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LIGHT YEARS AHEAD

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Newsbites

C O R P O R A T E

Sale of Mainland JV Nets US\$2 billion

Hutchison Whampoa (China) Ltd (HWCL) has sold its remaining 20% interest in the Mainland China joint venture **Procter & Gamble-Hutchison Ltd** (P&G-H) to **The Procter & Gamble Company** (P&G) for a cash consideration of US\$2 billion (approximately HK\$15.6 billion). The deal was completed in June with a gain on sale of HK\$13.7 billion realised by HWCL.

HWCL and P&G established the initial JV in Mainland China in 1988. In 1997, by mutual agreement HWCL sold approximately 10% of its interest in P&G-H to

a P&G subsidiary and agreed with P&G on options for it to acquire HWCL's remaining 20% between 2007 and 2017. The agreement accelerated the sale, which represented the realisation of value of a non-core asset of Hutchison.



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 42 countries. With over 170,000 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 2003, HWL’s consolidated revenue was HK\$145,609 million (US\$18,668 million).

Strategic Investment

HWL announced on June 9 that the Group has signed an agreement with **Hyundai Merchant Marine Co** (HMM) to purchase 12% of the shares of HMM at a consideration of approximately HK\$606 million (approximately US\$77.7 million).

HWL’s business relationship with HMM began in 1993 when the shipping company first called at the Group’s port terminals.

In 2001, HWL acquired the Jaseongdae terminal in Busan, South Korea, from HMM and led a consortium with HMM and **Hanjin Shipping** to operate a terminal in Kwangyang. HWL currently operates the Busan and Kwangyang ports through **Hutchison Port Holdings**.

Noted

Hutchison Whampoa Limited has for the first time featured in the “Fortune Global 500” 2003 list of the world’s 500 largest corporations.

R E T A I L & M A N U F A C T U R I N G

Fuel for Sport

To enter into the spirit of the Olympic Games, **Watsons Water** is focusing on “Sports” this year.

In April it joined **Hong Kong City Polytechnic University** and **Hong Kong Polytechnic University** to organise the “Watsons Water Bottle Label Design Competition.”

The competition highlighted in an imaginative way that water is closely associated with sports and fitness and 90 tertiary design students took part. Meanwhile, the A.S. Watson Group is sponsoring the Hong Kong Outstanding Junior Athlete Awards for the second year running.



Winning Entry: The champion’s work captures the energy of sports and reflects the theme that **Watsons Water** is part of daily life.

RETAIL & MANUFACTURING

ASW Increases Global Portfolio

In line with its strategy to expand in Asia and Europe, **A.S. Watson (ASW)** announced in June that it has acquired **Drogas**, one of the Baltic States’ best-



known health & beauty retail businesses operating in Latvia and Lithuania. Nicknamed “The Baltic Tigers”, Latvia, Lithuania and Estonia are the newest members of the European Union (EU), with a combined population of 7.3

Priceline Results

US-based e-tailer **Priceline.com**, of which **HWL** is a major shareholder, on May 3 reported that Q1 gross travel bookings rose 46% year-over-year to US\$360.2 million. Revenues were US\$224.1 million, a 12% increase over Q1 2003. Gross profit grew 31% to US\$43.4 million, compared to US\$33.0 million a year ago. Priceline.com announced that it had acquired 71.4% of the equity interests in **Travelweb.com**, bringing its total ownership to 85.7%. Travelweb has supply agreements with more than 11,000 participating properties in the Travelweb system, including its

million. Meanwhile, the Malaysian unit of ASW on July 12 announced the proposed RM14 million (approximately US\$3.7 million) acquisition of **Apex Pharmacy** from **Apex Healthcare Bhd (AHB)**, a Bursa Malaysia main board-listed company. Watsons Malaysia will also license from AHB the exclusive right to use the “Apex Pharmacy” trade name to leverage its strong brand equity and large customer base. Currently, there are 24 Apex Pharmacy stores nationwide.



founder hotels, **Hilton, Hyatt, InterContinental Hotels Group, Marriott, and Starwood**, and has distribution agreements with a number of travel websites, including **Orbitz.com**. Priceline has also entered into an agreement to purchase the remaining 14.3% outstanding equity interest held by **InterContinental Hotels Group** at a future date.

Applause

Nuance-Watson (HK) was highly commended at the **Raven Fox Awards Ceremony for Travel-Retail Excellence in Asia/Pacific** in five categories: Best Fragrances & Cosmetics Travel Retailer; Best Fashion, Leathersgoods & Accessories Travel Retailer; Best Confectionery & Food Travel Retailer; Best Gifts Travel Retailer; and, Best New Shop Opening at an airport in Asia/Pacific. The event was held on May 20th at the Tax Free Exhibition in Singapore.



Newsbites

PORTS

YICT Loan to Fund Phase III Project

Shenzhen-based Yantian International Container Terminals (YICT) in April signed a HK\$3.3 billion (approximately US\$423 million) five-year term loan facility with a consortium of banks. The consortium, which includes Bank of China, Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China and China

Development Bank, will provide YICT with loan facilities in HK dollars, US dollars and RMB, totalling HK\$3.3 billion, to finance YICT's Phase III project. The facility was four times oversubscribed. With a total investment of HK\$6.6 billion, the Phase III Project includes four 9,000-plus TEUs vessel berths along with



the necessary support facilities. The first two berths commenced operations in Oct. and Nov. 2003 respectively with the remaining two due for this year. The entire project will be completed in 2005.

Noted

Hongkong International Terminals (HIT) handled its 80 millionth container on June 10. It was discharged from the vessel *YM March*.

HPH Cultivates Leaders

Hutchison Port Holdings (HPH) in April launched its second Global Leadership Development Programme, which aims to identify and foster management talent. Over 30 managers selected from the Group's global network of ports

are enrolled in a training programme held in three different countries over a six-month period. The course encompasses in-class university training as well as hands-on business experience at ports worldwide.

ENERGY & INFRASTRUCTURE

Husky Q1 Results

Husky Energy reported net earnings of C\$263 million or C\$0.60 per share (diluted) in Q1 2004, compared with C\$408 million or \$1.01 per share (diluted) in the same quarter of 2003. Cash flow from operations was C\$583 million or C\$1.36 per share (diluted), compared with C\$747 million or C\$1.76 per share (diluted) in the corresponding period the year before. Sales and operating revenues, net of royalties, were C\$2.1 billion in the first quarter of 2004, compared with \$2.2 billion in the first quarter of 2003. The variance in results for net earnings, cash flow and revenues is due to the effects of lower exchange rates between the Canadian and US dollar, and tax

related changes. Husky increased overall gas production by 4% compared with the same period in 2003. For full results, see: www.huskyenergy.ca/investors/



Public Offering

Husky Energy on June 16 announced a public offering in the United States of US\$300 million of 6.15%, 15-year notes, due June 15, 2019. The notes will rank *pari passu* with other unsecured

indebtedness of Husky and significantly extend the average term-to-maturity of the Company's debt. Sales closed on June 18, 2004.

The net proceeds from the sale will be used to repay existing bank indebtedness. The offering was lead by **Citigroup**. Joint bookrunners were **CIBC World Markets** and **HSBC** and the issue was oversubscribed.

SeaRose FPSO Arrives

The *SeaRose FPSO*, **Husky's** Floating Production, Storage and Offloading vessel, docked at Marystown on the eastern seaboard of Canada on April 6, completing a 14,000-nautical mile maiden journey from South Korea.

ENERGY & INFRASTRUCTURE

CKI Invests in Tunnel Project

Further increasing its investments in Australia, **Cheung Kong Infrastructure** (CKI) has acquired a 40% stake in **Lane Cove Tunnel Company Pty Ltd**, for A\$239 million (approximately US\$170 million).

In Dec. 2003, Lane Cove was awarded a 30-year concession to build and operate the 3.4km tunnel,



A\$1.7 billion tunnel has commenced and completion is scheduled for mid-2007.

which is poised to become a crucial part of the link between northwestern and downtown Sydney.

Building of the

Applause

Hongkong Electric has been named Silver Award winner of the Pacific Basin Economic Council annual Environmental Award. This is the first time in the award's six-year history that an electricity company in the region has been honoured.

PROPERTY & HOTELS

Rural Relief

Shanghai Westgate Mall was transformed into a traditional Chinese rural scene during Labour Day Golden Week in May. Participants competed for the championship prize in traditional skills such as walking the watermill, pushing the stonemill, bamboo climbing, shoulder pole balancing, and loach catching.



Star-studded Luxury

Where do international stars unwind after performing for their fans in Hong Kong? When Whitney Houston visited for a one-night-only performance on July 28, the internationally acclaimed recording artist and star of the 1992 hit movie *The Bodyguard* chose to stay in the sleek new Presidential Suite at the **Harbour Plaza Hong Kong**.

Besides its astounding panoramic harbour views, the two-storey suite features a beautiful marble master bathroom with sauna, a massive master bedroom, a living room with a Steinway Baby Grand piano, and a study, kitchen, and adjoining guest room.

Terrific at Two

The **Harbour Plaza Metropolis** celebrated its second birthday on June 28. Since it officially opened for business, the hotel has gained a reputation as the preferred accommodation for both business and leisure travellers with its exceptional service, first-class cuisine,

cosmopolitan image and idyllic location offering panoramic views of Victoria Harbour.

The Group's flagship hotel, the award-winning **Harbour Plaza Hong Kong**, meanwhile celebrated its ninth anniversary in July.

Applause

Grand Hyatt Beijing has been named the "Best Business Hotel in China" by *21st Century Business Herald*.

Noted

Harbour Plaza Chongqing was selected as the designated hotel for "Sweden Day" hosted by the Swedish Embassy on May 18 and 19.



Newsbites

TELECOMS

DoCoMo Takes Stake in HTIL

GLOBAL

Hutchison Whampoa Limited (HWL) and **NTT DoCoMo** in May agreed to exchange DoCoMo's 20% investment in **Hutchison 3G UK Holdings** (H3G UK) for a stake in **Hutchison Telecommunications International** (HTIL), a subsidiary company of

HWL. The total consideration of the transaction was £120 million. The consideration will be made to DoCoMo in three instalments in the form of HTIL shares, subject to the listing of HTIL, which has applied for a listing on the Stock Exchange of Hong Kong, or, at HWL's

discretion, in cash. The final instalment is scheduled for Dec. 2006. Under a separate agreement, the £200 million shareholder loan provided in May 2003 by DoCoMo to H3G UK was transferred at cost to **Hutchison 3G Europe Investments** a subsidiary of HWL.

