



Operations Review

Mobile Business

- 3.51 million customers in Hong Kong and Macau
- Smart device penetration rate in 3G postpaid market rose to 53%
- Invested HK\$619 million in network excellence



The **3** brand has earned a valuable reputation for taking the customer experience to new heights via a succession of innovative, lifestyle-enhancing mobile data offerings.

This positions us well to meet an upwardly-spiralling demand for mobile data driven by smartphone popularity, after building strong market leadership positions in Hong Kong and Macau based on leading-edge infrastructure and services.

At the same time, we continue to develop wireless network infrastructure in order to outpace customer expectation, while promoting the most up-to-date smartphone models, and other mobile devices, and crafting the most competitive tariff packages.



- 1 "3Broadband Specialist" retail outlets focus on sales of bundled mobile and fixed-line products.

3 Hong Kong

Growth Driven by Increasing Brand Strength

Total subscriber number for 3 in Hong Kong and Macau reached 3.51 million as of 31 December 2011, of which our 3G subscription rose to 2.61 million. This growth was mainly the result of continued efforts to position the 3 brand as the obvious choice for customers searching for innovative services as part of the best possible overall smartphone experience.

During the year under review, our smartphone subscriber base in 3G postpaid market continued to rise, demonstrating success in driving the smartphone trend and meeting the ever-rising demand for bandwidth-hungry services.

Capitalising on Smartphone Popularity

Continuing to harness the iPhone craze as a power source in 2011, 3 bundled attractive offers that delivered optimum value to new and existing customers. In April 2011, launch of the iPhone 4 White was celebrated with a "3ree iPhone White" party in a chic car showroom attended by celebrities and VIP customers. This was followed in November 2011 with launch of the iPhone 4S, which we marked by throwing an overnight party in Central District. Most 3Shops opened at midnight so that eager shoppers could buy the latest iPhone model.

Other handset campaign events included the "3 GALAXY Night" party, staged to introduce the latest Android-based handset and highlight our commitment to offering the widest choice of smartphone models.

In another move, we launched the first 3D mobile communications platform in partnership with HTC. This was in response to rising popularity of 3D mobile devices, fueled by increased availability of content and applications.



1 Our strategic partnership with Vodafone facilitates favourable roaming and global corporate sales services.



2 Experience Workshop provides customers with customised product training.



3 An overnight party marks launch of the iPhone 4S.

Compelling Services, Applications and Content

3 consolidated all hot smartphone deals by launching the “3ree Power to People” campaign, enabling customers to enjoy our unique array of smartphone benefits for free. Exclusive complimentary offers included the 3Screen Annual Movie Pass, dining and beverage privileges via the 3LKF Selects Annual Pass and year-round handset-replacement protection.

3 Hong Kong is committed to spearheading the pay-per-day data-roaming tariff plan trend in Hong Kong. Leveraging well-established relationships with leading mobile operators in multiple countries, our Data Roaming Daily Pass coverage was extended to 52 destinations, with major regions now including Asia-Pacific, Europe, the Americas, the Middle-East and Africa. Striving to boost total peace of mind, cross border Short Message Service (“SMS”) and special tariff rates related promotions were launched. Recognition of these merits gave rise to a significant growth in 2011 in terms of both data roaming usage and subscriptions.

As a roaming service pioneer, 3 Hong Kong became the first mobile operator to offer Mainland China 3G 1-card-2-number (“IC2N”) service in co-operation with China Unicom.

Customers enjoy special tariff rates and 3G connectivity for voice calls, SMS and high-speed data services while traveling in China. The IC2N customer base and call usage increased encouragingly in 2011.

In September 2011, we announced a strategic alliance with Vodafone that facilitated favourable roaming and global corporate sales terms. The tie-up enables us to enjoy Hong Kong access to the tailored devices and services of the world renowned operator. This helps provide our customers with enhanced network coverage, harmonised roaming rates across multiple countries and greater cost efficiencies.

Our range of lifestyle-enhancing “infotainment” applications and services were strengthened with offers that included KKBOX Music - providing access to the world’s largest Chinese music library and 3Books - market leading magazine and book e-library that won Best Content Service award in the World Communication Awards 2011.



4 A spectrum of compelling services are available under the 3 brand.

During the year, we introduced a “Facebook for Feature Phones” application to promote social networking mobility among Java-powered feature phone users. This means customers are no longer constrained by device type limitations when using a Facebook account. In fact, 3 Hong Kong was among the pioneers in the world to launch this new application, which has been optimised for speed and performance on the network of 3 Hong Kong and uses as little data as possible.

3 Hong Kong also co-operated with group buy sites such as Groupon to offer 3Jetso, which provides a variety of exclusive offers to 3Home Broadband and mobile customers. In addition, we worked with Dropbox, a well-known consumer cloud storage service provider, to offer our customers extra storage on an exclusive basis.

