be awarded certification from both the ISO and NSF International. In fact, Watsons Water's own demand for purity is so high that its standards are more stringent than those of the two authorities.

EXCEPTIONAL SERVICE

For customers' convenience, Watsons Water first started delivering distilled water to offices in the 1950s.

Today, the company's delivery operations in Hong Kong include 90 vehicles and approximately 340 staff who provide

the city-wide equivalent of room service for thirsty consumers.

Watsons Water also offers home delivery in key cities in Mainland China, including Guangzhou, Shanghai and Beijing,

delivering orders as small as one carboy bottle for individual households. To get closer to its Mainland customers, Watsons Water has opened speciality shops providing a convenient contact point at street level for the general public.

The Customer Service Department offers a 24-hour hotline, a Protection-Plus programme and an all-round maintenance plan, providing dispenser cleaning, sanitising, maintenance and repairs.

For added convenience, customers can order online.



CREATING A SUPERBRAND

The Watsons Water brand was recently inducted into the Reader's Digest Hall of Fame in recognition of its having maintained "Platinum Superbrand" status in Hong Kong for five years running. The award was established five years ago to track brand awareness among consumers in Asia.



This position has been achieved through an aggressive and focused effort on the marketing front, with Watsons Water's message delivered variously through sponsorship of community events and award-winning advertisements across the media spectrum.

The Watsons Athletic Club was founded in 1989 and is now the training ground for many top local athletes participating in various international competitions. The company also sponsors a variety of sports events, including a professional women's tennis tournament and the Watsons Water Athletic King series.



It contributes towards sports development such as the "Searching for New Sport Stars" programme, organised by the Hong Kong Sports Institute, and has received the "Diamond Donors Award" in recognition of its fund-raising efforts for the Community Chest.

Watsons Water regularly inspires the public with its creative advertising campaigns. Most recently, it received three "4 A's Creative Awards" for editing and cinematography of its TV commercials.

But the best way of promoting the brand is through ensuring that customers always get the purest and most refreshing bottled water, reliably, safely, conveniently and affordably – and no one does that better than Watsons Water.

BOXING CLEVER

Hutchison is a key player in a global initiative that will significantly increase safety and security within the world's maritime container trade.

By Matthew Flynn



Just as a secure house helps people sleep peacefully at night, the introduction of Smart and Secure Tradelanes (SST) is allowing the shipping industry to rest easy in the knowledge that containers carrying their valuable merchandise will arrive safely every time.

Until now, shippers had no real control over their goods after they'd been packed into containers. Any tampering with the contents in transit, or even the loss of the entire container, was almost impossible to detect until it was too late.

But all this is rapidly changing with the introduction of SST. The system effectively provides each container with the equivalent of its own electronic dead bolt and burglar alarm, along with supporting technology that enables owners to track the container and monitor the integrity of their goods from point of origin to final destination.

The initiative comes at a time of growing concerns worldwide over security issues. In the wake of the events of 9/11, the movement of containers has been identified in some quarters as a vulnerable link in the global security chain. In the worst-case scenario, some argue, a container could be used to deliver a bomb.

At the forefront of technology solutions for container security, and one backed by Hutchison Port Holdings (HPH), are anti-intrusion sensor systems that are both tamper proof and monitored by a radio-wave network. The sensor systems transmit coded radio alerts in the event of unauthorised tampering and also carry an encrypted computerised log of the container's handling history.

This SST initiative is a global effort to use proven technologies and best business practices to plug security gaps throughout the supply chain. Similar technology is widely used in anti-shoplifting devices. With an average container cargo worth US\$50,000 to US\$100,000, it is not surprising that the technology is now being applied to protect commercial cargo in transit.

"HPH is joining with other industry leaders to build a network to read messages from individual containers as to their location and sensor activity," explains HPH Group Managing Director John Meredith.

"When the messages are received from their origin loading and destination unloading facilities, shippers will be able to closely monitor the containers in their supply chain."

Meredith is a founding member of the Strategic Council on Security Technology (SCST), which is the driving force behind the SST initiative. The SCST was brought into existence in response to the events of 9/11 to focus on security with the aim of being an international resource. It is comprised of an international assembly of top executives from the world's largest port operators, logistics technology providers, military logistics leaders, former public officials and prominent transportation consultancies. The participation of leading global ports players means that SCST represents 75% to 80% of the container traffic crossing US borders.

TECHNOLOGICAL BLUEPRINT

With growing demand for the establishment of more dependable security, the commercial container industry has known for some time that it faces a dramatic change in the way of doing business.

