

Operations Review Mobile Business



3 brand continues to be one of the major operators in data market in Hong Kong and Macau. We provide our Hong Kong customers with the benefits of faster 4G LTE technology through our comprehensive mobile network. This not only opens up fertile opportunities for further growth and will add impetus to 3's success in the tireless delivery of innovative high-speed data and device offerings.

Turnover and EBITDA in 2012 increased 19% and 23% respectively to HK\$12,383 million and HK\$2,100 million. This performance was driven by persistent demand for best-selling smart devices and keen customer interest in our evolving data services as well as tailored value-added initiatives.

Market Leadership

The total number of 3 customers in Hong Kong and Macau reached over 3.7 million as at 31 December 2012, of which 3.3 million were 3G and 4G customers. Smart device users represented 58% of our 3G and 4G postpaid customers in Hong Kong and Macau.

Our leadership in the mobile data market is underpinned by ownership of a full range of customers and the largest local pool of available radio spectrum as at 31 December 2012, coupled with extensive high-performance network infrastructure.

4G LTE Dual-band Network Rollout

We launched our 4G LTE network under the "One Love. One World" banner in a large-scale promotional campaign that caught the market's attention and stoked up demand for ultra-fast data service in 2012. We are able to provide this cutting-edge network service on both 1800MHz and 2600MHz bands, thereby allowing customers to enjoy a high-speed online experience on different devices both in indoor and outdoor locations.

Rapid adoption of smart mobile devices set the scene for our 4G LTE launch and facilitated 4G customer acquisition from outside our established customer base, while motivating existing 3G customers to migrate to higher-end service.

The new technology has sent transmission speeds soaring to as high as 100Mbps. Such unprecedented speed enables

us to deliver a completely fresh customer experience and a new era of mobile entertainment. Our 4G LTE launch exemplifies the 3 brand's image as a mobile users' champion that seeks to provide customers with the best mobile service possible, while reinforcing Hong Kong's world reputation as an early adopter of new technologies and a centre of telecommunications excellence.

Smart Devices

Mindful of the increasing popularity of Android-based devices, we introduced a succession of Samsung Galaxy handsets, bundled with different attractive usage plans designed to enable customers to enjoy the best possible Galaxy experience.

iPhone 5 as a new model was widely anticipated. In Hong Kong, we arranged sales roadshows in major areas to meet demand from eager buyers.

Rollout of 4G LTE network service was soon followed by a series of 4G LTE-compatible models from vendors such as HTC, LG, Nokia and Sony Mobile. Offering such devices powered by a cutting-edge operating system had

the effect of introducing our customers to a brand new wireless experience, while enriching our portfolio of handset offerings.

We also keep up to speed with the tablet trend by making new generation iPad, Galaxy and other popular models available to the local market. Once again, we helped our customers get the best from their devices by tailoring a range of service packages to meet different budgets and needs. The appeal for these tablets, together with the richness of content and applications provided by 3, is expected to make these multi-functional devices increasingly more popular among mobile users.

Data Services and Innovative Offerings

A strategic partnership struck with Vodafone in January 2012 together with existing connections under Conexus Mobile Alliance, one of the biggest mobile alliances in Asia, help us provide customers with better roaming network service - extended coverage and attractive offers. New destinations were added to our flat-rate data roaming daily pass offer. A move to provide even greater value for our roaming customers





3Shop features a diversity of data-centric mobile services.

led to introduction of 3Roam WiFi in October 2012. This enabled customers to benefit from Wi-Fi roaming without extra charge when using daily pass from more than 600,000 hotspots around the world.

A partnership was formed in September 2012 with WhatsApp, a world-leading instant messaging application developer, enabling 3 to launch the first WhatsApp Data Pack. Leveraging our partnership with international operators, we then took this up a gear by launching the first-of-the-world WhatsApp Roaming Pass. For a fixed daily charge, customers could send unlimited messages and photos via WhatsApp.

In a move to provide our vast smartphone-using customer base with even greater peace of mind, we seized the initiative to be the first local mobile operator to collaborate with Fixmo, a renowned mobile risk management solution developer, to launch a multi-functional mobile security application. 3 Super Safe is an all-in-one application that offers anti-theft, anti-virus and data protection functions. Customers can backup and retrieve data on a secured cloud computing platform and delete data in the handset even when it is lost. The application can also assist owners to trace the device while activating theft-deterrent functions, thereby providing highly-valued security and privacy in this data era.

Enhanced Digitised Customer Experience

Our customer services at 3Shops, the 3Teleservices Centre, 3Mobile Device Service Centre and 3Experience Workshop were awarded international ISO Quality Management System and Customer Feedback Management accreditation. The accreditation represented a significant milestone in our journey to customer service excellence. In fact, our customer-centric philosophy is part of a commitment to provide a convenient, caring and comprehensive service, while



4G LTE network service provides transmission speeds up to 100Mbps.



3 Hong Kong provides 4G LTE network service on 1800MHz and 2600MHz bands.

constantly exploring new channels to increase interaction with customers.

