



## CMHK Eyes Mobile TV With LTE

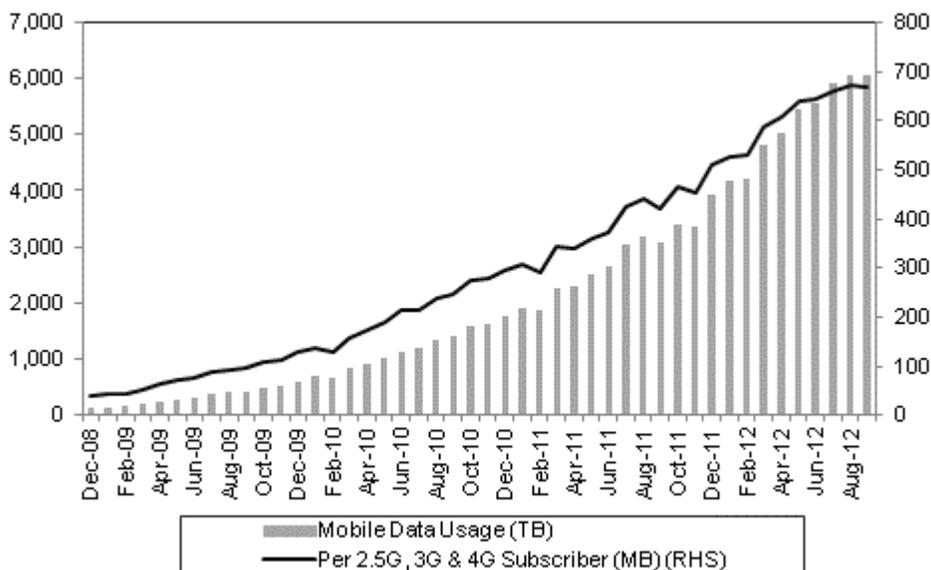
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*China Mobile Hong Kong* (CMHK) announced on December 10 2012 that it has launched the territory's first cross-network multi-platform mobile TV service called UTV. The service 's biggest selling point is its availability across multiple devices such as Android mobile devices, personal computers, set-top boxes and portable media players. UTV 's launch comes shortly after the launch of CMHK 's LTE service, which should boost the 4G technology 's popularity while generating additional revenue for the operator.

CMHK launched its LTE service on April 25 2012, and it plans to provide 80% network coverage by end-2012, on par with its existing 2G/3G service. While Hong Kong 's Office of the Communications Authority combines 3G and 4G in its reporting, making it hard to evaluate the next generation technology 's growth momentum, we believe that consumer interest is healthy, especially considering that all five mobile operators have launched commercial services. *SmarTone Telecommunications* is the latest entrant in Hong Kong when it introduced its LTE service in end-August 2012.

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CMHK is trying to differentiate from its 4G rivals by introducing a mobile TV service, which takes advantage of LTE 's high-speed mobile connectivity. CMHK's UTV comprises eight free and paid channels - the latter costs HKD58 (US\$7.5) a month. Although mobile TV services have been around for some time, it has struggled to take off as 3G was not designed to handle the data load, resulting in slow streaming

speeds, which are detrimental to the overall mobile TV experience. LTE has the opportunity to alter the situation, and a successful implementation would provide vital insights into launching other bandwidth-intensive services.

Additionally, CMHK has another competitive advantage in the form of access to the Chinese market. CMHK offers a Hong Kong-China cross-border data sharing plan, which allows subscribers to use mobile data services in China for a fixed monthly fee, thereby reducing data roaming expenses. Parent company *China Mobile* is China's largest mobile operator with 699mn subscribers in end-September 2012. However, we believe that this particular market is small given that most mobile devices in the market do not support China Mobile's proprietary TD-SCDMA (3G) and 4G TD-LTE (4G) technologies.

*BMI* believes that it is a matter of time before more alternative mobile operators in Hong Kong enter into the mobile TV market. *Verimatrix* announced on December 10 2012 that it has been selected by *PCCW* to secure the latter's over-the-top video-on-demand service. *Verimatrix*'s Video Content Authority System will also enable *PCCW*'s now TV service to expand the number of supported devices to *Apple* and *Android* devices, on top of personal computers. *PCCW* is a major player in Hong Kong's pay-TV market with 1.165mn IPTV subscribers at the end of June 2012, and its comprehensive content portfolio would increase the attractiveness of its mobile TV offering. While alternative mobile operators such as *Hutchison Telecommunications Hong Kong* do not have their own pay-TV operation, they can easily partner the many broadcasters which would be keen to capture market shares in the nascent mobile TV market in the territory.

Introducing mobile TV services following the launch of LTE is becoming increasingly prevalent. For instance, Singapore's *StarHub* launched its value-added TV Anywhere service on June 7 2012, which enables subscribers to access cable TV content via personal computers and tablet computers. The value-added service is available for a monthly subscription of SGD5.35 (US\$ 4.4 ). We expect the strategy to be replicated to other countries such as Australia and Malaysia where LTE is gaining traction.

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