



YTL Communications

An exclusive report to be distributed with ***THE INDEPENDENT***

Transcript of the interview with:

Wing K Lee

Chief Executive Officer (CEO)

WORLD REPORT: As an introduction, I would like to speak a bit about the information and communications technology (ICT) sector in general. In our interviews with a variety of other players in the ICT field, they have all mentioned that it is a very exciting sector of which to be a part. It is an area that is growing rapidly with many incentives for companies to grow and develop further. What is your take on what is happening in the ICT field in Malaysia today?

MR WING K LEE: I think it is safe to say that Malaysia is a sector with great potential. Regarding Malaysia, two statistical numbers excite me. The first number is 25 and the second is 26. Twenty-five is the percentage of households connected to the Internet and twenty-six is the median age of Malaysians. It is a very young country. There is so much opportunity for a country such as this to embrace the Internet in a major way since only 25% of households are connected. This means that 75% of the country has yet to be connected. The potential of getting people connected to the Internet at a young age is promising. And, this presents tremendous opportunity for ICT in general. If people are connected, ICT will thrive. If they are not, there is no ICT.

WORLD REPORT: When you say connectivity do you also mean a physical infrastructure that is in place?

MR WING K LEE: I'm specifically talking about connectivity to the Internet, whether it is wireless or wired. Our long-term vision is to have a nation that operates widely on broadband. This is a vision that became endorsed between ourselves and Telekom Malaysia (TM) when we signed with them. Whichever way the connectivity is obtained, we want to strive toward making everything broadband. This is going to fundamentally lift the gross domestic product (GDP) of the country and improve the livelihoods of people. Installing physical wires will take a longer. However, I think we can progress faster if we use optimum wireless technology such as ours.

WORLD REPORT: Only 25% of households are connected to the Internet at the moment. In that sense, 75% of the market is still there to be penetrated.

MR WING K LEE: That number not only relates to households but businesses, as well. Malaysia has a population of 27 million people. There are individuals living all over the country, with Kuala Lumpur as the major city only having five million people. The current infrastructure in place provides decent connectivity in major cities; but outside of these cities connectivity is not as robust. This also means that small and medium-sized businesses outside of major areas are at a disadvantage compared to their counterparts. If we can ubiquitously offer them our wireless technology to give them the same platform as their counterparts, this may increase competition... for that matter, for the entire country.

WORLD REPORT: In terms of the opportunities the sector offers here in Malaysia, would you say it is a market that is friendly and inviting towards international investment?

MR WING K LEE: Yes. For comparison, look at the kinds of entertainment that people embrace. They are varieties from all over the world whether Arabic, Chinese, American or Premier League. Malaysians are very well connected to

what is occurring in the world. We just need to supply them with a better way to access the information.

WORLD REPORT: Can you give us a brief overview of YTL Communications? From what we have seen today it is a company that is developing and really starting to take advantage of the market potential. Tell us a bit more about the company's founding and its goals and challenges that you anticipate in the future.

MR WING K LEE: YTL was established in 1955. It is a trusted brand in Malaysia, and we take this seriously. We think long and hard before jumping into any business venture. And, once we've entered into a venture, we aim high for success. In that way, you can say we're almost like the General Electric (GE) equivalent of Malaysia. When we go into a sector we develop with the top guys in that sector. Otherwise we will not go into that sector. If you look at YTL's history as a construction company, we have been very innovative. In the 1950s and 1960s, people were living in low-cost housing projects. YTL's thought was that just because it is low-cost does not mean it has to be reflected in that way. So, they created low-cost, semi-detached housing that was able to compete in price against the public housing high-rise. Now, people in lower income brackets were given the opportunity to branch out into a much more pleasant environment to live in and raise their families. That is the history of YTL in a nutshell. With everything that YTL does, we try to take an innovative approach. We do not intend to be copycats. We want to enter the market and create a new space. In doing so, we create higher value and a more compelling experience for our customers. For the most part, YTL has been in the industrial arena. It is one of the largest construction companies and land developers. It is also the largest power supplier and one of the largest cement and business supplies provider in Southeast Asia. We have hotel operations, as well; but for the most part it is an industrial brand. Currently, we do not have direct contact with consumers. However, as we continue to embrace the benefits of digital communication, I think it is just as important that we start embracing a one-to-one direct relationship with our consumers, as well. Entering the ICT market is proving to be the first time that YTL has entered anything of a digital nature.

And, we are launching this effort with a direct consumer relationship, so it is very exciting for the company. It is an opportunity for the company to transform itself into a digital brand.

WORLD REPORT: For YTL to enter the ICT field of business, especially in Malaysia where there is so much competition, you need to have a niche, a strategy, and clear direction on what you want to do in the sector. What motivated YTL Construction and YTL Energy to explore the opportunities in the communications field?