3 Extends Handset Range

3 has introduced the latest models in its growing range of 3G video mobile phones. The stylish *LG U8110* was launched in Europe and Australia

and the *LG U8120* in Hong Kong. Both boast an array of features to enable customers to make the most of the unique benefits of the 3 video mobile network. Measuring 95.7mm x 49.5mm x 23.1mm and weighing just 126g, the clamshell handsets are the smallest phones in the 3 range and have been designed for the ultimate in portability and comfort. The launch was the result of a global agreement between LG



Electronics and **Hutchison Whampoa** under which three million handsets will be delivered in 2004 to the 3 group of companies globally.

Fast Cards

3 has joined forces with **Lucent Technologies** and **Novatel Wireless** to provide UMTS wireless PC cards to 3 customers in Australia, Denmark, Italy, Sweden and Hong Kong. The April agreement is also



available to other 3 markets worldwide. The *Merlin U530* PC cards operate on 3's 3G networks at speeds up to 384kb per second, allowing customers all the benefits of high-speed access to the Internet and corporate intranet while fully mobile. Lucent and Novatel will also supply system software and services.

Doubling Up

Globally, 3 signed up 77,000 net new subscribers on average each week in Q2, 2004, more than double the 37,800 average weekly sign-up rate up it had maintained for the first three months of the year.

Big Brother; Small Screen

AUSTRALIA

3 Australia has become a major sponsor of **Network Ten's Big Brother**, bringing a new technological twist that provides access to live footage of the reality TV show via 3 video mobile phones.



3Reload Launched

SWEDEN

3 in April launched **3Reload** pre-paid cards on the Swedish market, making it possible for customers to access 3's large service offering without a set fee monthly subscription.



TELECOMS

Hutch to Consolidate India Operations

INDIA

Hutchison Max Telecom (HMTL)

on June 14 filed with India's Foreign Investment Promotion Board an application for the Hutchison Essar Telecom group of companies to consolidate its various telecom interests in India under a single entity. The application will allow the shareholders of **Hutchison Essar Telecom** (Delhi), **Fascel** (Gujarat), **Hutchison Telecom East** (Calcutta), **Hutchison**

Essar South (AP, Karnataka, Chennai, Punjab, UP West, West Bengal) and **Aircel Digilink India** (UP East, Rajasthan, Haryana) to transfer all their shares in these companies to HMTL, thereby becoming shareholders of HMTL.

The consolidation will create one of the largest mobile operations in India. The combined subscriber base at the end of May was 5.6 million covering approximately 56% of the population

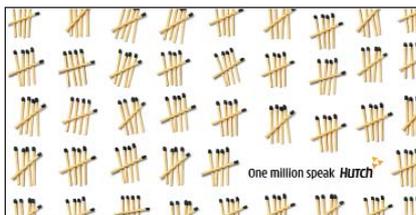


and about three-quarters of its purchasing power.

Million Milestone

Hutch on May 24 announced that it had exceeded one million subscribers in Gujarat. Hutch doubled its customer base in a year to become the first mobile service provider in the state to achieve this milestone.

Hutch in Gujarat is the third circle in the Hutch fold to cross the one million mark, after New Delhi and Mumbai.



Hutch Debuts in Punjab

Hutch launched its services in Punjab on July 13 with the latest range of multimedia mobile services, including GPRS-based services like push2talk, mobile gaming and *Click&Print MMS*, and state-wide customer service support. Punjab has the highest mobile penetration amongst the Indian states.

Hutch Acquires Aircel

Subject to approvals, **Hutchison Essar** in June acquired 100% of **Aircel Ltd** and **Aircel Cellular Ltd** (together Aircel) from **Sterling Infotech Ltd**.

Aircel operates GSM 900 cellular licences in the city of Chennai and the state of Tamil Nadu and had over 1.1 million subscribers as of May 31, 2004.

Hutchison Essar already operates a GSM 1800 licence in Chennai.

Plug-n-Talk

Hutch has launched a value-added courtesy service in the form of around 100 battery-charge kiosks placed in strategic positions such as airports, railway and bus stations. All the "recharge zones" have a selection of plugs for different handsets, so even cus-



tomers of rival companies can use the facilities.

Push2Talk

Hutch on May 27 launched *push2talk*, which combines a walkie-talkie experience with instant messaging, SMS, MMS and voice messaging.

The service is the result of a partnership between Hutch and **Fastmobile**, and is the first such service to be available nationally.

E-mails on the Move

Hutch on May 5 launched Microsoft *Outlook on Hutch*, a unique corporate solution developed jointly by Hutch and **Microsoft** that allows Hutch users to access their office e-mails on their mobiles.

Applause

Hutchison India, along with agency **Ogilvy & Mather**, completed a virtual clean sweep at the Abby Awards 2004 for creative excellence in advertising, winning four Golds, three Silvers and three Special Awards of Excellence.

Newsbites

TELECOMS



Models embody the “3 is more than 3G” slogan in Chinese at a ceremony to mark HTHK’s unified brand identity.

3 is More than 3G

HONG KONG

Hutchison Telecommunications

Hong Kong Ltd (HTHK) has consolidated its 3G, GSM Dualband and CDMA mobile networks under the 3 brand to provide greater value and a bigger portfolio of services.

Fun for the Young

In conjunction with the launch of the *LG U8120* 3G handset in June, 3 HK introduced several new features and services aimed at the young and young-at-heart, including two innovative location based services.

My Nearest covers more than 15,000 entertainment and leisure hot spots, while *Follow Me*, *Follow U*



allows consenting users to keep track of each other’s whereabouts. 3 HK also launched a fortune-telling site, a Korean music video and download site and a cartoon channel. It also upgraded the *Traffic* channel to include traffic conditions at a popular local beach.

Property Portal on 3

3 HK and **Midland Realty** on July 9 launched the territory’s first mobile multimedia property portal, which enables customers of 3 to keep track of the property market. The *Midland Realty* portal also helps property agents who can provide their customers with first-hand information via their 3 video mobile phone.

Live TV with 3

ITALY

A cooperation between

3 and **Cfn/Cnbc**, the Italian-language global digital TV station that covers finance and economics, allows correspondents to report live using 3 videophones. Through a UMTS connection with the TV studio, journalists can transmit video footage live from board meetings, press conferences and other important financial events.

Noted

3 Italy announced on July 15 that it had signed up one million customers with more than half signing up in the previous four months. The landmark was reached 16 months after the service was launched.

TELECOMS

Hutch Launches Prepay Cards

THAILAND

Thailand-based **Hutchison CAT**

Wireless MultiMedia has launched *HutchSay Prepay*, a new prepay service that offers the greatest flexibility for phone users to top up their card value

or extend days of usage separately. The new service helps customers to maximise their Hutch phone usage to meet their needs for both low and high usage without changing their promotion choice.



Upwardly mobile: A “Vespa caravan” draws participants to *The Real Adventure* by Hutch competition, which was staged around Siam Square, Bangkok.

3-cycling

UK

3 UK, in partnership with **Fonebak**,

launched a handset-recycling scheme on June 7. The initiative aims to raise £40,000 for two charities through the recycling of old and unwanted mobiles.

Brainwave, a leading charity for children with special needs, and **Groundwork**, a world-class environmental

regeneration charity, were selected by **3** following an internal staff vote.

Under the scheme, **3** is inviting the public to deposit their

plastics are either recycled and reused, or incinerated, with the energy produced used for heating.

Applause

3's ground-breaking mobile package *VideoTalk 750* won first place in the “Consumer Post-Pay Price Plan” category at the Mobile Retailer Awards, held in the UK in June. The award identifies the tariff that represents best value for over 15 million mobile users signed up to a monthly contract. When launched in June 2003, *VideoTalk 750* challenged mobile pricing convention with an unrivalled package that offers 750 minutes worth of calls for £35 and the freedom to use this call “bundle” to call any network at any time. “**3** has quite simply redefined voice tariffs in the UK,” one judge commented.

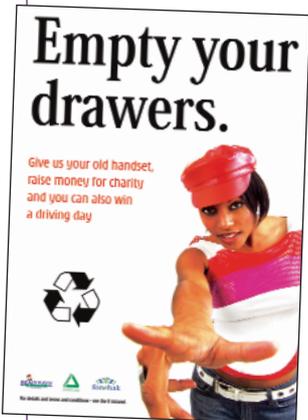
ThreePay, **3**'s Pay-As-You-Go offer, was runner-up in the pre-pay category.

Game On

3 UK launched a mobile content service with **Gamer.tv** in June to provide video reviews of the latest releases to hit the exciting world of computer and video games. The video clips can be accessed through *Today on 3*.

