
PCCW LIMITED
2024 SHARE AWARD SCHEME

Contents

Clause		Page
1	Definition and interpretation.....	1
2	Purpose and objectives	5
3	Duration	6
4	Administration	6
5	Operation of this Scheme	6
6	Unaccepted Shares and Unvested Shares	14
7	Scheme limits	14
8	Withholding	155
9	Reorganisation of capital structure	166
10	Disputes	166
11	Amendment	166
12	Termination	177
13	Treatment of Shares held by the Trustee	188
14	Cancellation	188
15	Miscellaneous	188
16	Governing law	199

1 Definition and interpretation

1.1 In these Rules, unless the context otherwise requires, the following words and expressions have the meaning shown opposite to them below:

“Account”	the bank account opened in the name of the Trust, managed by the Trustee and operated solely for the purpose of operating this Scheme, which is held on trust for the benefit of Eligible Participants (other than any Excluded Person) and funded by PCCW Services;
“Additional Shares”	has the meaning given to it in clause 5.6(a)(ii);
“Adoption Date”	the date on which this Scheme is approved by Shareholders in general meeting and adopted by the Company;
“AFRC”	the Accounting and Financial Reporting Council;
“Approving Body”	the Board, any committee or sub-committee of the Board and/or any person delegated with the power and authority to administer all or any aspects of this Scheme, provided always that there may be different Approving Bodies for different aspects of this Scheme;
“Articles”	the Company’s articles of association;
“associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Award”	an award of Shares to a Selected Participant by the Approving Body pursuant to clause 5;
“Award Grant Amount”	has the meaning given to it in clause 5.3(c);
“Board”	the board of Directors (as constituted from time to time);
“Business Day”	has the meaning ascribed to the term “business day” in the Listing Rules;
“chief executive”	has the meaning ascribed to it in the Listing Rules;
“close associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Company”	PCCW Limited, a company incorporated in Hong Kong with limited liability and having its Shares listed on the main board of HKEX (stock code: 0008) and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the United States of America (ticker: PCCWY);
“connected person(s)”	has the meaning ascribed to it in the Listing Rules;
“core connected person(s)”	has the meaning ascribed to it in the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Eligible Participants”	(i) Employee Participants, (ii) Related Entity Participants, and (iii) Service Providers;

“Employee Participants”	directors and employees of any Group member (including persons who are granted Awards under this Scheme as an inducement to enter into employment or service contracts with a Group member);
“Excluded Person”	any Eligible Participant who is resident in a place where the grant of an Award and/or the vesting and transfer of Shares pursuant to the terms of this Scheme is not permitted under the laws and/or regulations of such place or where in the view of the Approving Body or the Trustee (as the case may be), compliance with applicable laws and/or regulations in such place makes it necessary or expedient to exclude such Eligible Participant;
“Grant Date”	in relation to any Award, the date on which the Award was, is or is to be granted;
“Grant Letter”	has the meaning given to it in clause 5.3(b);
“Grant Shares”	has the meaning given to it in clause 5.2(a);
“Group”	the Company and its Subsidiaries;
“HKEX”	The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Inside Information”	has the meaning ascribed to the term “inside information” in the Listing Rules;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PCCW Services”	PCCW Services Limited, a wholly-owned Subsidiary of the Company;
“Purchase Grant Price”	in respect of a Selected Participant, the closing price of the Shares as quoted on HKEX as at the Grant Date (or any other date as may be determined by the Approving Body) multiplied by the number of Grant Shares comprised in the Award granted to the Selected Participant;
“Related Entities”	holding companies (as defined in the Listing Rules), fellow subsidiaries (“subsidiary” as defined in the Listing Rules) or associated companies (as defined in the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants) of the Company;
“Related Entity Participants”	directors and employees of any Related Entity;

