

chairman's statement

“ We pride ourselves on our state-of-the-art fibre-to-the-building network infrastructure, recognized as one of the most advanced not just in Hong Kong but also in the world. Our network enables us to offer a whole spectrum of voice, data, video, multi-media and broadband applications at a very high transmission speed. As we continue to expand our network coverage in Hong Kong to reach more than 1.2 million households and over 5,000 buildings, we are now providing premium telecommunications services to all segments of the territory's residential and business markets. ”

“ In terms of revenue and profit growth, we believe the performance of the Group's telecommunications business compares very favourably with those achieved by the other fixed telecommunications network licence holders in Hong Kong. ”

Results

We are pleased to report that following the combination of Vanda Group¹, HGC Group² and PowerCom Group³ in March 2004, Hutchison Global Communications Holdings Limited (formerly, Vanda Systems & Communications Holdings Limited) (the “Company”) and its subsidiaries and associates (the “Group”) achieved strong growth in all areas of their business. Such growth translates into profit attributable to shareholders for the year ended 31 December 2004 in the amount of HK\$97 million, representing an improvement of 83% over the previous year. Basic earnings per share increased by 37% to reach 1.48 cents. In terms of revenue and profit growth, we believe the performance of the Group's telecommunications business compares very favourably with those achieved by the other fixed telecommunications network licence holders in Hong Kong.

Dividend

Despite the net profits⁴ recorded over the past two years, the Company is not in a position to pay a dividend until its accumulated losses from previous years are written off. Management has been focusing on the necessary formalities to be addressed for eliminating such accumulated losses in order to place

the Board in a position to consider recommending a dividend payment in the near future. For the year ended 31 December 2004, the Directors do not recommend the payment of dividend.

Operations

During the past year, competition intensified in all segments of the telecommunications market including those segments which had previously been dominated by a limited number of operators. Such intensive competition resulted in severe price erosion and caused several well-established players to exit the market. As prices have fallen to very affordable levels, consumers increasingly favour operators which can provide superior technical and service qualities, reliabilities and value added solutions.

We pride ourselves on our state-of-the-art fibre-to-the-building network infrastructure, recognized as one of the most advanced not just in Hong Kong but also in the world. Our network enables us to offer a whole spectrum of voice, data, video, multi-media and broadband applications at a very high transmission speed. As we continue to expand our network coverage in Hong Kong to reach more than 1.2 million households and over 5,000 buildings, we are now providing premium telecommunications services to all segments of the

¹ Vanda Systems & Communications Holdings Limited and its subsidiaries and associates

² Hutchison Global Communications Investments Limited and its subsidiaries

³ PowerCom Network Hong Kong Limited and its subsidiaries

⁴ Net profits represent profit attributable to shareholders as shown in the consolidated profit and loss account for the year ended 31 December 2004 and 2003 respectively.

chairman's statement

6

territory's residential and business markets. The superior quality of our network is attested by the many recognitions from consumer bodies and market commentators over the past years.

Building upon this solid foundation, the number of subscribers for our residential voice and broadband services grew by 17% to 248,000 and 47% to 175,000 respectively over 2003, and our data service revenue improved by 13% during the year, amid significant price fall. Our clients include all major fixed-line and mobile service providers, many international retail and investment banks, a large number of statutory and quasi-governmental bodies, hospitals, schools and some mission-critical institutions like the Hong Kong Jockey Club. Recently, content service providers like Galaxy Satellite Broadcasting Limited ("Galaxy") chose to cooperate with us to deliver innovative infotainment contents to Hong Kong households and fast growing global Internet telephony provider, Skype Technologies S.A. ("Skype"), entered into a co-branding agreement with us to promote their service in the territory. It is expected that these cooperations will increase customer intake for our residential broadband services and add to the range of bundled products we can offer to our customers. It also demonstrates our distinctive position within the industry making us the partner of choice for launching new broadband applications and services.

