

19th June, 2004

By email (2g-consultation@ofta.gov.hk)

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

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

I am writing to express my opinion on the consultation paper issued on 19th March, 2004 on "Licensing of Mobile Services on Expiry of Existing Licences for Second Generation Mobile Services - Analysis of Comments Received, Preliminary Conclusions and Further Consultation" (the "Consultation") in my capacity as a content provider of wireless data service, a view which has not been adequately represented in the first consultation.

Company Background

Established in Hong Kong in 1999, LoverLover.com Limited ("LoverLover") is one of the pioneers in providing anonymous matchmaking and dating services in Hong Kong via the Internet. GameEast.com Limited ("GameEast"), a sister company of LoverLover, was established in Hong Kong in 2000 as a free gaming services provider. GameEast had operated one of the most successful consumer online gaming services (www.GameEast.com) in Hong Kong. According to an independent survey conducted by NetValue, an internationally renowned Internet measurement company, GameEast was Hong Kong's stickiest games site, as well as one of the most visited games sites in July 2001.

Both companies have also been pioneers in their respective sectors of expanding their popular services to wireless. GameEast was among the first batch of Java developers which had supplied games to Motorola during its launch of the first Java-enabled handset in Hong Kong back in 2001. LoverLover is the first in Hong Kong that offers full featured matchmaking services via WAP on operators' platforms.

Against the above background, I offer my opinion on the Consultation. I would like to share my experience in content development in Hong Kong to illustrate that the success of mobile data is dependent on a number of factors. While there is a lot that

the Government can do to promote mobile data, issuing a fifth 3G license certainly does not help.

Hong Kong's early wireless mobile market

Both LoverLover and GameEast had decided to enter the wireless market in late 2001 after substantial efforts spent on transforming their original business models of offering free services supported by advertising to that of subscription-based had proved futile for both companies. There were simply too many competitors offering free services over the Internet.

The two companies, however, have taken different approaches to implementing their wireless strategies. Harnessing its strength as a game developer, GameEast had translated games that were popular on the web to Java for Motorola's handsets. Motorola acted as an aggregator of applications and then marketed them to end users. Revenue collected by Motorola was then shared between Motorola and the respective content providers. Unfortunately, at a time when Motorola was the only supplier of Java handsets, adoption of this new breed of smart phone never reached a critical mass at the pace I had anticipated. To prevent further loss, GameEast had to suspend its operation. Java, of course, is now the most popular platform for running applications on handsets. I never doubted the prospects of Java. It was just an untimely decision.

LoverLover, on the other hand, was able to continue pursuing its wireless strategy because the nature of its product is fundamentally different from GameEast - the games of GameEast had to be developed and customized for each device. The main product feature of LoverLover is providing users the ability to create profiles on our database, which is then made available for other registered users to search and "find" their matches. The service is informational in nature. Having learnt the lesson from GameEast, I have decided it was necessary to make available our service through a "medium" that is not device specific, and look for distribution partners who have billing capability.

At that time, I noticed WAP browser was a built-in function in the majority of handsets being sold, with CSD still being the only choice of data connection. But GPRS had begun to appear on an increasing number of handsets. Although WAP had never quite caught on in Hong Kong, it was the only means to deliver interactive informational content to handsets. Similar matchmaking services had been available through IVRS and SMS. But the respective nature of listen-and-respond and respond-in-turn interaction modes of the two systems makes them not ideal for accessing information in a true interactive manner. The fact that neither of them offers the ability to display picture is another factor which had led us to go with WAP. WAP, however, had already shown at that time it was a transitional technology. What lies further down the road, XHTML, was really what I have been betting on.

A lesson from i-mode

Parallels can be drawn between xHTML with i-mode in Japan.

i-mode was introduced in Japan in 1999. Usage of i-mode had been so popular that it had spawned the birth of over 79,000 i-mode sites, most of them were information and database in nature like what LoverLover has been offering. The stellar growth in popularity and acceptance of i-mode had occurred at a time when the infrastructure of data capability and handsets' functionalities in Japan were far behind that of what Hong Kong is now having. It is out of i-mode that a wireless data-centric generation had born.

The success of i-mode is largely a result of DoCoMo's adoption of iHTML. WAP was born earlier than i-mode outside Japan out of the well-conceived idea to devise a set of protocols there were secure and specifically built for handsets. Unfortunately, the first version of WAP offered very limited functionalities and had to force developers of HTML websites to strip away a lot of features in order to comply with it. iHTML, on the other hand, being a subset of HTML, makes it easy to convert any existing website written in HTML into i-mode content, since iHTML requires only minor changes to the HTML. Because conversion is so simple, more and more sites have joined and continue to join i-mode. It wasn't the advanced or superior technology that had driven the growth of i-mode sites in Japan, which in turn attracted users who were already familiar with the "wired" websites of their wireless counterparts to embrace the wireless versions.

The World Wide Web Consortium had realized the shortcomings of WAP and moved on with developing the standard of xHTML, which like iHTML, is also a subset of HTML. It has become much easier to develop xHTML compliant websites that can be viewed across different handsets with mark-up functionalities similar to normal HTML websites. An xHTML-enabled handset coupled with GPRS is already more powerful and provides a much faster surfing experience than what Netscape and the then websites offered that were first introduced to the public almost a decade ago. They had captured the hearts of millions and changed the way those millions lived and socialized in the following years. **I dare to say that the necessary technologies to create wireless phenomenon are already in place here in Hong Kong and it is up to the developers to harness their creative minds to capture the hearts of the 7.3 million mobile subscribers in Hong Kong. They should not be distracted by the anticipation of another new standard that promises what existing standards are more than capable of providing.**

Experience with Hong Kong's mobile network operators

The decision to construct a WAP version from scratch was an easy one to make. The construction was relatively easy compared with our Java experience. Our backend database had been in place for over 3 years then and we had built up one of the largest databases in Hong Kong for matchmaking purposes. The fact that WAP then offered little formatting options had helped us not to be over-ambitious with our design. Having said that, the present xHTML standard is even easier to construct and offers a

lot more capabilities and formatting options. Our WAP interface essentially served as a thin-client to our database.