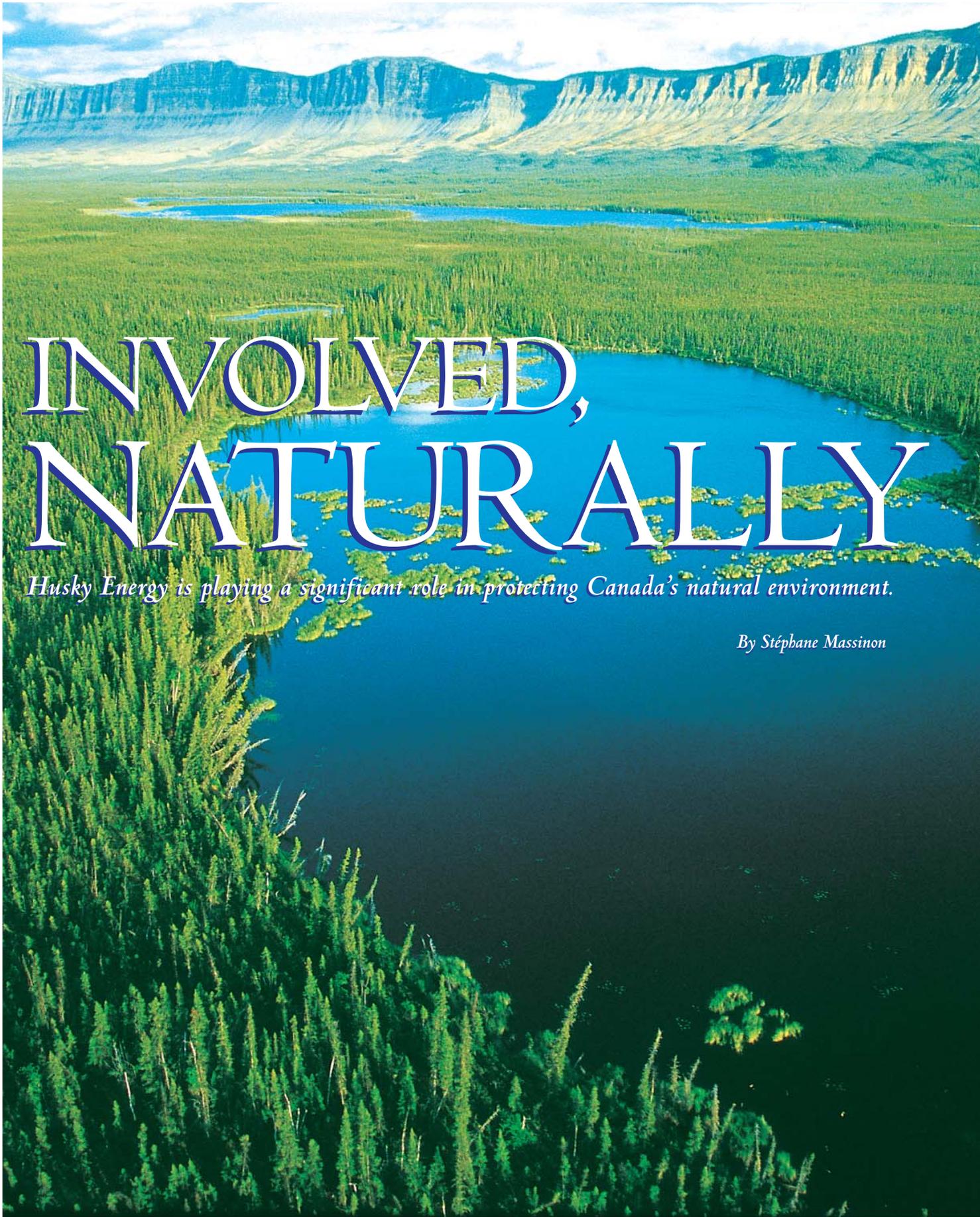
The Sporting Life

3 UK has entered into a partnership with **Sky Sports**. Under the June agreement, Sky Sports video news and action will be available to customers of **3** through their video mobiles. The service builds on **3**'s success with the **Barclaycard FA Premier League** highlights, which have proved popular with customers. The Sky Sports service will offer **3** customers the latest Sports News, Premier League Football News, European Tour Golf and Sky's weekly Soccer AM television show.



old mobiles into the Fonebak recycling boxes located in all 160 **3** stores around the UK.

When a handset is recycled through Fonebak's award-winning recycling scheme, it is dismantled, the batteries go to a specialist battery recycler, metals are extracted and used again, and the



INVOLVED, NATURALLY

Husky Energy is playing a significant role in protecting Canada's natural environment.

By Stéphane Massinon



The Vancouver Island marmot is soft, furry, and adorable, just like the teddy bears one might find in a toy store. These cuddly creatures might become the mascot for the Vancouver Winter Olympics in 2010, but by then they could also be extinct.

Logging has wiped out huge tracts of wilderness on Vancouver Island, on Canada's west coast, placing these unique creatures under extreme pressure. Fortunately, dedicated conservation efforts, supported in part by Husky Energy, hope to give the marmots a new lease on life. A substantial donation by Husky to the Calgary Zoo's endangered species research programme has helped zoologists devise a strategy to save the marmot.

Leading the way is Dr Axel Moehrenschrager, Head of the Centre for Conservation Research (CCR) at the Calgary Zoo. His work essentially involves concentrating on endangered species in Canada and developing ways to help them thrive.

Headquartered in Calgary, Husky has extensive oil and gas operations across Canada and in the South China Sea. It is also part of the Hutchison Whampoa

Group. Husky has invested significantly in conservation programmes over the past 20 years to help improve dire situations such as that of the Vancouver Island marmot so that future generations can find them some place other than in a gift shop or museum.

By funding conservation efforts, Husky demonstrates its environmental philosophy that the impact of industry should be offset by strategies to conserve the environment and protect ecosystems. Aside from the zoo programme, Husky supports a wide range of projects that demonstrate the value the company places on environmental stewardship and ecosystems.

Committed to Conservation

Conservation work, according to Dr Moehrenschrager, is analogous to working in an emergency room in a hospital.

"On the one hand we are scientists, we have to be able to withstand heavy scrutiny just the way any good





scientist would. On the other hand, we are forced into situations where you need to act based on the information you have, even if you feel you don't have enough information. It is like a patient coming into a hospital and you don't know what is wrong. At some point you need to try something. It's a mix between rational rigour and naïve passion."

Spencer Shepherd, Alberta Development Manager for Ducks Unlimited Canada (DUC), is equally committed to making a difference, in this case conserving wetlands



and water-fowl that inhabit them.

"DUC is the largest environmental not-for-profit group in Canada," he says. "We absolutely believe in the resource."

Wetlands are a very important part of the western Canadian ecosystem, filtering water and playing a sustaining role in the lives of 80% of all the plant, animal, fish and bird species that live in Alberta.

Husky's relationship with DUC demonstrates how industry and a not-for-profit group can achieve mutually beneficial goals.

Husky is a major leaseholder of the rights to drill for oil and gas in Western Canada. To gain access, the company must acquire surface or access rights from landowners or from those who have caveats on the land. By working with organisations such as DUC, Husky hopes to increase its ability to produce oil and gas on the reserves with reduced environmental impact and increased community awareness and support.

Whether it's the wetlands of the south where waterfowl can seem numerous beyond belief or the densely forested areas of the north, home of the woodland caribou, getting out of the cities is a spectacular reminder of the world that surrounds us.

For companies in the oil and gas industry, it can also be a reminder of the capacity to impact and influence even

the most remote areas.

Vast herds of caribou once roamed Alberta's wilderness. But throughout the 20th century the caribou population dropped steadily, and by 1984 the Committee on the Status of Endangered Wildlife in Canada classified them as threatened.

Currently, it is thought that there are only around 6,700 left in Alberta. If numbers continue to decline, caribou could be gone in our lifetime. There are various reasons to explain the dropping numbers, but the greatest threat comes from an unlikely alliance between wolves and man.

When areas of the vast northern Alberta wilderness were cleared for farming, logging or oil and gas exploration, corridors were opened that made it easier for predatory wolves to roam and satisfy their hungry stomachs with caribou meat.

The Right Thing

Having identified the problem, Husky and other companies took steps to correct the imbalance. As a result, the Caribou Range Restoration Project (CRRP) was created. It is comprised of eight oil and gas companies, including Husky, and is partially funded by the Canadian government.

Its goal is to help restore healthy caribou numbers by reducing the factors that



hurt the species. The CRRP restores shrub and tree vegetation, blocks corridors and re-establishes natural drainage patterns.

Carol Engstrom, a biologist with Husky, is on the management team of the CRRP. She believes that Husky can make a difference by “working together with other oil and gas companies, and by doing ground research to determine which methods are most effective in returning the historical footprint to viable habitat.”

As for why an oil and gas company should do this work, Engstrom explains: “If we are operating in an area where a species is threatened, it is part of our job to ensure their viability. It’s the right thing to do.”

Another example of efforts that go above and beyond can be found in Husky’s work around Moose Mountain in Kananaskis Country. An hour’s drive west from Calgary, this is a popular wilderness recreation destination on the eastern slopes of the Rocky Mountains. Since Kananaskis is such a popular tourist area and its mountainous ecology so precious, Husky has made every effort to reduce its impact. Before beginning the construction process for a new pipeline and oil and gas wells, Husky commissioned studies on wildlife, fish, vegetation, and rare plants. These efforts go much further than the regulatory minimum required for project approval.

Working on the conservation front and accomplishing lofty goals can be challenging when there are financial constraints. Limited budgets, a small number of staff and high administrative costs can soak up resources all too quickly. Financial support from the private sector is therefore always warmly welcomed.

Making a Difference

Financial help, especially large-scale contributions from industry, can make a huge difference. Similarly, work from volunteers also helps stretch a dollar. Committed volunteers, who ask for nothing more than an opportunity to help in a cause they believe in, are a major driving force in saving threatened species.

“You’re trying to do the best you can with limited resources,” says Shepherd of Ducks Unlimited. “You’re not working for a cheque, that’s for sure, but the payoffs are pretty significant. It has nothing to do with my job or with my core responsibilities, but I go out and I volunteer, and I have taught classes at my son’s school. It’s not a job; it’s a lifestyle.”

Funding is vital for sustaining conservation efforts. Believing in this capacity to make a difference, Husky contributes financially to many other programmes.

The Eastern Slopes Grizzly Bear Project (ESGBP) was established in 1994 when the community became concerned about

grizzly bear deaths, only to realise that inadequate scientific information existed to help save them. The ESGBP was formed to study grizzlies in the Alberta foothills and the Columbia River Valley. As a result of the project, much has been learned about the interaction between bears and humans. For example, 86% of all male and 75% of all female grizzly bear fatalities are caused by humans.

The study found that population numbers are actually rising, albeit very gradually. However, low reproductive rates are a concern.

“The population is so delicately balanced that the situation requires everyone to participate,” says Steve Herrero, ESGBP Steering Committee Chairperson and Research Supervisor.

When all is said and done, one question remains: can conservation efforts supported by companies such as Husky Energy achieve their goals in Canada? Although victories are earned the hard way, the answer is a resounding “yes.”



FINANCIAL FACT FILE

- Husky Energy Endangered Species Reintroduction Research Program – C\$200,000 (2003)
- Ducks Unlimited Canada – C\$320,000 (1999-2003)
- Caribou Range Restoration Project – C\$55,000 (2002-03)
- Eastern Slopes Grizzly Bear Project – C\$210,000 (1999-2003)
- Central Rockies Wolf Project – C\$24,000 (2001-03)
- Alberta Research Council Native Plant Program – C\$30,000 (2000-02)

BACK FROM THE BRINK

Husky is proud to have put its name to the Husky Energy Endangered Species Reintroduction Research Program, which was established in May 2003 to focus efforts on saving Canada’s most imperilled wildlife.

Husky donated C\$200,000 (approximately US\$146,000) to fund research at Calgary Zoo’s Centre for Conservation Research (CCR) and the gesture inspired an anonymous donor to double the amount.

Dr Axel Moehrenschrager, the Head of the CCR, studies swift foxes, whooping cranes, northern leopard frogs, and Vancouver Island marmots. They represent, respectively, some of Canada’s most endangered species. Apart from the marmots, the native habitats of these creatures are virtually on the doorstep of the Calgary Zoo, creating an ideal situation to study the animals while simultaneously working to re-introduce them into the wild.

The whooping crane is a good example of the zoo’s capacity to

make a difference, but also of the fragility of the work being done.