Introduction of the My3 application now provides a convenient iOS and Android-compatible one-stop mobile customer service platform on an “anytime, anywhere” basis with a function that alerts customers to local data usage levels. More interactivity was added with 3iChat to any Hong Kong user that facilitates dialogue via interactive text. 3iChat is also accessible through the My3 application, which offers timely assistance to customers wherever they may be.

We are bringing more values to our customers through the introduction of 3Concierge. Selective corporate customers can enjoy our concierge services through a 24-hour hotline to address various travel needs from accommodation and transportation to medical and emergency services. Customers can also enjoy a variety of lifestyle services such as dining, shopping and golfing assistance.

Strong Sales Presence

Soaring popularity of multi-functional smartphones and tablets inspired 3 Hong Kong to open the 3Smart Service Station. Powered by our advanced 3 Super Switch service, customers can entrust their devices to our well-trained

personnel for data transfer across different operation systems in an encrypted manner. 3 Hong Kong also established 3Mobile Device Service Centres to give iPhone and BlackBerry customers a one-stop-shop facility that offers comprehensive information on mobile devices, professional technical support and a repair service. Customers are able to expand their understanding of the diversity of mobile applications on offer by attending the 3Experience Workshop. Customers can also visit our 3 Apps Corner in 3Shops for recommendation of the latest mobile applications. Presented in QR code, customers can simply scan on the code with their devices and start downloading fast and easy.



3 Hong Kong launches the world's first WhatsApp Data Pack.



One Love. One World
in partnership with Vodafone and Conexus

3 Hong Kong launches 4G service under the “One Love. One World” banner in a large-scale promotional campaign.



3 Hong Kong throws a sales party to celebrate iPhone 5's entry to the market.



A 3MallFan membership recruitment campaign helps boost customer loyalty.

Increasing the number of customer contact points to meet growing demand for data products and services has led to 3 Hong Kong being able to boast the largest local telecommunications retail presence. This involved launch of futuristically-designed 3Shops presenting a brand new image and providing an array of services supported by helpful consultancy.

Our 3Mall online sales channel offers services such as express delivery and extra discount on handsets. We also launched the 3MallFan membership recruitment campaign in November 2012 to boost customer loyalty. This includes a scheme by which bonus points can be redeemed for handsets and accessories, which has the effect of encouraging repeat purchases.

Far-sighted Capacity Planning

Ongoing network improvement projects, such as cell-site coverage enhancement and data centre capacity expansion, along with acquisition of spectrum, have served to deliver a superior overall customer experience.

Our transmission backhaul connectivity was upgraded to Gigabit Ethernet in order to support greater network capacity to cope with an ever-rising volume of data traffic and continued evolution of mobile broadband services accessible to smart devices. Refarming of the 900MHz band from 2G to 3G technology and deployment of newly-acquired 900MHz 3G spectrum also increased our 3G capacity.



The 3Smart Service Station enables customers to transfer data in an encrypted manner.



"3 Super Safe", a multi-functional mobile security application, offers anti-theft, anti-virus and data protection functionality.

On the 4G LTE front, our deployment of 1800MHz and 2600MHz band spectrum is serving almost all major areas in the territory, offering data speeds up to 100Mbps. Simultaneous deployment of 4G LTE in these two frequency bands enhances mobile broadband capacity and facilitates better indoor and outdoor coverage including locations such as commercial buildings and shopping arcades, which significantly enriches the overall user experience. The move also positions us well to capitalise on the growth opportunities ahead and maintain a sharp competitive edge.

Rollout of new Fair Usage Policy in February 2012 represented a step towards better capacity management and resource planning, with the result that we are now able to serve a greater number of customers with better services in terms of transmission speed.

In fact, anticipation of exponential growth in demand for mobile broadband service prompted us to acquire 30MHz spectrum in the 2300MHz band in early 2012. This additional valuable resource will serve mobile business using 4G LTE network technology with a better mobile broadband experience.

Macau

Mobile data was a key growth driver in 2012, which also saw accelerated deepening of smartphone penetration based on customers upgrading handsets and new customers joining the 3 Macau fold.

A series of iPhone 5 sales galas featuring specially-tailored offers and premiums was staged in early November 2012 and met with unprecedented response. A number of other newly-launched handsets were also introduced for customers eager to join the smart device trend.

Migration from 2G to 3G within our Macau customer base continued smoothly throughout 2012 and close to 100% by the end of the year. Fast-evolving user behaviour sparked greater demand for high-speed data services in the year under review, thereby increasing volumes of data traffic. 3 Macau responded by expanding network capacity as well as refarming spectrum to cope with customer growth and steepening data requirements.

Outlook

Our 4G LTE network rollout, in conjunction with ever-rising data usage demands, amounts to a power source that will propel growth into the future while helping us to satisfy high-worth customers.

These demands and drivers call for greater capacity and ongoing network modernisation, all of which are attributes that will keep 3 at the very forefront of the local mobile communications industry as we move into the future.