The basic requirement is that each container carry with it reliable information on where it has been and who has had access to it. In short, each container must be secure and tracked.

By volume, more than 95% of the US non-North American foreign trade arrives by ship. Yet the US Customs Service is only able to inspect 2% to 3% of the seven million containers that arrive each year, carrying everything from rugs and razorblades to frozen fish and sports cars. A major security breach conceivably could cripple global trade.

As the collection and discharge point for sea containers, ports are the strategic control points in the supply chain. But



1 Via the web-based software of Safe and Secure Tradelanes (SST), detailed cargo information is submitted to relevant security authorities by the various links in the global supply chain – including factories, government representatives, logistics service providers, terminals and shipping lines. The data is simultaneously captured and retained in the SST security software platform.

there have been obvious and potentially dangerous security gaps – until now.

The SCST has recently signed a partnership agreement with the International Standards Organisation (ISO) to accelerate the standards-development process and ensure that the industry-government coalition implements a defined, cohesive and practical set of criteria.

The participation of the ISO is important because it responds to earlier calls by the World Shipping Council to ensure a workable radio wave network as well as communications security.

While the ISO is responsible for defining the standards of the technology, the foundations of the Smart and Secure Tradelanes have already been established, tested and proven by the US Department of Defense.

The application of sensors and automated tracking systems to containerised cargo came about after the US military's supply chain became hopelessly tangled during the first Gulf War. Soldiers were eating breakfast three

times a day after the containers of lunch and dinner meals went missing. This was a minor inconvenience, but planners realised the potential danger if ammunition were to get lost in a mountain of metal containers.

The system provides each container with the equivalent of its own electronic dead bolt and burglar alarm

Today, the US military uses sensor systems and radio tracking on all crucial shipments. During the second Gulf War, containers were tracked and kept secure while the data remained confidential.

The availability of an already developed secure method to tighten control over supply chains serves as a useful model for the shipping industry.

PIVOTAL ROLE FOR PORTS

HPH has installed the Radio Frequency Identification (RFID) reader equipment in several facilities – Hongkong International Terminals (HIT), Port of Felixstowe (PFL) and Europe Container Terminals (ECT) – and can bring new ports on line in a matter of weeks. In due course, all HPH container ports will deploy the SST technology.

When the container enters the HPH facility by truck or barge, a handheld RFID reader is used to scan the sensor systems. Several dozen readers throughout the marshalling yard watch over stored containers while fixed readers attached to quay cranes capture movement on and off container vessels.

The first wave of “smart and secure” ocean containers was shipped in December 2002.

Among these shipments were ten container loads of store merchandise loaded by HIT for a major US-based retailer. (HPH handles about 50% of the 17,000 containers that enter US seaports each day.)



2 After the container has been packed and before it enters the container terminal, authorised personnel affix a sensor system, making the container “smart and secure”. The Radio Frequency Identification (RFID) tag contains automatic identification technologies and sensor-related intrusion-detection systems that dramatically improve the ability to track, locate and detect the integrity of shipments in real-time.

Following the typical 10-day journey across the Pacific Ocean, the vessel berthed at the Port of Seattle, where strategically placed RFID readers recorded their location and security status.

After Customs clearance to exit the Port of Seattle, the smart containers were loaded onto the chassis of a regional trucker and transported to a distribution facility where key events continued to be captured and transmitted. Authorised personnel then unlocked the sensor system using an encrypted code. The event was recorded and transmitted to the Transportation Security System software, enabling complete information verification and the instant creation of a documented audit trail. From there, the merchandise was shipped to retail stores throughout the American Northwest – efficiently, safely and securely.

SAFETY FIRST

Meredith points out that, as a major container terminal operator, it is natural for HPH to be well advanced in securi-

ty applications. “We are in 32 locations and smuggling may occur in some of these,” he says.

*Everyone
will benefit
and the shippers
themselves
will be the
main winners*

“HPH and the other participants of SST are committed to enlisting a strategic group of multinational shippers who can implement end-to-end and port-to-destination container security.”

Shippers’ requirements go back further than the ports, linking back to point of origin at the loading docks and factories. The unbroken origin-to-destination process will naturally require collaboration with the shipper’s other physical net-

work partners, which include carriers and forwarders in addition to port operators.

“Shippers should use whatever process and technology that will allow them to monitor the location and sensor activity of the containers carrying their goods as they move through their supply chain,” Meredith asserts. “We believe Safe and Secure Tradelanes provides them with this service and we think that the effort we have already put into it will be seen in a good light by all players internationally.”