“Related Income”	all cash and non-cash income, cash and non-cash distributions and dividends, and sale proceeds of non-cash and non-scrip distributions declared in respect of a Share that is referable to a Selected Participant, pursuant to an Award made to him;
“Remuneration Committee”	the remuneration committee of the Board;
“Residual Cash”	in respect of (a) a Selected Participant, being cash remaining in the Account in respect of his Award (including interest income derived from deposits maintained with licensed banks in Hong Kong) which has not been applied in the acquisition or subscription of Shares to become his Grant Shares; and (b) an acquisition of Shares to become Trustee Shares, being cash remaining in the Account in respect of the Trustee Shares (including interest income derived from deposits maintained with licensed banks in Hong Kong) which has not been applied in the acquisition of Shares to become the Trustee Shares;
“Rules”	these rules of share award scheme adopted by the Board on the Adoption Date;
“Scheme”	this scheme constituted by these Rules, as amended from time to time;
“Scheme Limit”	has the meaning given to it in clause 7.1;
“Scheme Mandate Limit”	has the meaning given to it in clause 7.4;
“Selected Participant(s)”	any Eligible Participant(s) selected by the Approving Body for participation in this Scheme in accordance with these Rules;
“Service Provider Sublimit”	has the meaning given to it in clause 7.3;
“Service Providers”	persons who provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group or which will contribute significantly to the growth of the Group’s financial or business performance, including independent contractors, consultants, agents, advisers and suppliers engaged to provide services in relation to research and development, marketing, innovation upgrading, strategic/commercial planning on corporate image, investor relations and core administrative functions, <i>excluding</i> placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions and professional services providers such as auditors or valuers who provide assurance or are required to perform their services with impartiality and objectivity;
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time;
“Share(s)”	share(s) in the capital of the Company;

“Share Scheme”	has the meaning given to it in clause 7.4;
“Shareholder(s)”	holder(s) of Shares, from time to time;
“Subscription Grant Price”	in respect of a Selected Participant, a nominal amount per Share (as directed by the Approving Body) multiplied by the number of new Shares to be issued by the Company as Grant Shares comprised in the Award granted to the Selected Participant;
“Subsidiary”	has the meaning ascribed to the term “subsidiary” in the Listing Rules;
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules;
“Trust”	the PCCW’s Share Award Trust established under the Trust Deed or other trust(s) from which Awards may be granted to a Selected Participant pursuant to this Scheme;
“Trust Deed”	a trust deed to be entered into between PCCW Services and the Trustee in respect of the appointment of the Trustee for the administration of this Scheme, as amended from time to time;
“Trust Period”	has the meaning given to it in the Trust Deed;
“Trustee”	Computershare Hong Kong Trustees Limited, or such other person(s) who for the time being is/are appointed as trustee(s) of the Trust;
“Trustee Shares”	has the meaning given to it in clause 5.3(a);
“Trustee Shares Purchase Amount”	has the meaning given to it in clause 5.3(a);
“Unaccepted Shares”	such Shares pursuant to a grant which are not accepted by the Selected Participant;
“Unvested Shares”	such Shares which have not vested in Selected Participants;
“Vesting Date”	has the meaning given to it in clause 5.4(e)(i) or otherwise agreed by the Approving Body pursuant to these Rules;
“Vesting Period”	the period between the Grant Date and the Vesting Date (both dates inclusive); and
“%”	per cent.

1.2 In these Rules, unless where the context otherwise requires:

- (a) the headings are inserted for convenience only and do not limit, vary, extend or otherwise affect the construction of any provision of these Rules;
- (b) references to clauses are references to clauses of these Rules;

- (c) references, express or implied, to any statute or statutory provision or the Listing Rules are construed as references to such statute, statutory provision or rules as respectively amended, consolidated or re-enacted, or as its operation is modified from time to time by any other statute or statutory provision (whether with or without modification and whether before or after the date hereof), and includes any subsidiary legislation enacted under the relevant statute, provision or rule;
- (d) expressions in the singular include the plural and vice versa;
- (e) expressions in any gender include other genders;
- (f) a reference to any enactment is construed as a reference to that enactment as from time to time amended, extended or re-enacted; and
- (g) references to persons include bodies corporate, corporations, partnerships, sole proprietorships, organisations, associations, enterprises, branches and entities of any other kind.

1.3 In construing these Rules:

- (a) the rule known as the ejusdem generis rule does not apply and, accordingly, general words introduced by the word “other” should not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things; and
- (b) general words should not be given a restrictive meaning by reason of that fact that they are followed by particular examples intended to be embraced by the general words.

2 Purpose and objectives

2.1 The specific objectives of this Scheme are to:

- (a) recognise the contributions by certain Selected Participants with an opportunity to acquire a proprietary interest in the Company;
- (b) give incentives to such individuals in order to encourage and retain them for the continual operation and development of the Group;
- (c) provide additional incentives for such individuals to achieve performance goals;
- (d) attract suitable personnel for further development of the Group; and
- (e) motivate the Selected Participants to maximise the value of the Company for the benefit of both the Selected Participants and the Company,

with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the Selected Participants directly with those of the Shareholders through ownership of Shares.