Another “first” scored by 3 Hong Kong in 2011 was launch of Anyplex, a mobile and TV application that opens up mobile handset access to thousands of Hollywood and Asian films.

Largest Retail Presence with Personalised Customer Service

A project that began in 2010 to upgrade our high-street presence with launch of the futuristic 3 Concept Store in

Hong Kong's Central District resulted in the largest number of retail outlets run by any local mobile operator brand by end of 2011. Our high street presence is further strengthened by links with Hutchison Whampoa Group retail chain stores, such as Watsons and Fortress.

A trendy design facilitates shopper-friendly simplicity and provides the ideal environment for generating satisfaction among discerning customers. A one-stop approach meets virtually every communications need, especially for those expecting helpful guidance when choosing smartphones, other wireless devices and broadband service.

A dedicated consultation corner is available, along with a facility to demonstrate smartphone and wireless device models, plus an information and self-service kiosk and an express counter for device/plan upgrade convenience.

Year 2011 also saw launch of the 3Mall online store, which provides 24-hour sales service presented in a fun and creative style. This convenient retail concept includes a “fitting room” for tailor-made sales, along with an instant trade-in price offer when purchasing the latest models and the most up-to-date bargains, plus a simple sign-in function for existing customers.



1 Data Roaming Daily Pass coverage was extended to 52 destinations in early 2012.

2 A cosplay artist demonstrates how 3 ties in the most up-to-date mobile devices and lifestyle-enhancing applications such as 3Books.

A hallmark of our overall offer to the marketplace centres on quality of pre and after-sales service. As well as seeking to own the most expansive point-of-sale footprint, we have opened new hotline centres, along with the 3Devices Service Centre and 3Experience Workshop. These provide accessible hotline, repair and customised product training to meet sophisticated customer needs. In addition, online customer support includes the “eCS Ambassadors” instant chat service to expedite billing and technical enquiries on an anytime, anywhere basis.

Quest for Network and Service Excellence

Our constant pursuit of network excellence and overall service quality prompted infrastructure investment amounting to HK\$619 million during 2011.

We continue to invest in network projects through additional site coverage, capacity expansion and acquisition of radio spectrum wherever and whenever possible.

We made a successful bid for a block of spectrum in the 900MHz band in an auction run by the Office of the Telecommunications Authority of Hong Kong in early 2011. This additional network bandwidth assures our customers of the full benefits of the modern broadband era, while

solidifying our market leadership. In short, acquisition of this valuable resource expands network capacity, enhances coverage and improves the user experience.

A far-sighted move to keep up with escalating bandwidth demand began in 2011 with a “re-farming” exercise to transform GSM900 spectrum – originally deployed for 2G communications – for 3G service provision.

Genius Brand Limited – a 50:50 joint-venture with an indirect wholly-owned subsidiary of HKT Limited – engaged telecommunications equipment vendor Huawei to deploy 4G Long Term Evolution (“LTE”) network infrastructure. In addition, we signed an agreement with Huawei to facilitate evolution of core networks to LTE Evolved Packet Core specification, as well as provision of solutions for network resources management and end-to-end Quality of Service Experience management.

This LTE infrastructure deployment will help satisfy rising customer expectation in terms of quality and efficiency. Among other improvements, end users will enjoy a better overall mobile broadband Internet surfing experience, higher resolution of streamed video content and improved interactivity.



3 The largest 3 Concept Store opens for business in North Point.



4 3Books brings an unprecedented reading experience to Macau.



5 A series of prepaid products were launched to meet the Macau roaming needs of business visitors and tourists.

3 Macau

In 2011, the increasingly popular 3 brand introduced a series of prepaid products to meet the roaming needs of a substantial influx of business visitors and tourists.

An upgrade of the HSPA+ network of 3 Macau saw mobile broadband transmission speeds reaching 21Mbps in mid-2011, while coverage was improved by the addition of cell sites in newly-built developments.

Rising popularity of smart devices coupled with network technology advancement is prompting more customers to migrate to 3G service. As a result, nearly all our Macau customers had become 3G subscribers as of 31 December 2011. We launched a series of campaigns to deepen smartphone penetration, while achieving first-mover advantage by introducing the latest smart devices.

Outlook

Demand for mobile data services is expected to escalate, driven by increasingly-sophisticated smart mobile devices entering the market, along with a steady flow of new end-user applications, and video entertainment offerings - all requiring greater bandwidth.

More 3 Hong Kong retail shops are planned to extend our lead in point-of-sale coverage and keep pace with overall demand from the local mobile broadband user community.

Addition of the corporate partners of Vodafone to our customer portfolio will further strengthen our customer base in this lucrative market, while generating data and voice usage growth in the business sector. Meanwhile, the vast customer base of Vodafone will benefit our efforts in driving up roaming revenue.

Our leadership in serving the mobile broadband market - in conjunction with our 3 brand image as the "obvious choice" in the smart mobile device era - positions us extremely well to reap the benefits of an explosion in data usage.