

18 March 2009

CIRCULAR LETTER

External Telecommunications Services (“ETS”) licensees
Fixed Telecommunications Network Services (“FTNS”) / Fixed Carrier licensees
Mobile Carrier licensees
Services-Based Operator (“SBO”) licensees
Unified Carrier licensees

Dear Sir/Madam,

**Yearly Independent Assurance Report on the Traffic Volume of External
Telecommunications Services for the Year 2008/09 –
Submission Due Date - 31 July 2009**

Yearly Independent Assurance Report

We would like to remind you that pursuant to the respective relevant licence condition and provision of the Telecommunications Ordinance (the “Ordinance”), you are required to provide the Telecommunications Authority (“TA”) with the Yearly Independent Assurance Report (the “Report”) on the Traffic Volume of External Telecommunications Services (“ETS”) for the Year 2008/09 and the monthly traffic report at the times and in the manner as required by the TA.

On 8 June 2007, the TA announced that the basis for sharing the cost of the universal service obligation will be migrated, from that of the traffic volume of ETS (“existing USC funding arrangement”), to that of the number of all telephone numbers allocated from May 2009¹. **As such, we would like to require you to cover in the Report for the Year 2008/09 the period from 1 April 2008 to 30 April 2009 (“reporting period”).** The requirement for submission of the Report for the period from May 2009 and onwards will then be waived. Please note that the Report together with Table 1² for Yearly Independent Assurance Report to Office of the Telecommunications

¹ According to the TA Statement entitled Review of the Regulatory Framework for Universal Service Arrangements dated 8 June 2007, the sharing basis of the Universal Service Cost will be migrated, by end of April 2009 when the current regulatory intervention in fixed-mobile interconnection charge is withdrawn, to that of the number of all telephone numbers allocated.

² Traffic reported under Table 1 is used for calculation of the amount of universal service contribution (USC) payable by licensees. For Table 1 submitted on a monthly basis, USC invoices will be issued to the licensees periodically to collect USC in accordance with the traffic reported. For Table 1 submitted yearly together with the Yearly Independent Assurance Report, the traffic shown in the table and certified by the independent practitioner will be used for any adjustment of the USC paid or payable during the period covered by the Yearly Independent Assurance Report.

Authority (“OFTA”) should be submitted in hard copy format **by post or by hand on or before 31 July 2009.**

The Report should be submitted in accordance with the “Revised Guidelines for Independent Practitioners – Assurance Engagement on Traffic Volume of External Telecommunications Services Reported to the Office of the Telecommunications Authority” issued on 20 March 2006 (the “Revised Guidelines”). **The Revised Guidelines, Table 1 for Yearly Independent Assurance Report and Format of Acceptable Independent Assurance Report are available at OFTA’s website at: <http://www.ofta.gov.hk/howto/ets.html>**

The purpose of the Report is to certify that the traffic figures for ETS reported by you on a monthly basis in the form of Table 1 (“Traffic to and from end-customers”) are true representation of the actual traffic handled by you during the reporting period for the calculation of Universal Service Contribution (“USC”). If there is any discrepancy between the reported and certified traffic minutes, the Independent Practitioner is required to report in the Report the traffic volume that has been overstated or understated during the reporting period and to provide the reasons for overstating or understating the traffic minutes.

For the avoidance of doubt, please note that if a licensee does not follow the Revised Guidelines to submit the Report, the Report submitted will be considered as incomplete and will not be accepted by OFTA. The submission of incomplete and/or unacceptable Report will be treated as non-fulfillment of the reporting obligation under the Licence. OFTA reserves the right to ask the licensee concerned to make necessary rectification and resubmit a revised Report and/or to provide clarification on the issues raised by OFTA.

Monthly Traffic Report

With regard to the regular submission of monthly traffic reports, you are reminded to complete and submit the two standard report forms (Table 1³ and Table 2) to OFTA **by e-mail at cl_sect@ofta.gov.hk** on a monthly basis (even after the withdrawal of the existing USC funding arrangement). **Please do not send us the monthly reports by fax or by post.** All emails sent to cl_sect@ofta.gov.hk must include the Licence number, Licensee name and month(s) for which the submission is being made in the SUBJECT HEADER. The blank Table 1 and Table 2 forms are available at the hyperlink at: <http://www.ofta.gov.hk/en/Howto/ets.html>.

Obligation to Submit Yearly Report and Monthly Report on Time

³ Please refer to footnote 2.

We would also like to remind you that you are required to provide the TA with the Yearly Independent Assurance Report and monthly traffic report on time and in the manner as required in the Revised Guidelines. Appropriate regulatory actions may be instituted against the licensee in the event of any contravention of the Ordinance or breach of licence conditions.

The TA may under section 36C of the Ordinance impose a financial penalty for breach of any licence condition and/or issue a direction under section 36B requiring a licensee to take appropriate action to comply with the licence condition. The financial penalty can be up to HK\$200,000 for the first occasion the penalty is imposed. Furthermore, without affecting the TA's power of imposing a financial penalty or issuing a direction, the TA is entitled under section 34(4) of the Ordinance to cancel or suspend any licence in the event of any contravention of the Ordinance or of any condition to which the licence is subject. Please also note that pursuant to section 7(6) of the Ordinance, the renewal of the licence is subject to the discretion of the TA, and the TA will take into account all relevant factors including any breach of licence condition when considering whether or not to renew a licence.

In order to submit the Report to OFTA on time and in the manner as required in the Revised Guidelines, **you are advised to handle this matter immediately by instructing an independent practitioner to prepare the Report and passing this Circular Letter to the practitioner for consideration and action.**

Should you have any further questions relating to this Circular Letter, please contact our Miss Rosa Law, Regulatory Affairs Manager on 2961 6527.

Office of the Telecommunications Authority