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CABLE AND WIRELESS PUBLIC LIMITED COMPANY

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Eric Sharp C.B.E.
Chairman & Chief Executive

10th November 1983

The Rt. Hon. Norman Tebbit, MP.,
Secretary of State for Trade and Industry,
Department of Trade and Industry,
1-19 Victoria Street,
LONDON. SW1H 0ET

Prime Minister.

A.S.C. 10/11

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Dear Norman

I am glad to inform you that the formal 'chop' has now been received from Beijing for the establishment of a Joint Venture company to provide and operate the telecommunications for the Special Economic Zone (S.E.Z.) of Shenzhen. Cable and Wireless will own 49 per cent of the company (called Shenda Telephone Company) with 51 per cent being shared between the Shenzhen Municipality and the Guangdong telecommunications authority.

This will represent the second Joint Venture company in the People's Republic of China in which Cable and Wireless has a 49 per cent equity participation - the first being the Huaying Nanhai Oil Telecommunication Service Company. (We are also currently building for the Guangdong province one of the world's largest microwave systems which will link all the 25 provincial cities of Guangdong with the microwave system also built by Cable and Wireless, and recently opened, between Guangzhou (Canton) and Hong Kong.)

I hope you will note that the new Joint Venture in the S.E.Z. is for an initial period of twenty years which takes us up to 2003.

I attach the press statement which will be released in London tomorrow (Friday) and I hope you will keep this confidential until we have submitted our statement to the Stock Exchange at 9.30 a.m. that day. There will be press and TV coverage of the signing ceremony in Shenzhen on Friday at 11.00 a.m. (Hong Kong time).

In view of the Prime Minister's close interest and involvement with previous Cable and Wireless ventures in China, I am copying this to Mrs. Thatcher as well as Sir Geoffrey Howe and Mr. Lawson. The Hong Kong Government has been informed.

With all good wishes
Yours ever
Eric





CABLE AND WIRELESS

EMBARGO: FOR PUBLICATION IN NEWS
MEDIA AT 10.00A.M. ON
FRIDAY, NOVEMBER 11, 1983

C&W MOVES INTO CHINA'S SUNRISE CITY

A further move by Cable and Wireless plc to increase its business interests in the People's Republic of China was announced today (Friday).

The British company signed an agreement which makes it a partner in a new telephone company in Shenzhen, a special economic zone bordering Hong Kong which has been chosen by the Chinese authorities as an area for accelerated economic development.

Special emphasis will be laid on high technology sunrise industries in a city of skyscrapers which has been planned and upon which work is already progressing.

Mr. Eric Sharp, chairman and chief executive of Cable and Wireless, described the agreement as "an exciting challenge".

It has involved the establishment of the Shenda Telephone Co. Ltd. which will provide the public telephone service in the city and cater for a planned population increase from the existing 200-250,000 to 800,00 by the turn of the century.

Mr. Sharp said in London: "The main thrust of the business of the new company is to service the very considerable number of joint ventures and foreign commercial enterprises upon which the success of Shenzhen depends.

"The entrepreneurs who are being attracted to the special economic zone will need the most advanced telephone services available and it will be up to Shenda to provide them.

"We at Cable and Wireless have already taken a major step by collaborating with the Chinese authorities in the provision of a microwave highway of 2,700 voice channels between the provincial capital of Guangzhou (Canton) and Hong Kong. The microwave system, which was opened last month, was designed from the outset to incorporate Shenzhen.

"This means that first class links already exist between the special economic zone, the provincial capital and Hong Kong."

Under the terms of the joint venture agreement, which has an initial duration of 20 years, the Shenzhen municipality and the Guangdong provincial telecommunications authority will have 51 per cent of the equity of the new company and Cable and Wireless has the remaining 49 per cent.

Mr. Sharp said that Shenda aims to have one telephone installed for every four people in Shenzhen by the end of the century. This will involve an investment programme requiring some US\$180m.

Work has already started on expanding the existing telephone network which will be doubled in size by the end of this year. The capacity will be further increased in stages during 1984 and 1985 to more than 15,000 lines.

Mr. Sharp said: "This represents a further strengthening of the ties of friendship and mutual co-operation between the People's Republic of China and the Cable and Wireless Group.

"It is the second joint venture company we have established with the authorities in China within four months and it reflects the excellent relationships we have, particularly with our telecommunications counterparts in the province of Guangdong.

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"The development of Shenda represents an exciting challenge and one which I believe we and our Chinese partners are well qualified to meet. One of the advantages of Cable and Wireless is that we possess an enormous pool of expertise in Hong Kong, which is adjacent to what will be the new city of Shenzhen. We shall be able to draw upon our resources in Hong Kong and also upon those of the Hong Kong Telephone Company in which we are major shareholders.

"The initial period of our agreement in Shenzhen takes us to the year 2003, by which time we will have increased the number of telephones in Shenzhen by nearly 100 fold.

"Plans for the development of the Shenzhen Special Economic Zone are among the most ambitious I have seen. The Chinese authorities are clearly determined that it will become a model for accelerated economic development and I am proud that Cable and Wireless has been selected to play a vital role in the creation and expansion of the telecommunications infrastructure."

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