MR WING K LEE: Fundamentally, the communications infrastructure business is about having a robust infrastructure to support all of these new opportunities. Without infrastructure it is nothing. For example, the success of the iPhone has actually exposed some of the challenges of the 3G infrastructure. I would certainly conclude that 3G, from a data speed standpoint, is not keeping up with the iPhone. The iPhone is a fantastic device. Unfortunately, it created quite a bit of congestion in the 3G network. I think most of us who have used an iPhone realise that the experience on an iPhone is much better on a WIFI network where you have higher bandwidth. Even though people would say that the theoretical speed of 3G is a higher and more practical, we know that it does not always create that level of experience. Once we enter with a new technology, we create new promotion opportunities. But, above and beyond this is the fact that we will be providing a higher bandwidth at a lower cost and delivering reliable connectivity to Malaysians. That is the fundamental differentiating factor.

Beyond the difference of paying for broadband Internet access over the wireless network, we also want the user to create and drive innovation. These are the innovations that we are excited about. We do not believe that we are smart enough to do it alone. So, we have launched an innovation network with the endorsement of the Prime Minister and our global partners, about three weeks ago, to spark the next wave of technology innovation around the world. The reason that we can provide this intellectual leadership is due to our reputation as a company. In the infrastructure business, building a nationwide 4G network

takes a lot of infrastructure knowledge and we have a lot of infrastructure experience. YTL has infrastructure expertise in its DNA. I am blessed to have a very strong team that works with me in building infrastructure throughout the country including base stations, fibre optic cables, and transmission lines.

WORLD REPORT: In fact, we understand that you have signed a memorandum of understanding (MOU) with TM, which gives you access to their infrastructure.

MR WING K LEE: It is a 15-year strategic partnership. YTL believes in improving things for the long-term, so when we enter into a partnership, we work with the best players. This arrangement will allow us to use TM's fibre optics backhaul as part of the transmission facility for our backbone, in addition to using some of their towers to put up the base stations that are needed.

WORLD REPORT: In order to excel in business today, you need strong partners with the know-how and infrastructure already in place because entering on a solo platform would be very difficult. You have many different partnerships. What is your philosophy when it comes to partnerships? Is it creating a platform where you can exchange knowledge? What kinds of partnerships are you seeking?

MR WING K LEE: We believe that to be considered a top player within our industry, we have to work with others who are considered this, as well. We believe that we are a company that holds this title, but one person, or organisation for that matter, cannot achieve this status alone. One individual cannot build an ecosystem. This requires people with complimentary sets of skills. Having so will produce a larger, more robust base. With that being said, we have selected Cisco as one of our strategic partners because no one is more fluent with Internet protocol (IP) networking better than this company. Cisco will be responsible for all of the IP networking. We are also contracted with Samsung, which is the world's foremost WIMAX infrastructure leader. No other company knows WIMAX better from a wireless technology standpoint. Samsung has been operating with WIMAX before it was standard. There was a

technology called WiBro started by Samsung in Korea that came before WIMAX. No other can claim more intellectual ownership or leadership of this technology than Samsung. We also work with Clearwire, based in the United States, which is currently the largest WIMAX operator in the world. They are very experienced, so we have made a strategic arrangement with them for knowledge-sharing purposes. This way, we can learn from the best and adapt the best practices for Malaysia. And, WIMAX is not just about handsets. To branch into a brand new business and offer the same product would be very disappointing for the end consumer. WIMAX is about enabling electronic devices of all sorts to have Internet capabilities. It is this that excites me every morning when I wake up.

WORLD REPORT: Enabling electronic devices to be on the Internet.

MR WING K LEE: Absolutely. As an example, let me introduce our fourth partner... a company called GCT. GCT may not be a well-known entity from your perspective, but they are one of the predominant WIMAX chipset suppliers. The major difference between an iPhone device and an iPod Touch is that it has a 3G radio. The 3G radio enables the iPod Touch to be used wherever you are, not just when you are in a hotspot. Now, imagine the WIMAX chipset partnership. We partnered with the world's best provider of WIMAX chipsets to work side by side with us strategically, so we can enable the WIMAX chipset to go into many, many devices. We will be making a major announcement at the Consumer Electronics Show (CES), which is the world's largest consumer technology tradeshow. It is here where you will get to see a lot of cool gadgets and other products, whether it is for car systems, smart homes, entertainment systems... you name it and you can find it here. You cannot take for granted that these devices are not on the Internet. We've been conditioned to think this is acceptable. There might be a nice looking sound system or television but you assume that it does not connect to the Internet. Now change the paradigm and imagine if all of these devices had a WIMAX chipset that can provide this capability. Wouldn't life be different? That is the vision that we have and work toward. When we have a nationwide network that provides Internet access like the air that surrounds you, why wouldn't we want all of our devices, or at least

as many as possible, to have the ability to connect to the Internet? You will be able to access people and information wherever you are. The device can be used as an extension of your life. That would truly be exciting.