2.2 These Rules set out the terms and conditions upon which the incentive arrangement for Eligible Participants operates.

3 Duration

Without prejudicing the subsisting rights of any Selected Participant, subject to any early termination as may be determined by the Board pursuant to clause 12, this Scheme remains valid and effective from the Adoption Date until the tenth (10th) anniversary of the Adoption Date, after which period no further Awards will be granted but the provisions of this Scheme will in all other respects remain in full force and effect, and Awards that are granted from the Adoption Date until the tenth (10th) anniversary of the Adoption Date may continue to be vested in accordance with their terms of issue.

4 Administration

- 4.1 This Scheme is subject to the administration of the Approving Body and the Trustee in accordance with the terms of this Scheme and the Trust Deed. Unless otherwise specified in these Rules, the decision of the Approving Body and the Trustee regarding the administration and operation of this Scheme shall be final and binding on all parties.
- 4.2 Without prejudice to clause 11.1, the Approving Body has the power from time to time to make or vary regulations for the administration and operation of this Scheme, provided that they are not inconsistent with the provisions of this Scheme.

5 Operation of this Scheme

- 5.1 Grant of Awards to Selected Participants
- (a) Subject to provisions of these Rules, the Approving Body may from time to time, in its absolute discretion, select any Eligible Participant (other than an Excluded Person) to be a Selected Participant and grant to the Selected Participant any Award. Participation in this Scheme is limited to Eligible Participants only.
 - (b) The Approving Body is entitled to impose any conditions (including, without limitation, a period of continued service with the Group after the Grant Date) as it deems appropriate with respect to the entitlement of the Selected Participant to an Award, and the Approving Body will inform the Selected Participant by way of a Grant Letter of, among other things, the number of Grant Shares, the terms, conditions (e.g., performance conditions) (if any), restrictions (if any) and vesting schedule of his Award.
 - (c) Any grant of Awards of new Shares to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the prospective grantee).
 - (d) Where Awards of new Shares are proposed to be granted under this Scheme to a director (other than an independent non-executive director) or chief executive of the Company or any of their respective associates, and the proposed grant of Awards would result in the Shares issued and to be issued in respect of all awards involving the issue of new Shares (regardless of whether such awards are granted under this Scheme or another Share Scheme but excluding any awards lapsed in accordance with the terms of the corresponding scheme) granted to such person in the twelve (12)-month period up to and including the date of grant of such Awards representing in aggregate over 0.1% of the total issued Shares, the proposed grant of Awards must be approved by Shareholders in general meeting in accordance with the Listing Rules.

- (e) Where Awards of new Shares under this Scheme and/or options over new Shares under any share scheme that may be adopted by the Company are proposed to be granted to an independent non-executive director or a substantial shareholder of the Company or any of their respective associates, and the proposed grant of Awards and/or options would result in the Shares issued and to be issued in respect of all (i) options and (ii) awards involving the issue of new Shares (regardless of whether such options and awards are granted under this Scheme or another Share Scheme but excluding any options and awards lapsed in accordance with the terms of the corresponding scheme) granted to such person in the twelve (12)-month period up to and including the date of grant of such Awards representing in aggregate over 0.1% of the total issued Shares, the proposed grant of Awards and/or options must be approved by Shareholders in general meeting in accordance with the Listing Rules.
- (f) For the avoidance of doubt, no purchase price is payable by Selected Participants upon acceptance or vesting of Awards made under this Scheme.
- (g) There is no clawback mechanism to recover or withhold Awards that have been made to Selected Participants.

5.2 Criteria for determining Selected Participants

- (a) Subject to clauses 5.7(g), 5.7(h) and 7, the Approving Body may in its absolute discretion select any Eligible Participant (other than an Excluded Person) to be a Selected Participant and determine the number of Shares to be granted (the **Grant Shares**) to the Selected Participant.
- (b) In selecting an Eligible Participant (other than an Excluded Person) to be a Selected Participant and determining the number of Shares to be granted, the Approving Body will take into consideration matters including:
 - (i) the present contribution and expected contribution of the Selected Participant to the Group's profits;
 - (ii) the Group's general financial condition;
 - (iii) the Group's overall business objectives and future development plan; and
 - (iv) the Selected Participant's individual performance, time commitment to the Group, job responsibilities and function, and existing remuneration package.
- (c) In addition to the matters set forth in clause 5.2(b), in assessing the eligibility of a Service Provider to participate in this Scheme, the Approving Body will take into consideration criteria including:
 - (i) the expertise, qualifications and industry experience of the Service Provider;
 - (ii) the length of relationship between the Service Provider and the Group; and
 - (iii) the track record of the Service Provider in delivering quality services.