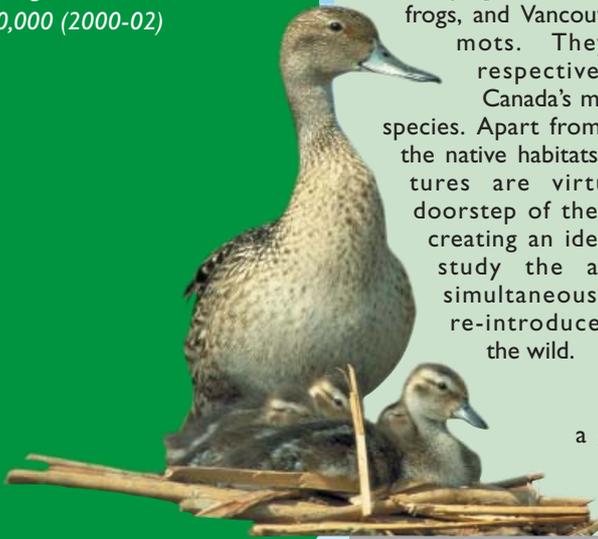
“There are 313 in the wild, which is up from about 15 in 1941, but it has taken an incredibly intensive effort in terms of establishing captive breeding populations and then reintroducing them to their natural habitat,” says Moehrenschrager. “But they are still extremely fragile. If a fire breaks out at a breeding site, or even if the water level drops in a swampy area, whooping crane numbers could begin to drop again.”

Moehrenschrager and his team work diligently to both understand the animals being reintroduced, and to ease their transition from captivity to wilderness.

Given some estimates that up to 50% of all species on earth could be extinct by the end of this century, it becomes clear just how important this work is.

“Our philosophy is that we work on environmental problems where science can help to develop solutions, and then apply them in the real world,” Moehrenschrager explains.

To learn more about this programme, you can check the website at: http://www.calgaryzoo.org/AboutTheZoo/ConservationResearch/husky_energy_2.htm





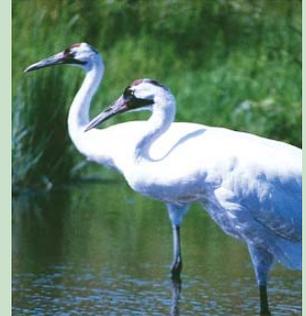
Northern Leopard Frog
In Alberta, northern leopard frogs (*Rana pipiens*) are designated as “threatened”. To re-establish populations, Alberta Sustainable Resource Development (Fish and Wildlife Division) and the Alberta Conservation Association initiated a reintroduction project in 1999. The Husky Energy Endangered Species Reintroduction Research Program is conducting studies to refine release site selections and broaden reintroduction efforts.



Vancouver Island Marmot
The future of North America’s most endangered mammal, the Vancouver Island marmot (*Marmota vancouverensis*), hinges on a successful captive-breeding and reintroduction programme. The CCR is studying the marmots’ behaviour to help maximise the success rate of future reintroductions.



Swift Fox
Swift foxes (*Vulpes velox*) were extinct in Canada by 1938. In 1983, a captive breeding and reintroduction programme was launched. By 1997, approximately 280 wild foxes had been re-introduced and releases were halted to allow research. Now, the CCR is striving to understand the swift foxes’ habitat needs, assess disease threats, and determine if the population is sustainable on its own.



Whooping Crane
In the early 1900s, only 15 whooping cranes (*Grus americana*) existed in the wild. Since 1996, the Calgary Zoo has bred and reared whooping cranes for re-introduction. They hope to improve hatching success and raise the number of whooping crane chicks available for reintroductions until the wild population is stable.





CATCHING ON

A surveillance system powered by the 3 network is helping the Italian Police Force ensure that crime doesn't pay.

By Mark Caldwell



Hooligans, gangsters, scoundrels, thugs, thieves, traffic violators and other miscreants in the picturesque Italian town of Pero have all been dealt a severe blow thanks to the introduction of an advanced new monitoring system called *VideoPatrol*, which allows the police to access live streaming video of crime hotspots while on the move.

The urban security system, jointly designed by 3 Italy and AP Systems (APS), is another example of the innovative developments being brought about by UMTS (3G) technology.

Situated in the province of Milan, Pero could hardly be described as a haven for criminals. In fact, it's a law-abiding town in which there is only one cop for every 3,000 inhabitants. Nevertheless the local police force had been under pressure to satisfy the dual requirements of manning the police

headquarters as well as providing a visible presence to the public.

Launched in April, *VideoPatrol* came about when the Pero Police Department approached APS, a systems integrator company, to help find a way to alleviate their staff-shortage difficulties. The problem was that the video monitoring centre at police HQ had to be manned at all times, effectively handcuffing valuable officers to their desks.

Realising that the solution lay in mobility, APS in turn approached 3 Italy to help design and implement a system that would deliver real-time video information in a mobile environment.

APS was already a partner of 3 Italy, involved in the mobile video company's *3 for Business* programme, which provides innovative communications solutions for professionals on the move.

"We have worked in Public Administration services since 1986 and

our customers have often asked us for this kind of service, but we never found the right technology to match their needs," said Renzo Bassetto, CEO of APS. "With UMTS we finally found real high-speed mobile services. 3 Italy helped us both in developing the service and in delivering the product to the customer."

Previously, police stayed in touch with headquarters via radio. But with *VideoPatrol* they have effectively transformed their patrol cars into mini-HQs, with the same access to information as they would get at head office.

"We have only ten policemen in a city of 30,000," says Renato Forte, head of the Pero Police. "We had difficulties in managing this city with such a small force and we needed to improve efficiency because Pero will host the Milan Fair [Europe's biggest trade fair] in 2005. With *VideoPatrol*, no one has to stay in

the office and every policeman can be in the field.”

The solution came in the form of a touch screen monitor linked to a rugged Windows 2000 PC and powered by a Fast Mobile Card (Pcmcia).

The devices can be installed on the dashboard of the passenger side of patrol vehicles and are linked to head office via 3 Italy's UMTS network.

Every patrol consists of two policemen, one driving, the second keeping an eye on the monitor.

With a simple touch of the monitor the PC starts up and, in a few seconds,

ing permits, identify the immigration status of an individual and access whatever information is available on the data banks.

Before the introduction of VideoPatrol, officers were effectively handcuffed to their desks

Wrongdoers who think they can operate under cover of darkness are also in for an unpleasant surprise. The cameras are equipped with advanced technology first developed by the mil-

Italy and beyond.

Not only is *VideoPatrol* a godsend for the police, but the new service also represents a great business opportunity for APS and 3 Italy with the potential to become a significant new revenue source. There are thousands of police patrol cars in Italy and APS is committed to selling at least 5,000 *VideoPatrol*

units by 2005.

“The *VideoPatrol* service has helped us demonstrate the real business usage potential of a 3G network,” says Ezio Peri, Sales Business Director of 3 Italy.



the monitor starts showing real-time video images provided by a network of cameras at special hotspots around the city, such as high-traffic junctions, central pedestrian areas, parks and schools. The cameras are linked to a streaming server, which in turn is linked to *VideoPatrol*. When *VideoPatrol* is on, a policeman can choose between different cameras and manipulate the received images for better viewing. The operator can zoom in, control the camera movements (up, down, right, left), improve the quality of the image, create a still image and even print it in the car.

When alerted by unusual movements, the patrol can make an immediate decision and quickly decide to go to the spot to intervene.

What's more, a keyboard and printer allow this integrated system to access the city database, making it possible to, for example, verify build-



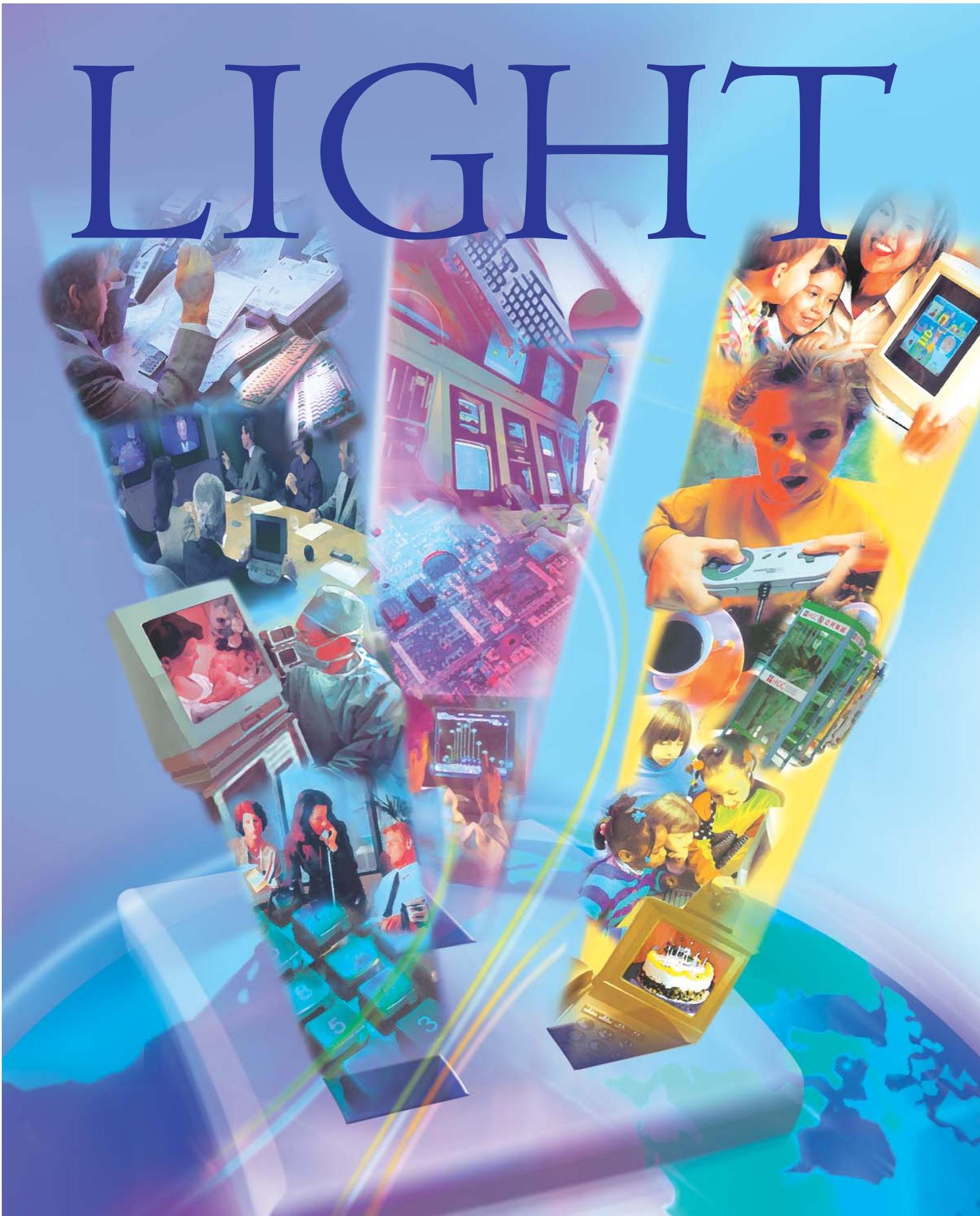
itary that allows the cameras to “see” at night.