To date, SST is probably the most far-reaching container security initiative globally.

COMMERCIAL BENEFITS

While the new technology brings additional expenses, Meredith believes it will also result in savings. “Everyone participating will benefit from increased container security and the shippers themselves will be the main winners,” he says.

Commercial benefits will include better supply chain visibility, bringing “substitution cost savings” such as a



3 Information contained in the RFID tag is captured on the Internet-based security software platform which facilitates the necessary information exchanges and makes data readily available to authorised parties. Phase 2 adds more security layers, including a grid of sensor technologies for detecting environmental changes inside containers, surveillance cameras, biometric identification, and satellite tracking for in-transit visibility.



4 At the terminal in-gate, a hand-held device reads the container’s security status then sends the information to the security software platform. The device enables authorised personnel to capture and verify key information, which is available for customs authorities to determine pre-loading inspections.



5 Once security is verified, the container enters the terminal to be loaded. Tracking occurs when the sensor systems affixed on the container pass through the fixed readers installed in the node. At the point of loading, the sealed containers are scanned again through readers mounted on quay cranes, providing a final security confirmation.

reduction in Bill of Lading surcharges and expedited freight.

Greater certainty of a container's location in the supply chain will also allow shippers to reduce their inventory of "safety stock."

The US military, for example, has used the sensor systems to move from just-in-case logistics, where planners always shipped extra in case something was lost or delayed, and instead adopt a much more efficient just-in-time logistics.

Meredith also anticipates that shippers will enjoy across-the-board direct and indirect cost savings as fewer shipments get tangled in trade compliance procedures and there is less risk of loss. "Major retail shippers are already relying on imbedded computer chips to protect products from theft," he says. "Many of these corporations are now ready to adopt this type of technology to track their containerised shipments."

IT PEDIGREE

HPH has strong credentials in the IT

field, having won awards for the development of a computer programme for yard management and workflow systems that arrange containers efficiently.

SST operates on an "open architecture" software principle to read various

This is going to be the next revolution in technology

manufacturers' RFID tags. The monitoring information is then transmitted to software that alerts shippers on the status of their cargo.

Naturally, shippers and other service providers will be sensitive to who will have access to the commercially sensitive information.

Meredith explains that shipping information is the property of the shipper. "The information provided to the

shipper for the monitoring of location and sensor activity is one more input to their data from service providers," he says.

Each terminal facility has its own site manager who collects the data from the readers. This information is then sent to the various shippers' systems, or they can access it from the Internet using their passwords. "The protocols are in place for security," Meredith confirms, pointing out that there have been no security breaches in the US Department of Defense's use of the system.

"The key to monitoring the location and sensor activity of a 'smart container' is the network of readers and the ability to forward data to the shipper for alerts," notes Meredith. The terminal operators' network will be a large sector of this but additional reading stations at intermodal yards/facilities will further enhance the network to provide closer scrutiny of the shippers' supply chain.

To date, the main company producing the smart locks is Savi Technology, which clearly has a head start thanks to



6 Secure containers leave their port of origin on board a vessel. Each container can now be tracked to its final destination along Smart and Secure Tradelanes. (Currently, six lanes are available: HK to Seattle; HK to Tacoma; ECT to NY; Felixstowe to NY; Singapore to LA/LB; Antwerp to NY.)



7 The container arrives at its destination port where its integrity is again checked using a hand-held device. Information on key supply chain and security events is immediately available. Business processes have been recorded, and container tamperings, mis-routes and delays have been monitored and reported accurately throughout the global tracking network in real-time.

its track record with the US military.

But RFID hardware is not limited to one company. "This is a quickly developing sector that is going to be the next revolution in technology," Meredith predicts.

A major container maker in China, for example, has just signed on with a proposal for installed imbedded readers in their newly built containers, while retailers and product manufacturers are now making orders for RFID to track at the product level.

"HPH welcomes more advanced systems that may come into play," says Meredith. "Security is the incentive and security protects our people and our company's assets," he adds. "Our prime motivation is to take concrete action and do our part to provide a service to shippers that enables them to better secure their supply chains."

ROLLOUT UNDER WAY

SST has undergone a rigorous testing process. Phase 1 was launched in

December 2002 and focused on the installation of the readers and location monitoring. It has seen more than 900 containers secured from point-of-origin to point-of-destination. In this phase, more than 4,000 container location

This is a collaborative effort and not a competition

monitoring and sealing events were recorded, spanning the globe and including ports in Rotterdam, Shanghai, Bangkok, Semarang, Jakarta, Singapore, southern China, and Hong Kong.

