

Letter of Intent

It is the mutual intent of \_\_\_\_\_ and \_\_\_\_\_ ("the Parties") to negotiate and enter into an interconnection agreement ("**Interconnection Agreement**") which sets out the commercial arrangement on fixed-mobile interconnection following the withdrawal of the existing regulatory guidance in respect of the "Mobile Party Network Pays" charging arrangement ("**MPNP Arrangement**") effective on 27 April 2009. The arrangements set out in this letter of intent are to apply to the Parties' associated licensed operators.

1. To reflect the commercial discussion so far conducted, the Parties would like to set out the following intent and understanding with respect to the proposed fixed and mobile interconnection arrangement:
  - (i) Effective from 27 April 2009, there shall be no interconnection (i.e. origination or termination) charge to be settled between them in respect of the local voice traffic originating and terminating in Hong Kong (excluding value added service calls) that a Party after that date either;
    - (a) originates on one Party's network for termination on the other Party's network (a **Party's network**), including where the voice traffic is transited through one or more other networks; or
    - (b) in respect of conveying transit traffic across their respective networks when each is acting as the transit provider to a Party's network.
  - (ii) the cost of the transmission links for interconnection between the Parties would be subject to separate commercial agreement to be mutually agreed but based on the principle that the originating network should pay for the cost of the interconnection links for all outgoing traffic.
2. (i) Each party ("**the first Party**") shall accept and route in accordance with its standard traffic and network management policies voice calls which:
  - (a) originate on the other Party's network and transit through the first Party's network to terminate on a third party's network;
  - (b) originate on a third party's network and transit through the other Party's network to terminate on the first Party's network, or
  - (c) originates on a third party's network, transits a Party's network and one or more other Party's networks (in whatever sequence), and terminates on a third party's network, ("**transit traffic**"), including traffic which originates or terminates with third parties.
3. Without prejudice to paragraph 5 below, the implementation of the aforesaid intent and understanding shall be conditional upon:
  - (a) Board approval of \_\_\_\_\_ and Board approval by \_\_\_\_\_ ;
  - (b) The removal (effective on 27 April 2009) in its entirety of the existing regulatory guidance in respect of the MPNP Arrangement and without its replacement by an equivalent guidance (including without limitation the application of TA Statement - Interconnection and Related Competition Issues Statement No.7 (Second Revision) "Carrier-to-Carrier Charging Principles" to fixed-mobile interconnection (such as the deletion of the original paragraph 23 from, and the relevant modification of the original paragraphs 27-30, of Statement No.7).
4. The Interconnection Agreement to be entered into pursuant to the above intent and understanding shall remain binding on the Parties notwithstanding:
  - (a) the introduction by the government (including OFTA or CEDB) of any regulatory guidance on any charging arrangement; or

- (b) any determination or decision made by the TA or the Competition Appeals Board under the Telecommunications Ordinance or by a court in respect of interconnection other than between the Parties; or

that provides for any charging arrangement with respect to fixed and mobile interconnection which would put either Party in a worse-off financial position in relation to interconnection charge as compared to its position under the BAK Arrangement. The Parties nor their associated operators agree that neither Party shall make a request under section 36A or other relevant provisions of the Telecommunications Ordinance in respect of the charging arrangement and the applicable rate in relation to interconnection between their networks covered by this agreement for a determination which would put either or in a worse-off financial position in relation to interconnection charge as compared to its position under the BAK Arrangement.

- 5. Either Party may terminate this Agreement without cause by giving to the other Party not less than one (1) month's prior written notice.
- 6. This letter of intent is legally binding.

For and on behalf of

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