To keep the system secure from unscrupulous hackers, it is recommended that customers develop *VideoPatrol* over an “InAzienda” secure Data VPN Solution (Cisco Ipsec). In this way, no one but authorised personnel can access the information.

Pero is the first city in Italy to deploy the system, but other cities will soon follow. In time, it is expected that *VideoPatrol* will become a standard tool in law enforcement across

“This service increases our network usage at night and grants us high ARPU [average revenue per user]. *VideoPatrol* has even helped us in deploying our network. The city of Dorgali, for example, originally denied us permission to install a radio base transmitter needed to further improve our services. Then they saw the advantages of *VideoPatrol* and asked us to implement the system, so they also agreed to let us install a new radio base station. Everybody is happy about *VideoPatrol* – everybody, that is, except the lawbreakers!” 

LIGHT



YEARS AHEAD

HGC has joined forces with Vanda and Powercom to offer end-to-end communications networking solutions that no other company can match.

By Arun Sudbaman



When Taiwanese businessman Jeffrey Chen set up a manufacturing operation in Guangzhou, there were several technological requirements that needed to be met. High-speed broadband networks that could effectively connect Chen's Hong Kong office with its Southern China and Taiwan affiliates were mandatory. He needed a range of computers, along with specialist software that would ensure that his business worked faster and smarter. He also needed engineers who could seamlessly integrate them into the network. Above all, Chen required one company that could swiftly meet all these needs. More than his *guanxi*, or business connections, Chen needed to get connected.

He called Hutchison Global Communications Holdings (HGCH).

For many businessmen like Chen, the range of networking, computing and software options can be bewildering. Typically, these products are offered by disparate providers who have little interest in

ensuring that their customers get a truly integrated service.

HGCH, on the other hand, offered Chen advantages that no other telecommunications company could. Not only does HGCH own one of the world's most advanced fibre optic networks, it also offers integrated information technology (IT) solutions that are tailor-made for each customer.

Over the past year, the company has taken significant steps to complete its service offering, and can now lay claim to being a genuine one-stop-shop.

The development was cemented through the merger in March this year of Vanda Systems & Communications, Hutchison Global Communications (HGC) and PowerCom Network Hong Kong. Hutchison GlobalCentre, the HWL Group's data centre operator, was also incorporated.

Vanda had already been listed on the Hong Kong Stock Exchange and the new entity was renamed Hutchison Global Communications Holdings under the original stock code (0757).

Pieces of the Puzzle

With Vanda and PowerCom representing the missing pieces of the jigsaw, the new company can now offer the full range of Information and Communication Technologies (ICT) solutions, along with cutting-edge “last mile” link-ups.

Vanda has built a strong regional reputation for supplying IT systems infrastructure and application solutions services. The benefits this brings HGCH’s business users are significant. When customers approach HGCH for broadband data and voice services, they can at the same time get IT systems that will seamlessly integrate with those networks.

“We can now offer software, computers and networking,” confirms Peter Wong, Chief Executive Officer of HGCH. “This is the perfect marriage for us because of our linked perspectives.”

For Chen, this has meant being able to focus on his company’s communications and operational requirements rather than the technology that makes it all happen. What’s more, if Chen needs to expand his business or if there is a problem with any part of the system, assistance is only a phone call away.

PowerCom, for its part, has created and patented a revolutionary system that allows the delivery of telecommunications services on the domestic power grid, via a simple power socket. This allows HGCH to roll out a cost-effective last mile network for installing broadband service in residential estates, hotels and serviced apartments, and ensures that older

buildings can also enjoy the benefits of HGCH’s fibre optic broadband services.

“You can simply plug your PC [personal computer] into any power socket,” Wong explains. “This is particularly good for buildings where the cabling is not good enough or is used up. Hong Kong is one of the very few places where powergrid technology is usefully deployed.”

The enlarged group is now uniquely positioned as a next-generation technology services provider. It is able to clearly differentiate itself both through its range of services and its geographical coverage in Hong Kong, Mainland China and Southeast Asia.

“The merger gives us powerful competitive advantages,” says Wong. “There is a lot of synergy between networking and computing, and now we can provide our customers with a total solution.”

The synergies do not end there, as Vanda and PowerCom will benefit from HGC’s stellar customer base.

For the first few years, we were more like a construction company than a telecommunications company

The Long Road to Broadband

HGC’s story recalls the age-old saga of the tortoise and the hare.

While many of its competitors floundered in a sea of short-term promotions, HGC quietly built a business that not only put it head and shoulders above its Hong Kong counterparts but also set new global standards.

NONE LEFT BEHIND

The power of HGC’s capabilities to facilitate the latest communications technology was well illustrated during the tragic SARS outbreak of 2003. The company wasted little time in linking its network to Hong Kong’s Princess Margaret and Wong Tai Sin hospitals, the primary recovery centres for sufferers of the contagious virus.

Thanks to HGC, quarantined patients were able to communicate with their families through broadband-based video telephony services, providing crucial eye-to-eye contacts with families and friends. HGC continues to provide the services.

This passion to leave no citizen behind is also evident in HGC’s successful broadband school project, which has seen the company deploy networks and computing equipment in 80% of Hong Kong’s primary and secondary schools.

The newly launched GigaNet School Fibre Broadband service, furthermore, allows schools with intra-school-networks to upgrade their bandwidths from 10Mbps to

100Mbps symmetrical broadband transmission, enabling applications with large bandwidth demand, such as on-line TV, video education and network storage.

HGC has also been at the forefront of a series of e-learning initiatives, in conjunction with the Chinese University of Hong Kong.

“The educational benefits of broadband technology can boggle the mind, particularly for my generation, who grew up with chalk and blackboards; typewriters and Tippet,” says Peter Wong, CEO of HGCH. “Using a high-speed school Intranet, students can send movie projects or music recitals and engage in distance remote learning courses.”

In a timely attempt to bridge the Mainland’s yawning digital divide, plans are afoot to extend this next-generation educational technology to Southern China. The Internet, of course, does not respect international borders and this step serves as an important reminder of the global nature of HGCH’s operations.

When HGC first began life in 1995, the communications world was a very different place. The Internet was just beginning to make an impact in Asia and few were convinced of the powerful benefits it could bring. For HGC, these were minor hurdles, and the company instead recognised the formidable advantages of high-speed fibre optic connectivity. Another big advantage was Hong Kong's topography. Many tall buildings packed into a small space afforded a perfect environment to roll out a network.

By opting to build a new network from scratch, HGC raised the standards to a whole new level. While much of the rest of Asia was still struggling with painfully slow dial-up services, Hong Kong began to harness the full power of Internet technology through broadband.

Importantly, rather than relying on the older variety of copper or coaxial cables, HGC deployed a full fibre optic network. The work was time consuming and labour intensive, requiring roads to be dug up so that the cable could be laid.

"For the first few years, we were more like a construction company than a telecommunications company," Wong recalls.

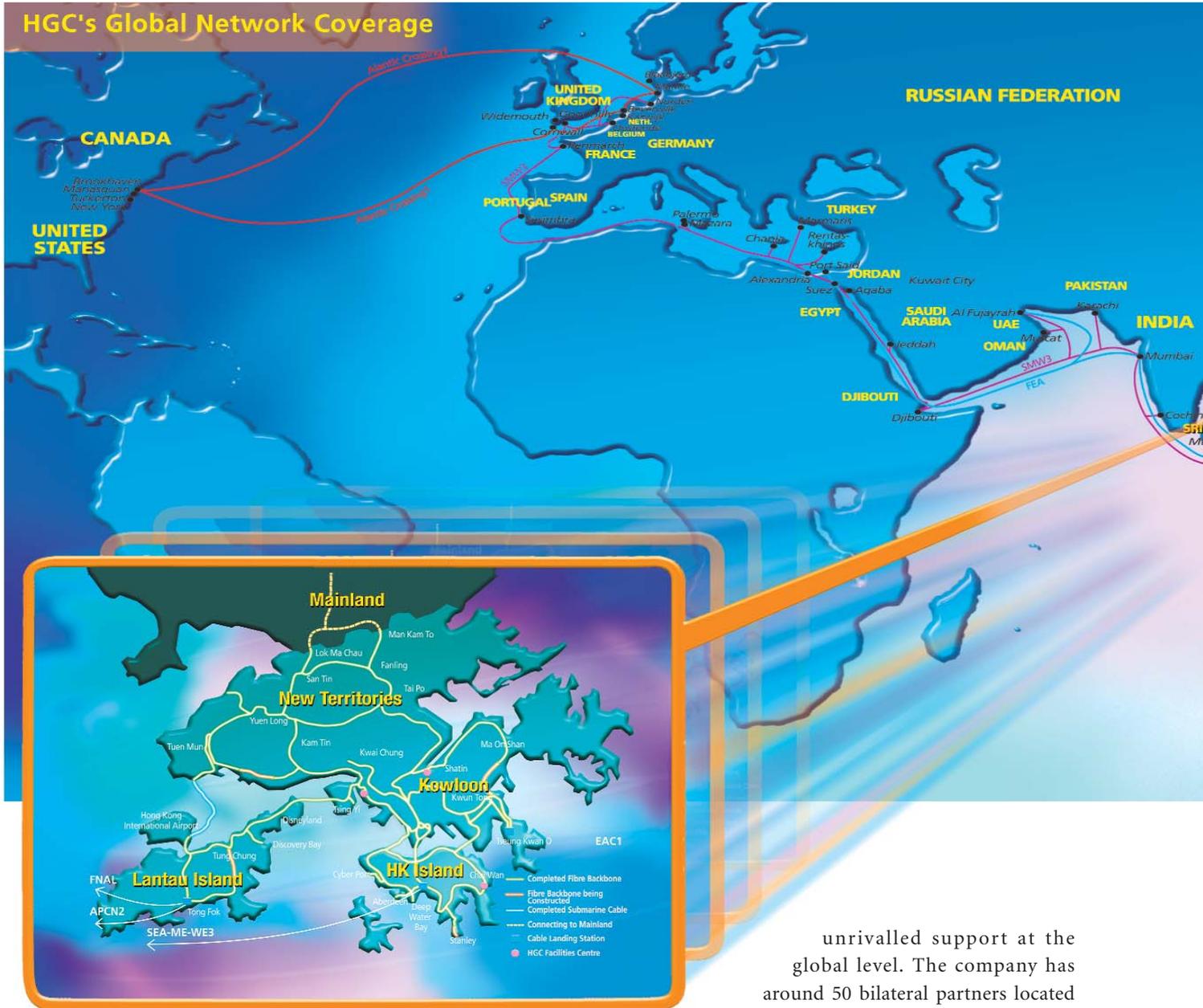
In nine short years, the company has proved that a little foresight (and substantial investment) can go a longway. By June 2002, the fibre optic

backbone was finished. Today, the company has rolled out a 4,000-kilometre ring across the territory comprising more than 700,000 kilometres of core fibre optic cable. Currently, some 4,000 buildings are linked directly to the network.