WORLD REPORT: We would like to hear your perspective on what you think the world will be like in the future. If this technology really grows at the pace it is growing right now, what sort of reality will we be living in, in the future?

MR WING K LEE: To describe this, I like to use the term 'hyperconnectivity'. I coined that term a couple of years ago. I fundamentally believe that – and this might be a stretch, but it is important to have a vision to guide you – anything that has a power current running through it could be and should be on the Internet. It could be in a passive device or an active device. A passive device example would be a sensor that provides information, like a smart metre on your power consumption. This would allow you to manage power usage more effectively. Or, it could be an active device such as a security camera. No one in this room can predict how far consumer device electronic applications are going to go; but it is fundamentally important to recognize that Internet connectivity is really going to add a lot of value to most of the experiences that you have today in the digital realm. For the most part, our digital realm exists only on a laptop or personal computer (PC) screen. In my humble opinion, that is rather limited. If you look at the number of electronic devices in production, PC's and laptops are measured in the hundreds of millions but all other electronic devices are measured in the tens of billions. Their industrial space is 100 to 1,000 times larger if you think more broadly to devices that carry the electron.

This is where we're heading. Fifteen years ago when people were starting to explore the Internet, it was mainly used for sharing documents. Think about how the Internet has evolved in the last fifteen years from just sharing documents. What is going to happen in the next fifteen years? The relationship between publisher and consumer has changed. The publisher is the hubcap and the consumer is the spoke. But, the Internet provides an equal basis where anyone can be a publisher. The strict relationship of publisher and consumer becomes

more of an equal footing whereby both sides can publish and consume. That is the liberalisation of innovation. However, that is still only limited to PC's and laptops. We must enable many more devices to have that same level of empowerment. What we are launching in Malaysia is the world's first nationwide 4G network. This will give us a leadership role to drive the world in the future. We are blessed because Malaysia has a smaller footprint compared to America. My good friends at Clearwire are working very hard and deploying in many cities. But, because our country has a smaller footprint, we have the ability to leapfrog over some of the larger, first world countries. Based on YTL's commitment to launch this platform nationwide, as well as our financial backing, we will be able to launch this next year as the world's first 4G network. This is very exciting. Take this device that is recording right now. It is sending real time transmission back to the server and the server is transcribing for you. Once you leave this location, the server can send a document to your Blackberry of the transcription. This, ideally, would make you more productive. We cannot take the status quo for granted. My job is to help challenge the status quo.

WORLD REPORT: One of the biggest challenges facing the industry today is the shortage of appropriately qualified human resources. Is that the case here at YTL? How confident are you in the human capital of the country? Will it be able to keep up with the fast pace of innovation occurring in the sector?

MR WING K LEE: We have decided to form global partnerships to build this network. Cisco and Clearwire are American companies and Samsung and GCT are Korean companies. As far as we are concerned, the world is flat. We will work with talents wherever they are to ensure that we provide the best experience for our consumers. Having said all of that, when we deliver this network, Malaysians will be the first to enjoy it. While this is worldwide standard technology from global suppliers, the execution is very local. We are only launching in Malaysia. Malaysians will be the first to enjoy the fruits of our labour and experience all of the innovations that will be enabled from this network. Yet, as I've stated how the Internet has evolved in the last fifteen years, it is important to note that innovation on the Internet comes from all

directions and countries. Who would have known that a young individual in Europe who decided to write a new Kernel and Linux Travel would become the most popular operating system in the world? Furthermore, a college student at Stanford trying to organise the web turned into Yahoo! Another college student at Harvard wanted to stay in touch with his friend and this turned into Facebook. Internet innovation is tremendous.

Granted, these are the success stories and there are many failed innovations along the way; but if you look at the Internet, we are talking about a global scale of innovation. Because our network is designed to be fully compatible with the Internet from day one, we can enable Internet Transmission Control Protocol (TCP)/ IP innovation that comes from all corners of the world. It is with this spirit that we are launching this innovation network. Our innovation network is a global developer ecosystem set out for developers from all over the world to bring forth application devices and launch them through our global network. At the end of the day, innovation only matters if you get commercialised. Innovation that takes place in a lab is a good showcase to impress people once a year, but it does not change people's lives. However, innovation that leaves a lab and enters the full commercial networks for distribution improves people's lives. Our job, by building this commercial network nationwide, is to create that distribution platform to enable next generation Internet innovation in the hands of Malaysians regardless of their occupations. This is our goal for the long-term.

