

Letter of Intent

It is the mutual intent of

(collectively, the "Parties" and individually, a "Party") to negotiate and enter into an interconnection agreement ("**Interconnection Agreement**") which sets out the commercial arrangement on fixed-mobile and mobile-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.

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 ("BAK Arrangement"):

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 following end-to-end interconnection service, namely: local voice traffic originating and terminating in Hong Kong (excluding those value added service call types that are to be separately agreed between the Parties) that a Party after that date 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.

2. In respect of transit interconnection, the Parties agree to continue to connect local voice traffic:

(a) which originates on _____ network but transits through _____ network and terminates on a third party's network;

(b) which originates on a third party's network but transits through _____ network and terminates on _____ network, or

(c) which originates on a third party's network, transits through either or both of _____ or _____ networks (in whatever sequence), and terminates on a third party's network

("transit traffic"), which _____ accepts and routes in accordance with its standard traffic and network management policies subject to the switch-port and transmission capacity with _____ and the relevant third party's network.

The Parties agree that effective from 27 April 2009, there shall be no interconnection charge to be settled between them in connection with the conveyance of transit traffic subject to the claims, if any, of any third party's network. The Parties will agree in a separate agreement for managing third party claims in the event that either Party is charged by a third party's network in connection with the conveyance of the transit traffic.

The aforesaid principle shall apply if _____ (instead of _____) is the transit operator in relation to the transit traffic, mutatis mutandis.

3. The cost of the transmission links for interconnection between the Parties would be subject to separate commercial agreement to be mutually agreed based on the principle that the originating network should pay for the cost of the interconnection links for all outgoing and transit traffic.
4. The implementation of the aforesaid intent and understanding shall be conditional upon:

(a) Parent company office's approval of _____ and _____;

(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 by way of the deletion of

the original paragraph 23 from, and the relevant modification of the original paragraphs 27-30, of Statement No.7 (Second Revision).

5. 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

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 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 in a worse-off financial position in relation to interconnection charge as compared to its position under the BAK Arrangement.

5. Subject to paragraph 4 above, this letter of intent is legally binding. This letter of intent may be signed in counterparts.

For and on behalf of

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