With the product built, we needed to look for a distribution partner. This proved to be the most difficult and daunting task of the whole process. The task that I have set out to complete in late 2001 is still an ongoing one for me. The task has remained the same all along – to exhort each operator to offer on its platform our ready database of over 80,000 members on the Internet that can interact with their subscribers via handsets in return for a share of the value-added service fees collected from the subscribers. The barrier to enter a seemingly highly-competitive industry, where its operators have openly discussed and criticized the local market for lack of suppliers of mobile content, is so high that it is beyond my comprehension. Because of confidentiality arrangements, I cannot disclose the terms and arrangements that I have had with any of them. Suffice to say, of those who have agreed to offer our service, the period taken from the first introductory meeting to the execution of contract ranges from 5 months to 30 months. And I wasn't even pitching them for vapourware. Except for the first operator who had signed up, the rest had the benefits of experiencing the real service in production. In fact, some of them had taken the initiative to approach me after using the service on competing operators. I never demanded to be paid for anything – neither for setting up the service nor for opening up my database.

As if “joining” an operator is not hard enough, some of the operators engage in business behaviour that is in direct competition with us after we have been in service on their platform. They ignore notions such as mutual-trust and respect. One of the senior managers of an operator told me point-blank in a meeting last October that my request for adding MMS and location-based services would not be considered because it was their company policy not to provide such capabilities to content providers. It turned out that this operator was building a service similar to what we have been offering on their platform but with the added capabilities they denied me. They have also set up unrealistically high entry and setup cost, compared to what I have been getting from the revenue derived from them, to deny me connecting to their SMS service. Inevitably, individual content providers rely very much on the operators opening up connectivity in relation to a lot of service “enhancement” features like MMS, SMS and location-based services. Without their “blessings”, we cannot implement them. Other operators have waived all such charges in view of the risks that we are taking to promote advanced data usage in a market segment which has just started to grow.

Conclusion

To sum up the experience that I have learnt as manager of a developer - **the underlying technology of how data (e.g. GPRS, EDGE, CDMA) is delivered to the handsets has never entered into our business decision making process.** On the other hand, we are concerned how hardware manufacturers and makers of enabling technologies (e.g. Java, BREW and WIPI) together had made the process of designing and implementing application for handsets, which now come in every imaginable form factor, functionality and navigation design, as efficient as possible. The problems that we had faced during the infancy period of Java have now mostly been

fixed. Java as a platform has matured and its wide-spread adoption and implementation by major handsets manufacturers mean it is the time that I get prepared to expand our present products to take advantage of its advanced capabilities to provide a more engaging and feature-rich experience for our customers. It also means it is time to develop games again for Java.

Sometimes, the simplest solution like i-mode turns out to be the most efficient one and generating the biggest returns to everyone involved. The xHTML standard, which arguably has been evolved out of WAP, has become the de facto standard on handsets released in the last 6 months or so. Increasing efforts spent by operators to promote advanced handsets and their own portals building around xHTML also promises increasing awareness from end users of the data and web browsing capabilities of their new handsets. This trend is reflected in the increasing number of subscribers to the service of LoverLover.

Introducing another standard with a view to “stimulate the development of an advanced mobile market in Hong Kong” is not needed. It is because Hong Kong already has an advanced mobile market. **Our present data capability and handsets far exceed that of Japan had experienced at the time when i-mode was first introduced in 1999.** Our six operators have shown their commitment to promote the availability of such advanced mobile capabilities to each of their respective subscriber bases but yet the approaches taken by some of them in sourcing content to feature on their platforms were restrictive and un-professional. Unfortunately, content providers have to rely on the operators to bill their customers. **Instead of spending substantial resources on introducing another standard, the government should focus on how to make full use of Hong Kong’s already advanced mobile technologies and lay down best practice guidelines for the operators to follow to nurture the industry.**

The mobile market place in Hong Kong is too fragmented with no single operator commanding a majority of the subscriber base. As a content provider, the decision to invest in and develop a product is justified only if such product has some prospects of being offered across at least the majority of operators. Although I am now very close to achieving that with my current product, I have hesitation about developing further new products because the mere anticipation of going through the whole process again holds me back. The fact that I have established relationships with the majority of operators certainly eases the process. But my experience is that they deal with each product on an ad hoc basis and changes in personnel aggravate uncertainty.

There are just too many non-technology related issues that need to be dealt with in bringing a finished product to end users via their respective operators. And certainly bringing in another data transmission standard is not the answer to “stimulate the development of an advanced mobile market in Hong Kong”. The market is made up of demand for and supply of mobile applications. Introduction of a new standard doesn’t add supply or enhance the applications being supplied. On the other hand, developers will be motivated to increase supply and/or enhance their products if the non-technology issues identified above are resolved.

Should you have any queries in relation to any of the above, please do not hesitate to contact the undersigned at 9027-7269 or rod@loverlover.com.

Yours faithfully,
For and on behalf of
LoverLover.com Limited

A handwritten signature in black ink on a light yellow background. The signature is cursive and appears to read 'Roderick Kar'. It features a large, looping initial 'R' and a long horizontal stroke at the end.

Roderick Kar
Director