Backbone for Business

Today, the vast majority of Hong Kong's Internet subscribers use some form of broadband. By bucking the trend and investing in its own fibre optic network, HGC ensures networking speeds that verge on the futuristic. With the dedicated 10Mbps symmetrical broadband connections it provides, customers get





HOME ADVANTAGE: HGC has invested in its own fibre optic network in Hong Kong, delivering cutting-edge connections via more than 700,000 kilometres of cable.

one of the fastest commercially available download and upload speeds on earth.

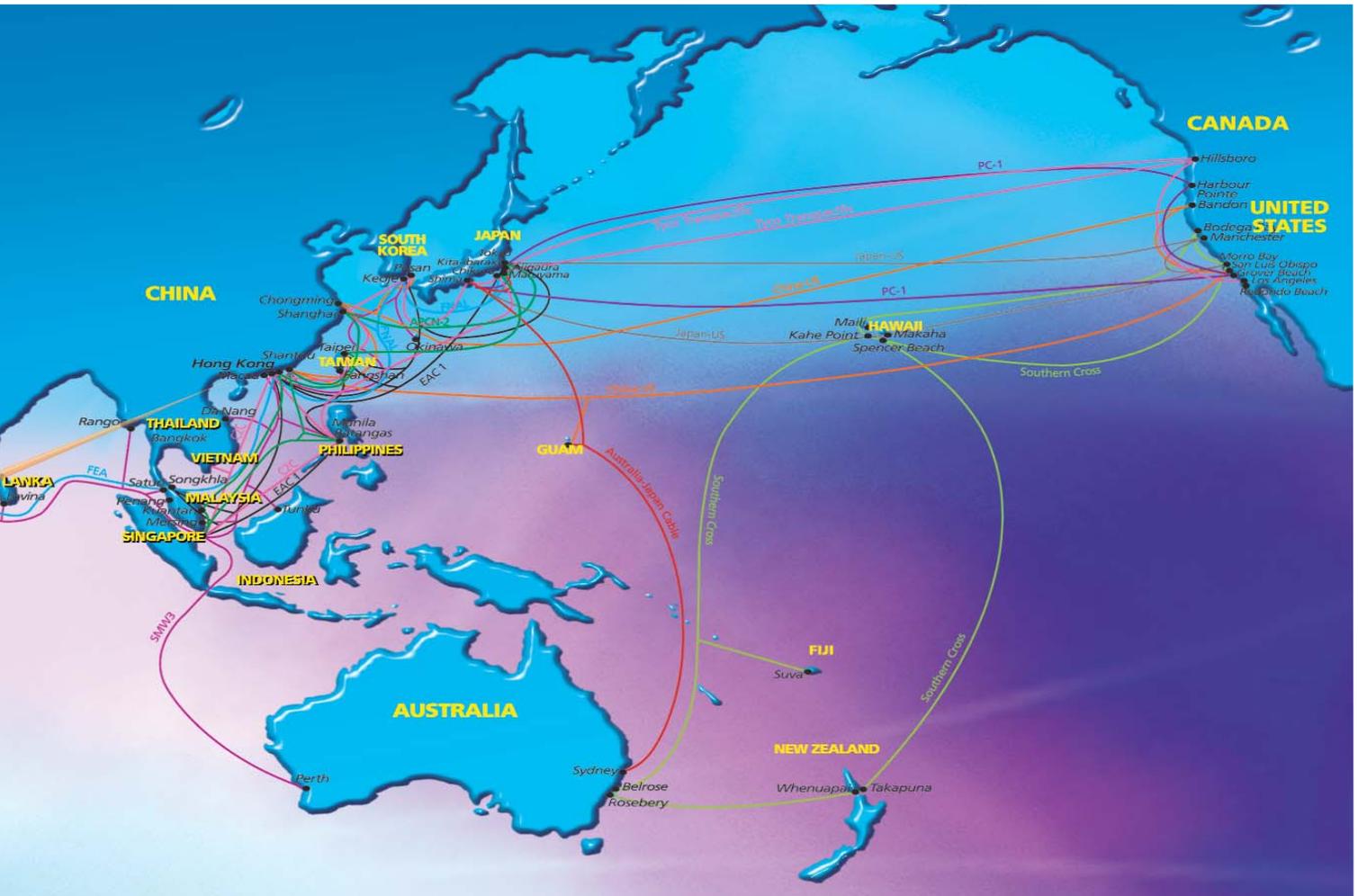
HGC enjoys the added benefit of three distinct revenue streams from its fibre optic network, in roughly equal measure. Besides providing a full package of local and international telecommunications services to both business and domestic users, HGC also leases its network capacity to other telecommunications operators and Internet service providers within Hong Kong and abroad.

Having built solid foundations in the local telecoms market, HGC is now extending its international network to emerge as a major carrier in the region and can offer its customers

unrivalled support at the global level. The company has around 50 bilateral partners located in different parts of the globe, and has earmarked funds for further investments in upgrading technologies and establishing self-owned telecommunications facilities in markets with high potential. Where appropriate, HGC avoids excessive capital investment commitments through co-operating with key local players.

HGC ensures its customers of networking speeds that verge on the futuristic

For any business worth its salt, the combination of broadband and IT technology can provide real competitive advantages. With broadband, e-commerce becomes a realistic proposition, rather than a gleam in the IT manager's eye. Similarly, with today's businesses demanding the kind of bandwidth that enables video-telephony and Ethernet networking, HGC's investment in infrastructure is proving an inspired decision.



GLOBAL VILLAGE: HGC concentrates on providing customers with a seamless global offering. The company has 50 bilateral partners around the world and plans to invest further in promising markets.

“This is world-leading technology,” confirms Wong. “As a result of HGC’s work, Hong Kong is now one of the most connected cities in the world.”

For residential customers, meanwhile, HGC has begun to make tangible the promise of digital media and interactive television. Users can now watch streaming video or utilise video on demand with considerable ease, while Hong Kong’s gaming community can take advantage of cutting-edge upload and download speeds to engage in true interactive gaming with enthusiasts from across the globe.

Further demonstrating high-speed broadband’s capacity to entertain, HGC in April joined forces with Microsoft’s *Xbox Live* for ultra-fast online gaming (see sidebar, p.25).

Global Links

Much of HGC’s recent work has revolved around providing its customers with a seamless global offering, and

the company draws on the well of technological innovation to pace this growth.

For HGC’s business customers, Local Area Networks (LANs) serve as the nerve centre of their daily operations, enabling them to manage their knowledge through an efficient system of integrated computers. HGC has taken this concept one step further through its provision of a MetroEthernet service, which essentially allows companies to replicate their office LANs on a global scale. Wong is understandably enthusiastic about this development.

“The MetroEthernet service expands LANs to cover, for example, the whole of Hong Kong using Ethernet technology,” he explains. “This allows high-speed inter-office technology.”

For companies with factories in Southern China and offices elsewhere, this kind of technology becomes compelling. Head office can monitor inventory control at its factories at the

Hong Kong is now one of the most connected cities in the world

touch of a button, and can initiate a face-to-face video conversation with the factory manager to discuss the issue further. And all at speeds that would make you think the office was next door rather than hundreds of kilometres away.

The building blocks for this powerful service can be found

DELIVERING COMPUTER POWER

When large companies or government departments in Asia need computer solutions, they generally turn to the Vanda Group.

Founded in 1982, the company specialises in delivering one-stop-shop information technology (IT) systems infrastructure and application solutions services.

One of the first entrants to import foreign PCs into China, Vanda operates across an extensive geographical range, spanning Mainland China, Hong Kong and Macau through Singapore, Malaysia and the Philippines. The company collaborates with global IT partners employing a wide range of application software, databases, hardware and development tools.

Its cutting-edge technologies and solutions are widely adopted by diverse industries including major banks, financial institutions, posts and telecommunications companies, utilities companies and government departments. Approximately 80% of Vanda's clients are banks.

Vanda is also the IT solutions provider for the HWL Group and became a member of the Group when it merged with Hutchison Global Communications and PowerCom in March 2004.

Among the company's numerous awards, it was named "The Best Solution Provider 2004" by IBM.

in HGC's unparalleled international communications network. Since 2000, its local network has been directly connected to China Telecom's network in the Mainland through the Guangzhou-Shenzhen-Hong Kong synchronous digital hierarchy ring. This enables data traffic to and from China to be directly routed through Hong Kong.

"Demand is high in Southern China because of the number of people operating factories there," Wong confirms. "We now have the biggest capacity for connections to that region."

Meanwhile, the company has also been rapidly expanding its international presence, through a resilient international submarine cable system. It also has a global business network with points of presence and offices set up in China, Malaysia, the Philippines, Singapore, Taiwan, Thailand, and Los Angeles in the US.

The driver is simple: to provide customers with the same high-quality services, regardless of their actual geographic location.

With these overseas presences and ancillary facilities, the company is poised to grow into one of the region's leading telecoms service providers.

Well Connected

Wong is quietly confident about HGCH's long-term prospects, particularly as its infrastructure also offers the crucial flexibility to be easily upgraded, both in terms of capacity and speed.

"We have the technology and network to provide much higher speeds as market demand grows," he says.

The continued march of technological progress also ensures that HGCH is finding new ways of making its network services



relevant to an increasingly connected society. The company maintains close contact with the other operations of the HWL Group and is quick to capitalise on potential synergies, whether it be driving convergence with 3, Hutchison's global 3G operations, or supplying superior capabilities to the 2G network of Hutchison Telecom (HK).

For the first time since its inception, the company recently turned a net profit and will soon begin reaping dividends

from its HK\$10 billion investment.