On the international front, we have established an international team to provide regional and international telecommunications services several years ago. In anticipation of an upsurge in demand as prices continue to fall, the team has forged strong alliances with major

telecommunications operators across the globe and has established presence outside Hong Kong including Malaysia, the Philippines, Singapore, Taiwan, Thailand and the United States, and in Mainland China – Beijing, Shanghai and Shenzhen. These arrangements allow the Group to deal directly with carriers and corporations with local and regional presence for the provision of a full range of telecommunications services. In 2004, we have more than doubled our traffic volume and capacity with such carriers and corporations for both voice and data services. By the end of 2004, our interconnection arrangements with international carriers stand at 77, an increase of 30 over last year.

Our international platform spans and connects to many major countries across the globe as well as emerging markets such as Vietnam and Russia. The platform is established on basis of indefeasible right of use and leases together with a variety of cooperation arrangements with international operators. Playing a leading role in the industry, we established in 2004 the world's first Ethernet to Ethernet services with top broadband carriers in South Korea and Taiwan. Recently, we have also embarked on the setting up of a private Internet peering arrangement with PCCW Limited and New World Telecommunications Limited to strengthen our management of bandwidth and Internet access. For communications to and from Mainland China, our direct connections with major mainland operators are capable of delivering a transmission speed of 22.5 Gbit/s (gigabits per second) which exceeds those offered by any other fixed-line telecommunications operators in Hong Kong with direct fibre land links to Mainland China. Our international

“*Our clients include all major fixed-line and mobile service providers, many international retail and investment banks, a large number of statutory and quasi-governmental bodies, hospitals, schools and some mission-critical institutions like the Hong Kong Jockey Club.*”

circuits are directly connected to our self-managed local loops in Hong Kong, enabling us to provide one-stop services to our customers.

Our telecommunications services division contributed EBIT of HK\$174 million for 2004, an improvement of 47% over 2003 (after excluding one-off gains of HK\$24 million from Universal Service Contribution (“USC”) refund and HK\$24 million from government rates adjustment in 2003). The exciting growth prospect of the Group has continued to attract promising talents across the industry.

As regards our IT solutions division, we are encouraged by the results achieved in 2004. For the period from the combination on 12 March 2004 to 31 December 2004, EBIT generated by our IT business amounted to HK\$23 million. This is in sharp contrast with loss from operating activities of HK\$52 million incurred for the nine-month period ended 31 December 2003.

Outlook

The overall market sentiment has recently improved and a healthy growth in the Hong Kong’s economy is generally expected for 2005. Increasing inbound and outbound PRC investment activities, as well as the recent tourism boom are both expected to benefit the resurgent economy. The outlook for the Asian region is also positive. This positive sentiment is expected to increase the demand for both local and international bandwidth and also boost spending in telecommunications and IT projects in the business sector.

Looking ahead, we will continue to leverage our state-of-the-art network and capitalise on the many advantages it offers, particularly in the

rollout of new broadband products employing modern Internet Protocol-based (“IP”) technology. As our network is already voice over Internet protocol (“VoIP”) enabled, we are now working towards integration of fixed and mobile services in our efforts to establish a most powerful next generation network.

The Group is in a privileged position of being a member of the Hutchison Whampoa Limited Group that engages in fixed-line telecommunications business on a global basis. Accordingly, it is in a favourable position to satisfy intra-group demand for bandwidth and fixed-line telecommunications services and pursue new ventures with the affiliated mobile telephone operations.

With our network coverage now spanning over 800,000 kilometres of core fibre optical cable in Hong Kong, and serving over 50 cities across the globe, we consider that it is the appropriate time for more intense marketing activities. Our aim is to make the Group a household name not only in Hong Kong but also in Asia. Whilst the future is full of challenges, we are confident of becoming a formidable player in both Hong Kong and the region.

I would like to take this opportunity to thank the Board of Directors and all of the Group’s employees for their hard work, support and dedication.

FOK Kin-ning, Canning

Chairman

Hong Kong, 7 March 2005

“*Playing a leading role in the industry, we established in 2004 the world’s first Ethernet to Ethernet services with top broadband carriers in South Korea and Taiwan.*”