5.3 Purchase and subscription of Shares

- (a) The Approving Body may, in its absolute discretion, notify the Trustee from time to time to purchase Shares on HKEX before any Eligible Participant is selected to be a Selected Participant for an Award in respect of such Shares, and to hold the same for any Award for future Selected Participants to be determined by the Approving Body (together with other Shares made available to and held under the Trust from time to time, the **Trustee Shares**). The Approving Body may, in its absolute discretion, at any time after taking into account the number of Trustee Shares held by the Trustee, cause to be paid the Trustee Shares Purchase Amount from PCCW Services' resources into the Account to enable the Trustee to purchase Shares for the purpose of granting Awards under this Scheme. The **Trustee Shares Purchase Amount** is the sum of (X) the total purchase price of the Shares to be purchased on HKEX and to be held as Trustee Shares and (Y) the related purchase expenses (including for the time being, if any, the brokerage fee, stamp duty, SFC transaction levy, AFRC transaction levy and HKEX trading fee) and such other necessary expenses required for the completion of the purchase of all the Trustee Shares.
- (b) After the Approving Body has selected an Eligible Participant (other than an Excluded Person) to be a Selected Participant and determined the number of Grant Shares for the Selected Participant, it will notify the Selected Participant about the details of the Award in writing by way of a grant letter (the **Grant Letter**). Upon receipt of the Grant Letter, the Selected Participant is required to confirm his acceptance of the Award by returning to the Company a notice of acceptance duly executed by him within twenty-eight (28) days after the Grant Date (the **Acceptance Period**). If any Selected Participant fails to return the notice of acceptance to the Company before the expiration of the Acceptance Period, the Award will be deemed not to have taken effect and automatically lapses forthwith on the day following the last day of the Acceptance Period and the Shares underlying the Award will become Unaccepted Shares which will be dealt with in accordance with clause 6.
- (c) The Approving Body may, in its absolute discretion, at any time after the Grant Date, in respect of an Award and after having regard to the restrictions under clauses 5.7(g) and 5.7(h), cause to be paid the Award Grant Amount from PCCW Services' resources into the Account for the purchase and/or subscription of Grant Shares in respect of the Award. The **Award Grant Amount** is the sum of (X) the Purchase Grant Price (where Shares for the Award are to be purchased on HKEX) or the Subscription Grant Price (where new Shares are to be issued by the Company for the Award) and (Y) the related purchase or subscription expenses (including for the time being, if any, the brokerage fee, stamp duty, SFC transaction levy, AFRC transaction levy and HKEX trading fee) and such other necessary expenses required for the completion of the purchase or subscription of all the Grant Shares.
- (d) In respect of the purchase of Shares on HKEX to be used as Grant Shares under an Award or to be held as Trustee Shares for future grants, at any time after the Grant Date (where Shares are purchased for an Award) or as instructed by the Approving Body (where Shares are purchased to be held as Trustee Shares), the Trustee will apply the Award Grant Amount and Trustee Shares Purchase Amount, respectively, towards the purchase of Shares on HKEX, subject to clause 5.3(f).
- (e) In respect of the subscription of new Shares to be issued by the Company for Awards, at any time after the Grant Date, the Trustee will apply the Award Grant Amount towards the subscription of Shares, the number of which shall not exceed the total number of Grant Shares determined under clause 5.2(a), at a nominal amount per Share as directed by the Approving Body.

