



Mignonne CHENG
Head of North and East Asia

June 16, 2004

Office of the Telecommunications Authority
29/F Wu Chung House
213 Queen's Road East
Wanchai
Hong Kong

By Fax: 2803 5112

Attn: Senior Telecommunications Engineer (Technical Regulation)2

Dear Sirs,

Re: Licensing of Mobile Services on Expiry of Existing Licences for Second Generation Mobile Services - Analysis of Comments Received, Preliminary Conclusions and Further Consultation, 19 March 2004

We refer to the above Consultation Paper upon which we would like to express some brief comments.

As an established commercial and investment bank, we have a particular interest in seeing a financially robust telecommunications sector. In considering financing proposals on players in the industry, we look at the potential of our clients to successfully bring to fruition their long-term investment strategies enabling them to meet their financial obligations. Key to this is a fair and commercially realistic licensing environment. We believe that the Telecommunications Authority needs to consider the long-term nature of licensees' investment strategies. It must also try to achieve a proper balance between active competition among licensees and the sustainability of the market.

We think that competition amongst commercially sound service providers, able to attract adequate funding to substantially invest in and develop high quality services, will benefit consumers as well as the Hong Kong economy. We have to be aware of the risk in adding one or two new licences in a market which is arguably already saturated. The additional burdens which this will place on the existing players risk damaging the overall financial health of the sector.

Whilst we would not wish to make any specific recommendation in relation to the various technical proposals set out in the consultation paper, in reaching your conclusions we would urge you to consider seriously the importance of maintaining a competitive, profitable and financially healthy telecommunications sector.

Last but not the least, this type of policy, which is of crucial importance to the structure of the industry, requires a period of consultation long enough to consider properly all the issues at stake and we are afraid that this is not currently the case.

We hope you find these comments useful.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Mignonne Cheng".