"We will go from strength to strength," Wong predicts.

For businessmen like Chen, the old Chinese concept of *guanxi* – a network of relationships among various parties for mutual benefit – is not the only currency that matters. Broadband connections have become equally vital. As Chen discovered, it is HGCH's ability to successfully anticipate and meet all its customers' needs that truly sets it apart. 

GAME PLAN

When HGC launched the world's first International Ethernet connection to South Korea in March 2004, the service kicked off with a friendly video football match against Hong Kong.

"It was incredibly clear and realistic," recalls Peter Wong, CEO of HGCH. "This is very exciting for gamers."

While the match ended in a draw, the friendly encounter marked a major milestone in the international evolution of broadband technology.

It was the first time that two markets had established a direct Metro Ethernet link with each other across geographical boundaries, allowing users on both sides to interact at the same high speeds they would expect if they were in the same room. Known as an Inter-autonomous System International Ethernet Network, the link-up was the first of its kind in the world, and uses Virtual Private LAN Service.

For ardent gamers, the benefits are obvious. Internet

gaming is overwhelmingly reliant on the kind of ultramodern bandwidth levels that HGCH can now provide – allowing users at different terminals to seamlessly integrate data-heavy graphics, animation and sound for the perfect gaming experience.

HGC has also partnered with Microsoft to ensure that its residential broadband service is Xbox Live compatible. This means Xbox users can use HGC broadband to talk and compete with nearly 750,000 gamers in the global Xbox Live community.

While the older generation may scoff at the benefits of letting their children waste more time playing video games, it is worth noting that online gaming is rapidly becoming a point of entry for the younger generation. These kids will soon enter the real world, where their automatic knowledge of HGC's superior broadband applications will be of real value when they become decision makers themselves.





DIVINE WINES



Watson's Wine Cellar is changing the way people in Hong Kong buy wine and looking to expand the concept further afield.

By Tim Metcalfe



Do you know your Chardonnay from your Semillon? Or your *Chateau Lafite* from your *Chateau Latour*? Or your 1993 vintages from your 1983s?

Do you detect cherries or a slight oakiness in your *Pinot Noirs*? Is your favourite *Sauvignon Blanc* citrusy or herbal?

Confused already?

Like most of us, you probably feel embarrassed when you admit that you are clueless about wine.

Relax. You're one of the vast majority who simply enjoys wine, but is not so devoted to it as to know every single

aspect of what is basically a simple, old-fashioned drink.

After all, when you order a steak, do you ask for the name of the hapless beast's grandfather, what farm it came from, or what year it was born? Do we discuss superior years for harvesting coffee? Of course not.

Doesn't it really come down to just two things: Is it in my price range? Will it taste good with the pasta, chicken, or seafood I'm having for dinner?

The fact is, there are two distinct varieties of wine buyer – the aficionados, sommeliers, connoisseurs or oenologists who have studied it, and

those who haven't. And most of us fall into the latter category.

Pure and Simple

Herein lies the challenge for Watson's Wine Cellars, the biggest and most popular wine retailer in Hong Kong, as it embarks on an ambitious initiative to expand globally by evolving, innovating and adapting a retail strategy specifically devised to meet the needs of modern wine culture.

"Wine is surrounded by too much mystique," says Christian Nothhaft, Director and General Manager of A.S. Watson Wine. "For most of us, it's intim-

identifying, and we are too shy to ask for advice. It's admitting you don't know anything about the product when the wine community makes you feel you should. But you have to remember that wine connoisseurs are an elite group."

Paul Liversedge, General Manager, Watson's Wine Cellar HK, concurs: "Many consumers in Hong Kong are already well educated in fine wines," he says. "They are generally high-income individuals and we also supply top hotels, restaurants and clubs. But a far greater number don't know much about wine, so we are trying to make it easier for ordinary people to understand."

The key to success, of course, is being able to supply the best wines at the best prices so customers can be sure of getting a quality product they will enjoy,

whether they are knowledgeable about wine or not.

In charge of day-to-day operations, Liversedge also spends much of his time buying.

Watson's is taking its wine out of the elite's stuffy cellar

"To make sure we have the right wines, we read a lot, we go to major wine fairs around the world, and we try our own producers' wines," he says. "Tasting is very important. We taste everything before we stock it. We keep up to date with the latest vintages and compare them with what we've got. If we see wines we don't have that are highly rated, we make an effort to get them."

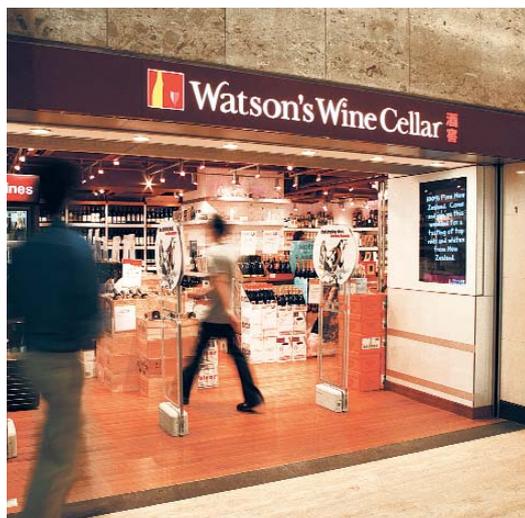
Concept and Culture

In response to what it has identified as a vast, untapped wine-challenged market, Watson's Wine Cellar, in a metaphorical sense, is taking its wine out of the elite's stuffy cellar.

As the company embarks on expanding in Hong Kong, the image of a traditional cellar's wine-racks and subdued lighting is on the way out.

In its place is a light, bright new look and philosophy – initially pioneered at new outlets in Central and Causeway Bay, but ultimately to set the benchmark for the entire chain, which is eyeing opportunities to develop the concept both elsewhere in Asia and ultimately in Europe.

At the new store in Central in the heart of Hong Kong's business dis-

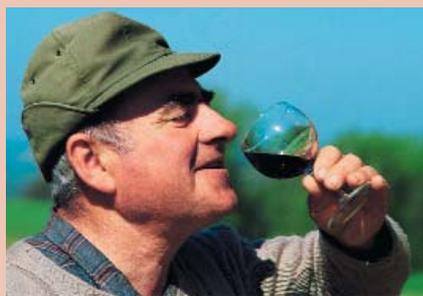


GOOD, BETTER, BADARACCO

When Thomas Jefferson sailed back to America from Europe in 1789, he travelled with a selection of fine French wines. To ensure that no one would substitute his bottles for inferior vintages during the long voyage, the future President of the United States personally signed each one.

Today, two of those original bottles, a 1784 and a 1787 vintage, are the oldest in Badaracco's impressive collection.

"Their value would be whatever someone was willing to pay," says General Manager Stefan Graf, "but



the company is not selling."

Founded in Lugano on the Swiss-Italian border in 1879, the company is today a leading wine trader with one of the largest vintage wine collections in Europe, which numbers approximately 750,000 bottles.

Celebrating its 125th jubilee this year, Badaracco was bought by Hutchison in 2001 as a springboard into the European market.

The acquisition was seen as a good investment as the price was close to the value of its store of rare and prestigious vintage wines.

The collection includes one of the world's biggest selections of large-format (three-18-litre) bottles of old wines, including a classic range of rare 40-50-year-old Italian vintages.

Badaracco specialises in acquiring private collections from all over Europe, both privately and at auction, for onward sale. The Badaracco Price List is a valuable guide for wine buyers everywhere and the company receives daily orders from collectors and

for special events.

The company also supplies quality vintages to Watson's Wine Cellar and is set to play a significant role in expansion plans into the European retail market.

An increasing demand for wine tasting at Badaracco's cellars sees regular groups of up to 60 people attending.

On the staff of 15 is Paolo Basso, the world's No 2 sommelier. He will take part in the World Sommelier Championships in Athens during the 2004 Olympics.

Badaracco also produces *Ratafià del Ticino*, a traditional Swiss-Italian walnut liquor.



trict, the gulf between the average punter and connoisseur even extends to floors. At street-level are the affordable New World vintages. With few priced over HK\$200 and some bottles as low as HK\$88, the wines are in everyone's range, despite the 80% government tax.

Step up the stairs, however, and you know you're going to be spending more. Here, customers explore the pricier "Old World" of French *champagnes*, *Bordeaux* and *Burgundies* alongside up-market vintages from the Rhone Valley, Germany, Spain and Italy.

There are still bargains to be found, with *champagnes* costing from HK\$200 and some decent French country wines at half that price, but most vintages are beyond most budgets – especially in the temperature-controlled Fine Wine Room, which is stocked with *Grand Cru*, *Premier Cru* and ancient Italian rarities, and where a *Chateau Lafite*

Rothschild 1982 will set you back HK\$10,900. Here, each bottle is not only kept inside the room under lock and key, but has its own individual security tag.

With around 9,000 wine-producing *chateaux*, and 13,000 wine growers in the Bordeaux region alone, Fine Wine Manager Jeanette Peterson's role is crucial in ensuring that the Fine Wine Rooms stock the very best vintages the world has to offer.

"Fine Wines is a very specific area," she says. "It can be difficult to get access to them because of worldwide demand. We travel regularly to Bordeaux and other regions to taste from the barrel and persuade suppliers of the importance of our company. Customer relations is also very important. Because of the high cost, they want to talk about Fine Wines before they buy."

A new concept within this Fine Wine retreat is a mini-club-style seating area

with wine magazines and reference books so enthusiasts can relax and take time to select what they want. Music plays in the background and customers can also watch Plasma TVs for information on current promotions, wine production techniques and vineyards. Also scheduled are regular "Meet the Maker" tastings with touring winemakers and *chateau* owners.

"As a specialist retailer, we are a bit like a cigar divan," Nothhaft elaborates, "we're trying to make the customers feel at home. It's all part of upgrading our overall concept and culture. Like Starbucks or Pacific Coffee, we're presenting wine in a modern, consumer-friendly way that suits metropolitan societies. Why sell wine from cellars anyway? We want to make Watson's Wine Cellar a place customers want to come back to. If you push customers in and out, they tend to feel uncomfortable and leave

TASTEFUL INVESTMENT

Extending wine retailing to an investment level, Watson's Wine Cellar this year started offering wine futures, also known as *en primeur*, over the counter for around a hundred top 2003 *Bordeaux* vintages.

While the wines are not scheduled for bottling until 2006, customers can purchase the rights to cases in advance.

Just as with buying futures in coffee, sugar or pork bellies, the main advantage of buying *en primeur* is the price.

Prestigious wines can easily double in value by the time they come to market.