Phase 2 is now under way and the focus is on sensor status monitoring, while also expanding the volume of tracked containers.

"A great deal of impetus will come when, in return for shippers showing a

secure supply chain, governments give them speedy access to land their goods," says Meredith. "Shippers who can provide accurate and comprehensive location and sensor status of their containers will be at the top of that fast lane list. This is a collaborative effort and not a competition of terminal operators to build security into the global supply chain. The participants in SST recognise the importance of a secure trade lane to the world economy and believe that at present their initiative is the only one upon which shippers can rely."

As for the future, it's quite feasible to predict that someday soon all containers will be "smart and secure". And there's almost no limit to the potential of the technology to keep shippers informed. Besides tracking their goods via global positioning, for example, they could soon be keeping tabs on the temperature within their container or even be able to "see" their goods via remote cameras.

Now, if only our homes and offices could be so secure. 



8 The "seal" of the RFID sensor system is finally broken. The movement of cargo within the marine container has been accomplished with a high level of security.



DAWN OF A DIGITAL CITY

Internet portal ESDlife is dramatically changing the way Hong Kong citizens connect to government services while also pioneering e-commerce in the territory.

By Tim Mecalf



Two years ago, a group of blind people attended a demonstration of ESDlife, Hong Kong's unique e-government website which provides numerous options to tackle red tape over the Internet rather than in person. Services range from booking sports facilities and weddings to fixing an appointment with the Immigration Department or filing an online tax return.

The experience proved to be a revelation, not just for the blind people but for the presenters as well.

For obvious reasons, the Internet is not generally user-friendly to the visually impaired, but ESDlife is an exception. When the website was being conceived, a special "Virtual Vision" task force was set up to promote the rights of information for the blind and the visually impaired. With their needs in mind, ESDlife was designed to allow blind people to "see" and "surf" the website through translatable Braille monitors. To assist them further, text descriptions are provided for visual or graphic elements and everything is understandable when viewed without colour.

The mere novelty of going online for the first time proved predictably fascinating for those with sight problems. The reaction of one trialist in particular surprised and amused observers.

"I couldn't understand why one of them was so happy to find out about the tax return," recalls Tony Ma, ESDlife's Chief Operating Officer. "Until the blind

man explained with a grin: 'I no longer have to tell my wife how much I earn!'"

To Tony, the response was a revelation: "It didn't occur to me that whenever blind people fill in forms, they don't have any privacy. They need someone else to help with the paperwork and have to reveal everything about themselves. Sometimes you forget how important privacy is."

The option to fill in tax returns privately, for the first time, brings empowerment and self-respect.

"We're giving them the privacy they deserve. It makes ESDlife much more than a business. It's a genuine contribution to Hong Kong society," Tony says.

"Of course, we are a commercial enterprise and our primary goal is to create value for shareholders. But we also want to create value for society. We're changing lives."

Nobody expected ESDlife to revolutionise the lives of Hong Kong citizens overnight. However, slowly but surely, it really is making a difference.

The portal was launched in January 2001, part of the Hong Kong Government's initiative to establish a world-leading "Digital City". The objective was to place 90% of government services online by 2003.

It was long overdue. In a fast-moving city where time is perhaps the most valuable commodity, nothing infuriates the Hong Kong public so much as the despised government queue for ID cards, driving licences, sports facilities,

auspicious wedding days and so on.

Especially tiresome is that most government business is conducted only during office hours, Monday to Friday, 9am to 5pm and on Saturday mornings. As if there's nothing better to do during working hours!

For the government, the challenge was to find a way to physically make services and information more conveniently available to the public. The Internet, operating 24 hours a day, seemed the obvious solution. The main question was how to run it efficiently and effectively.

A STEP FURTHER

Every existing form of e-government was, and still is, operated by governments. But Hong Kong wanted to go a step further. Not only was the objective to promote e-government but also private e-commerce, which was in the very early stages of development. Other countries, led by the United States, had a host of well-established e-commerce dotcoms. But Hong Kong lagged so far behind that it was virtually "e-absent" when it came to home-grown e-commerce businesses.

The innovative solution was to link e-government and e-commerce together and to outsource the operation to an independent operator.

So began ESDlife, developed and operated by ESD Services, a joint venture between Hutchison Whampoa Limited and Hewlett-Packard.

