



Market Overview

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The period under review witnessed somewhat stalled progress in the transition to 3G, with the pace of migration far behind what market observers originally expected. In fact, most local subscribers purchased 3G handsets only to take advantage of the purchase subsidies offered by network operators. Incremental increase in usage of 3G services was recorded but not enough to stimulate overwhelming momentum.

Penetration of 3G in Hong Kong over the last few years has reached a bottleneck. While network operations are aggressively launching value-added services in an effort to promote higher usage to generate more revenue to cover the huge investments they have made in network infrastructure and handset purchase subsidies, consumers are patiently awaiting applications that are more relevant to their lives. Such breakthrough applications, on the other hand, require more advanced transmission technologies.

To date, Hong Kong is lagging behind Korea and Europe in the development of DMB, and even the fourth-generation ("4G") technologies that promise to offer high-speed data transfer at high volume and affordable prices. HSDPA was only launched recently and market acceptance is still uncertain. The outcome will depend on the extent on which the network operators are willing to subsidise data services. These factors will put a drag on applications developments such as drama-series distribution and enhanced on-line gaming in Hong Kong.

As a responsible industry participant, the Group will be keeping itself abreast of the latest developments in the industry even before Hong Kong is ready for these developments. This effort will pay off by keeping the Group alert and on the leading edge, ready to embrace new challenges.