A wine priced in shops at HK\$1,000 a bottle, such as *Chateaux Clerc Milon* for example, sells *en primeur* for under HK\$300.

Wine futures are also exempt from government tax, which is 80% in Hong Kong. Although tax is payable if the wine is eventually delivered, the savings are still substantial and customers can alternatively store their vintages in European cellars.

They can also trade the futures cer-

tificates at any time before the delivery date, and the market value constantly changes.



Wine futures are limited in their availability. Even Watson's Wine Cellar doesn't know exactly how many cases it will be allocated by each *chateau*, so a first come, first serve policy has been adopted.

"When we are informed of our allocation, and calculate how many cases we can spare, customers are contacted for payment in order of the time they reserved the wine," explains Jennifer Tse, cluster manager of the new Watson's Wine Cellar store in Central.

Leading *chateaux* only offer futures for a limited period, usually between April and July, ahead of the following year's harvest.

"We only just started with futures this year but the market is already popular," Ms Tse adds. "For wine enthusiasts, it's an interesting form of investment. For me, it's a bit like being a stockbroker!"

with their money. The interesting thing about letting customers sit around and reflect is that they spend more. And if they don't buy today, they will come back and buy tomorrow. People who are comfortable with a brand usually buy the more expensive line of products."

From Label to Table

So where does all this leave the customer who only wants a suitable bottle to go with his dinner but doesn't have a clue where to start looking?

Alongside the grape variety and price, Watson's Wine Cellar also labels every bottle with essential food-matching tips and, if available, the vintage's official tasting "score", marked up to 100, by

wine guru Robert Parker and *Wine Spectator* magazine, two of the best-known arbiters of fine wine.

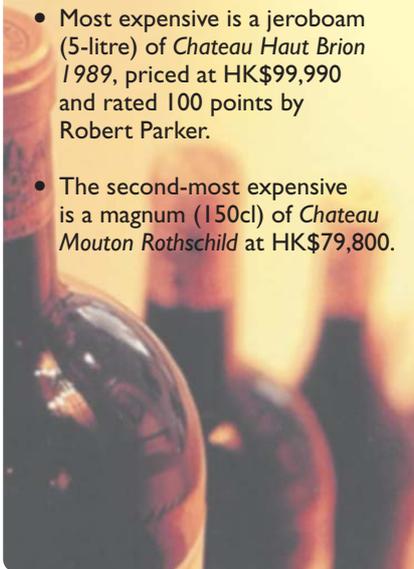
In another industry breakthrough, Watson's Wine Cellar is taking wine retailing hi-tech with interactive "Wine Kiosks", which are easy-to-use computer screens linked to a data bank. Every bottle has a barcode, which the computer identifies to screen a host of information about the particular vintage. They offer an individual food-matching tip.

"As far as I'm aware, nobody else in the world does this," says Liversedge. "It takes a great deal of effort to keep the system updated, but it's worth it if you want to give the best service."

Most revolutionary of all, however, is a

FACT FILE

- More than 2,000 varieties of wines in stock.
- Approximately 500 French wines, 100 Champagnes and sparkling wines, 300 Australian wines, and 200 American wines.
- More than 500 wines are exclusive to Watson's Wine Cellar.
- The oldest bottle in the Fine Wine collection is a *Chateau Lafite Rothschild* 1903 in a hand-blown bottle with original label and cork. Price: HK\$22,880.
- Most expensive is a jeroboam (5-litre) of *Chateau Haut Brion* 1989, priced at HK\$99,990 and rated 100 points by Robert Parker.
- The second-most expensive is a magnum (150cl) of *Chateau Mouton Rothschild* at HK\$79,800.



function for the completely lost and confused. No idea what you want, except that it should go with your Thai salad or English roast beef?

Simply select your cuisine type on the kiosk's touch-screen, click on a sub-section of dishes within it, and the computer delivers a list of suitable wines, complete with a "dollar-rating" from "\$" to "\$\$\$\$\$".

From the data bank, it emerges that German *Rieslings* and *Semillons* can complement a traditional Cantonese menu. For an Indian curry, try *Beaujolais*, *Burgundy* or *Cote du Rhone*, especially *Pinot Noirs*.

"The pairings are constantly being increased," says Liversedge.



QUEST FOR THE BEST

Quality, value-for-money wine is the benchmark for selecting around 2,000 vintages for sale at Watson's Wine Cellar outlets.

"We won't list a wine unless we feel it is excellent for the price," says General Manager Paul Liversedge.

Selecting from the vast amount on offer around the world is an art form by itself – and every single vintage is tasted before going on sale.

For *premier cru* Bordeaux classics, fine wine buyer Jeanette Paterson attends exclusive tastings at all major *chateaux* twice a year for a fore-taste of forthcoming wines from the barrel.

A watchful eye must be kept on vintages that are highly rated by top wine journalist Robert Parker.

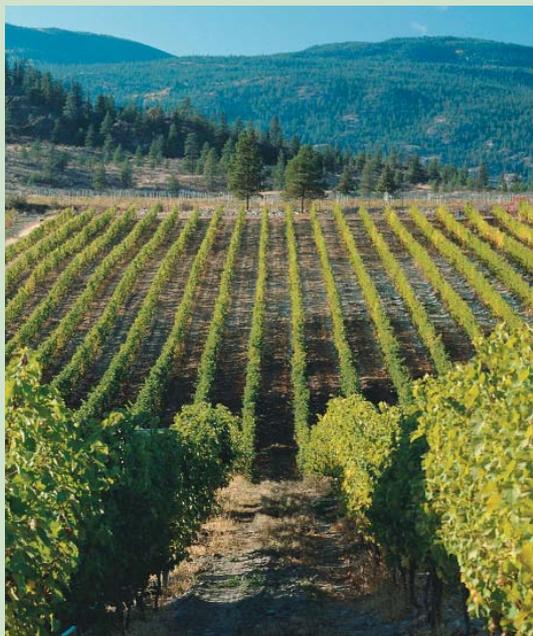
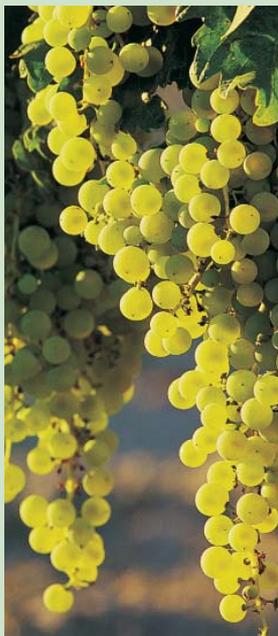
"Everyone in the world wants these including our Hong Kong customers," says Liversedge.

But Watson's Wine Cellar also tours the lesser-known *chateaux* from the sub-regions of Bordeaux, in search of outstanding value.

"The idea is to source Fine Wines at different price points that are more accessible to the market, if we can get in there before experts like Robert Parker, all the more satisfying for us and the customer, because it means that value is better."

Beyond the famous *Bordeaux* and *Burgundy* vintages, Watson's Wine Cellar sources from across the globe, including Australia, New Zealand, South America, South Africa, the US and across Europe.

Along with New World buyer Candice Chan, Liversedge also attends numerous international trade shows. "They are all in one place, so it's a convenient way to taste a lot of wine," he says.



A PASSION FOR WINE

It's very rare for a company to encourage its staff to "drink on the job", but that's exactly what Watson's Wine Cellar does.

Hong Kong's leading wine retailer has embarked on a programme to tutor all staff up to international standards in wine.

"It's part of our mission to create the best wine shopping experience in Asia, says Ross Edward Marks, Manager for New Business at Watson's Wine Cellars.

Marks is highly rated worldwide as a top sommelier and he regularly oversees tastings with staff to keep them abreast of new offerings in the stores.

What's more, around 50 staff are undergoing comprehensive training in conjunction with the London-based WSET (Wine & Spirit Education Trust).

"Our goal is to have sales staff deeply informed about our entire product range," says Marks.



Training will bring staff up to intermediate level wine knowledge, and those demonstrating an ability to handle university-style learning

and who are especially enthusiastic may subsequently be offered advanced-level training, although this HK\$70,000 qualification is "not being offered yet".

To facilitate the programme, Watson's Wine Cellar successfully applied to become an official Approved Programme Provider for the WSET, which is approved by the British government as a national awarding body of vocational qualifications.

Marks himself is an Approved Tutor for the programme.

Ultimately, Watson's Wine Cellar hopes to offer WSET tutoring to interested customers as well.

"The idea is to offer mini-courses on Bordeaux wine, for example," says Paul Liversedge, General Manager, Watson's Wine Cellar HK. "We want to make people aware that we're not just a big company selling wine, but contributing to local wine culture."

Better still is the advantage Wine Kiosks present to wine retailing in a multi-cultural and multi-lingual society like Hong Kong. The write-ups are also in Chinese and Korean, with more languages on the way, including Japanese.

On the Grapevine

Looking into the future, Christian Nothhaft doesn't see any reason why the kiosks can't stand as miniature wine outlets in their own right.

"Why not?" he asks.

"I could imagine the day when every office or housing block has a wine kiosk, like they have soft drink dispensers. Or you could choose a wine, pay for it and have it delivered to your home later. They have dispensers for everything in Japan already, so why not wine?"

Watson's Wine Cellar sees a local market saturation point at about 15 stores, a target it will reach within the next year.

Despite its relatively junior standing in wine retailing (the first store opened less than a decade ago) Watson's Wine Cellar sees expansion potential in both Asia and Europe.

A Hong Kong retailer making waves in the bastion of "Old World" wine may sound unimaginable, but Nothhaft believes this vision is realistic.

Taking wine retailing hi-tech with interactive kiosks

"Firstly, given the huge consumption of wine in Europe, with customers willing to pay relatively high prices for good quality, there is a fairly low penetration of specialist wine stores," he notes. "Most Europeans buy their wines in supermarkets."

The most significant passport to Europe, though, is the ASW group itself.

As part of the cash-rich global

Hutchison Whampoa conglomerate, the company can expand with relative ease.

Apart from controlling more than 1,100 retail outlets across Asia already, ASW operates some 2,600 health & beauty stores in 18 countries across the UK and Europe.

"We are probably one of the most competent retailers in the world, and in Asia we are one of the few companies with a balance of business in Europe as well," says Nothhaft. "So we should be able to find a formula to expand wine retailing. We have the expertise to do it."

Proposals for expansion are already on the drawing board.

"It's an unbelievable opportunity," Nothhaft adds. "Most other wine companies are relatively small, often with problems of cash-flow and being squeezed by supermarkets and wholesalers. We just don't have the same problems. We have all the backing and resources we need to expand." 