"It's a visionary idea," says Tony. "It is the only Internet portal in the world

e-services up and running, e-commerce has developed in tandem.

“First we built a high-quality customer base through the government services. It helped familiarise the public with Internet cash transactions and convince them that e-transaction is safe and convenient,” Tony explains.

“People now accept the e-government service is reliable. They also recognise Hutchison as a trusted Hong Kong company. Together we have a very powerful brand.”

Because people are motivated to visit the website, ESDlife’s parallel e-commerce business is a big attraction.

“We don’t offer free entertainment or news,” says Tony. “Our 1.3 million visitors a month come for a reason. They want to get married, book tennis courts or whatever. So if tennis balls are promoted alongside tennis court bookings, we are confident of reaching a genuine potential customer. Anyone who books a tennis court is usually in the market for buying tennis balls. Just like anyone booking a wedding is bound to be interested in wedding banquet offers, or honeymoon bargains.”

MAKING IT CLICK

In addition to its proven and attractive e-commerce opportunities, ESDlife has also seen an unusually good response to its online advertising business.

The “click rate” for banner advertise-

ments at ESDlife is much higher than the industry average. Furthermore, and as a direct result of the high click rate, the portal has defied a general advertising slump. The number of advertisers more than doubled last year amidst very difficult economic conditions.

“It’s because we deliver value,” says Tony. “Not only do we talk about our traffic, but the quality of our traffic. Visitors to our website are mainly well educated and possess greater than average spending power. The provision of

different public services also enables us to reach target customers effectively. You can advertise something on TV or in print but not everyone who sees it is your target customer. On ESDlife we know what customers need and deliver the right message to them and therefore the response rate is always impressive.

“Online advertising can also adapt very quickly to a market. We can respond to an advertiser’s needs by setting up an advert and putting it online in only two days. We can judge the response and we can take it



Of the 35,000 marriages a year in Hong Kong, approximately 85% are now booked online.



down quickly and put up a new version if it doesn’t work. This is very useful to advertisers who want to try out different campaigns within a limited budget.”

This high-speed, quantifiable response has proved especially interesting in an unexpected sphere: opinion polls.

The Hong Kong University of Science & Technology last year placed an online survey with the ESDlife portal, parallel to a similar survey conducted in South Korea and Japan.

It was a hefty poll, with over 200 questions, so there was a “lucky-draw” incentive. The response was remarkable: ESDlife registered 16,000 qualified entries within just a few days.

Since then, two more surveys have been conducted with equally impressive responses.

ESDlife’s reputation of being highly cost-effective enables it to develop happy and long-term relationships with advertisers. “We’re very pleased with the



The ESDlife portal offers students a convenient way to check their examination results.

fact that many of our customers come back and give us new contracts within a short period. It means they really appreciate the value we create for them," says Tony.

NEW HORIZONS

The innovative and unique model combining both government and commercial services has in the meantime placed ESDlife at the forefront of the e-government sector world-wide. In their latest study of global e-government, Accenture, the international management and technology consultants, ranked Hong Kong seventh globally, ahead of well-developed countries such as the UK, Germany and Japan.

"We're at the global vanguard of e-services," Tony confirms.

For the future, the sky's the limit with more services rolling out all the time. These include the latest facility that enables the public to use mobile phones to connect to government services and an e-shopping mall, which is currently selling 15 categories of products ranging from medical check-up packages to badminton rackets. It is linked to Hutchison's business network, including Fortress, Watson's Wine Cellar, bigboXX, Priceline, Orange and the Harbour Plaza Hotel Group, which together offer a wide spectrum of good value products for online sale.

WORLD LEADER

While the success of ESDlife is best measured by the public response, the

portal has also been recognised internationally, winning prestigious awards such as the Stockholm Challenge, in which, out of 740 competing projects from 90 countries, ESDlife won top prize in the "Public Services & Democracy" category in 2001. ESDlife was cited for being "strongly focused on customer-orientation, reflected in the design of the user interface, integration of public and commercial services, and diversity of payment methods, including strong measures of security for personal data protection."

ESDlife is not only destined to take pressure off government staff resources and reduce red tape, but is developing into an exciting new business model. "We've reached an important milestone on Hong Kong's road to becoming a Digital City and are now building on it," says Tony Ma.

"Can you imagine the next generation filling in all the forms and joining all the queues like we do today? It simply isn't going to happen."

The e-government facility enables bilingual access to more than 170 services, ranging from filing tax returns and renewing vehicle licences to applying for a new ID card.