- (f) For the purchase of Shares on HKEX (whether for the grant of an Award or to be held as Trustee Shares), within five (5) Business Days (or such longer period as the Trustee and the Approving Body may agree from time to time) of receiving the Award Grant Amount or Trustee Shares Purchase Amount (as applicable), the Trustee will apply the same towards the purchase of Shares on HKEX. If the Award Grant Amount or Trustee Shares Purchase Amount (as applicable) paid or caused to be paid to the Trustee is not sufficient to purchase all the necessary Shares to cover the Grant Shares or additional Shares to be purchased and held as Trustee Shares (as applicable), the Trustee will purchase the maximum number of board lots of Shares that can be purchased with that Award Grant Amount or Trustee Shares Purchase Amount (as applicable) and seek further funds from the Approving Body for the number of Shares intended to be purchased.
- (g) Upon instruction of the Approving Body, any Residual Cash shall be returned to PCCW Services forthwith after completion of the purchase of or subscription for Shares (as applicable) for the grant of an Award or to be held as Trustee Shares. The Trustee will hold any Grant Shares and Trustee Shares so purchased or subscribed for in accordance with these Rules and the provisions of the Trust Deed.
- (h) The number of Grant Shares determined under clause 5.2(a) (together with Related Income attributable to such Grant Shares, if any) will, subject to the receipt by the Trustee of the relevant documents as may be prescribed by the Approving Body and a confirmation from the Company that all vesting conditions have been fulfilled, be transferred to the Selected Participant.
- (i) The Shares purchased or issued pursuant to this Scheme will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with other Shares in issue on the date they are transferred to the Selected Participant and accordingly, will entitle the holders to the same voting, dividend, transfer and other rights (including those arising on liquidation of the Company) as the existing fully paid Shares in issue on the date on which they are transferred upon vesting of an Award and without prejudice to the generality of the foregoing, shall entitle their holders to participate in all dividends or other distributions paid or made on or after the date on which the Shares are transferred to the Selected Participant.

5.4 Vesting

- (a) Vesting condition
 - (i) Vesting of an Award is subject to (A) satisfaction of the vesting condition(s), if any, attached to the Award as stipulated in the Grant Letter and (B) the Selected Participant remaining at all times after the Grant Date and on the Vesting Date, an Eligible Participant.
 - (ii) Without prejudice to the generality of the foregoing, a Selected Participant ceases to be an Eligible Participant for the purpose of clause 5.4(a)(i) if:
 - (A) his employment or service with the Group or a Related Entity (as the case may be) has been terminated for cause. **Cause** means:

- (1) dishonesty or serious misconduct, whether or not in connection with his employment or service; wilful disobedience or non-compliance with the terms of his employment or service contract with, or any lawful orders or instructions given by, a Group member or Related Entity (as applicable); or
 - (2) incompetence or negligence in the performance of his duties; or
 - (3) doing anything which, in the conclusive opinion of the Approving Body, adversely affects his ability to perform his duties properly or would or might bring a Group member or Related Entity into disrepute; or
- (B) he has been summarily dismissed by a Group member or Related Entity; or
 - (C) he has been convicted for any criminal offence involving his integrity or honesty; or
 - (D) he has been charged, convicted or held liable for any offence under the securities laws in Hong Kong or any other applicable laws or regulations in force from time to time; or
 - (E) he could no longer contribute to the growth and development of the Group by reason of cessation of his relations with the Group or by any other reason whatsoever.
- (iii) If prior to or on the Vesting Date in respect of an Award, (i) the Selected Participant ceases to be an Eligible Participant, (ii) the Selected Participant dies, or (iii) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company), the Award will automatically lapse forthwith and the underlying Shares will not vest on the Vesting Date.
 - (iv) If prior to or on the Vesting Date in respect of an Award, the Selected Participant's employment or service with a Group member or Related Entity is terminated by reason of retirement or permanent physical/mental disablement, the Award will automatically lapse forthwith, except that the Approving Body may in its absolute discretion decide to vest all or part of the Award by notice to the Selected Participant subject to compliance with the Listing Rules.
 - (v) If the Company undertakes a consolidation of the Shares, all fractional shares arising out of the consolidation in respect of the Shares granted to a Selected Participant will not vest for the purposes of this Scheme and will not be transferred to the Selected Participant on the Vesting Date.

(b) Vesting upon a change in control

If an offer by way of takeover, merger, scheme of arrangement or otherwise is made to all Shareholders (or all such Shareholders other than the offeror, any person controlled by the offeror and any person acting in concert with the offeror) and such offer becomes or is declared unconditional prior to or on the Vesting Date in respect of an Award, the Award will immediately vest on the date on which the offer becomes or is declared unconditional *provided that* none of the events set out in clause 5.4(a)(ii) have occurred in relation to the Selected Participant and subject to compliance with the Listing Rules.

(c) Performance targets

Vesting of an Award may be subject to performance targets being met, as determined by the Approving Body in its absolute discretion from time to time and stipulated in the Grant Letter. Performance targets may comprise a combination of key performance indicators (such as business unit revenue and EBITDA targets, productivity gain targets, target improvements in net promoter scores) to be attained, and may vary among Selected Participants having regard to their role, length of employment or service, duties and responsibilities and the time of the grant. For the avoidance of doubt, performance targets will not apply to Award(s) which may be made to independent non-executive Directors.