The Internet is a very personal experience. The portion of Internet that means something to you will vary from the portion of the Internet that means something to another person. The best illustration of this is if, for instance, you walk into a room of 20 people and ask everyone to open their browser to see how many of them have identical bookmarks. The number is zero. That represents the fact that Internet innovation is a very personal experience and mass customisation at its best. When you look at Internet innovation as a mass customisation scenario, when everyone has their own perspective of what creates value for them on the Internet, this is the spirit with which we are launching this innovative network. We want to enable developers from around the world to bring forth the best ideas, application content and/or devices, allowing

consumers to ask us for those innovations directly through our commercial network. We want to stimulate that interest.

We are making a major announcement at CES, but I can give you a preview. We are launching something called mYprize. 'MY' is the domain name for the country and 'Y' is our company's first initial. mYprize is a \$1 million dollar challenge for the best innovation that is presented to us. It is a competition that will be launched at CES as a global announcement; and, on the same day as the launch, we will have a developer portal go live where people can register and be a part of our innovation network. mYprize is the first spark to create momentum for the innovation network. In physics, there are two kinds of friction: static and dynamic. Static friction is the hardest to overcome. I always wonder, how we get the first 200 developers on our network to start getting productive? We have launched mYprize to overcome this friction and show the world that a company in Malaysia can provide worldwide leadership with 4G technology.

WORLD REPORT: If you had a final message to our readers about YTL Communications and the future of ICT, what would that be?

MR WING K LEE: The World Bank published a report in July that stated every country that has a 10% increase in Internet penetration will see a 1.3% improvement in GDP. That is a very significant improvement in GDP. Only 25% of households in this country are connected to the Internet. Are we able to get 10% improvement in penetration? Absolutely. We will enable this once our network is launched. Are we able to get even more... maybe a 15 to 20% improvement in penetration? Absolutely. The excitement here goes back to the numbers 25 and 26 referenced earlier. When you have a country that has tremendous potential for Internet connectivity and a country where people are so young and aware of the Internet's capabilities, with our nationwide network, people will really be able to improve their lives. Access to the Internet can improve businesses abilities to compete. Access to the Internet can improve students' abilities to learn in comparison with their counterparts in Korea or Singapore. When our children leave school, they are no longer competing in Malaysia. They are competing with the rest of the world. When it comes to

education, the global standards grow continuously. By providing equal access to the Internet, we can create an equal playing field for school children. They are our country's future. You can also improve the way we enjoy our lives by striking a better work-life balance from streamlining entertainment wherever we are. The possibilities are endless.

With the significant financial commitment YTL has made to this business, 2.4 billion ringgit which is about 850 million dollars, we have the ability to ensure that we launch a world-class network. It takes about 5.5 billion dollars to launch a nationwide network in the United States; but, because Malaysia is smaller, not as much financing is needed. With this kind of investment you can create a platform to enable innovation. WIMAX is the only viable form of 4G technology right now because long-term evolution (LTE) has yet to be commercially viable. People ask me if I would switch to LTE when available and, if not, why would I stay with WIMAX? The answer is very clear. Consumers do not care whether it is WIMAX, LTE or ABC. They want to be on the Internet now. They want reliable broadband service at competitive prices with a host of innovations they can enjoy. We are being practical and embracing WIMAX. WIMAX is ready, so we will deploy WIMAX because Malaysians can no longer wait to get on the Internet. That is the first point. The second point is the fact that we are launching mYprize... our global innovation challenge. I believe this will spark the first wave of 4G innovation across the world. All of the innovation throughout the world right now is so-called 3G. People now realise that this little device could be a phone, video player, newsreader, friend finder or a restaurant locator. People know that when they get a mobile device they have to figure out how to download more applications. In the good old days, people would just get on a device that looks like this and call their friend. Now, the display has been changed to a larger screen. Its functionality will soon be defined by the setup of the screen. People understand that applications help improve their lives, not solely connectivity. Our hypothesis is as follows: We will launch a nationwide 4G network and we will provide plenty of connectivity. But, in order to truly change individual lives, we are going to launch all of these cool innovations via application content and devices. Connectivity improves lives. Innovation in the form of various application content and devices transforms lives. We are not

satisfied with just improving lives... we want to transform lives. When you do that, the country and its students will be more competitive, GDP will grow, people will find their lives more enjoyable, and small and medium-sized businesses will have a global platform to promote their businesses. I am a technologist at heart. As a technologist, my goal is to use technology to improve people's lives. That is precisely why I am here. And, I believe that we have a very clear path.

WORLD REPORT: Thank you very much.