(d) Vesting Period

The Vesting Period of an Award must be at least twelve (12) months, except that the Approving Body may in its absolute discretion apply a shorter Vesting Period to Awards granted to Employee Participants in the following circumstances:

- (i) grants with performance-based vesting conditions provided in this Scheme or as specified in the Grant Letter in lieu of time-based vesting criteria;
- (ii) grants of Awards that are made in batches during a year due to administrative or compliance requirements which may be subject to any changes made to the applicable laws, regulations and rules in the jurisdictions which the Selected Participants and the Group are subject to and not connected with the performance of the relevant Selected Participant, including Awards that should have been granted earlier if not for such administrative or compliance requirements but had to wait for subsequent batch, in which case the Vesting Period may be shortened to reflect the time from which the Awards would have been granted if not for such administrative or compliance requirements;
- (iii) grants with a mixed or accelerated vesting schedule such as where the Awards may vest evenly over a period of twelve (12) months, or where the Awards may vest by several batches with the first batch to vest within twelve (12) months of the Grant Date and the last batch to vest twelve (12) months after the Grant Date;
- (iv) grants with a total vesting and holding period of more than twelve (12) months; and
- (v) in the circumstances set out in clauses 5.4(a)(iv) and 5.4(b).

(e) Vesting of Shares

- (i) Subject to clauses 5.4(a) through 5.4(c), any Shares and Related Income attributable to the Shares, if any, held by the Trustee on behalf of a Selected Participant pursuant to the provisions of these Rules shall vest in the Selected Participant in accordance with the vesting schedule set out in the Grant Letter (for this purpose, the date or each such date on which the Shares are to vest is referred to as a **Vesting Date**).
 - (ii) The Trustee will transfer the relevant Shares (together with Related Income attributable to such Shares, if any) to the Selected Participant as soon as practicable after the Vesting Date.
- (f) Notwithstanding any other provisions of this Scheme (but subject to applicable laws), the Approving Body is at liberty to waive any vesting condition referred to in this clause or otherwise imposed pursuant to this Scheme.

5.5 Cash and non-cash income

All cash, non-cash income, cash or non-cash distributions or dividends, and sale proceeds of non-cash and non-scrip distributions declared in respect of a Share (whether held as Trustee Share, Grant Share, Unaccepted Share, Additional Share or Unvested Share) form part of the trust fund of the Trust.

5.6 Trust fund and Additional Shares

- (a) The Trustee may apply the trust fund in clause 5.5 (other than Related Income):
- (i) initially to pay the fees, costs and expenses of the Trust including, without limitation, all of the Trustee's fees incurred immediately prior to the Purchase Date; and
 - (ii) its remainder (if any) to purchase the maximum number of board lots of Shares (the **Additional Shares**) on the Purchase Date.

Purchase Date means any Business Day on which the Trustee purchases any Additional Shares subject to prior consultation with and the decision of the Approving Body.

- (b) The Trustee shall hold Additional Shares for the benefit of all or one or more of the Eligible Participants (other than any Excluded Person) and may, in its absolute discretion but subject to prior consultation with and the decision of the Approving Body, use the Additional Shares to settle Award(s) which has/have vested.
- (c) The Additional Shares (if used by the Trustee in a manner specified in clause 5.6(b) above) are subject to the vesting condition(s) and vesting schedule as may be determined by the Approving Body.

5.7 Restrictions and limitations

- (a) An Award shall be personal to the Selected Participant to whom it is made and shall not be assignable and no Selected Participant may in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any of the Purchase Grant Price, Subscription Grant Price, Award Grant Amount, Shares referable to him pursuant to the Award or Related Income, or the Unaccepted Shares, Additional Shares or Unvested Shares under this Scheme, subject to a waiver which HKEX may consider granting to allow a transfer of the Award from a Selected Participant to a vehicle (such as a trust or a private company) for the benefit of the Selected Participant and any of his family members (e.g., for estate planning or tax planning purpose) that would continue to meet the purpose of this Scheme and comply with the requirements of Chapter 17 of the Listing Rules.
- (b) A Selected Participant shall only have a contingent interest in Shares underlying an Award and (if any) the Related Income, subject to the vesting and transfer of the Shares and Related Income to the Selected Participant in accordance with the provisions set out in clause 5.4(e).
- (c) A Selected Participant has no rights in the Residual Cash.
- (d) The Trustee holding Unvested Shares, whether directly or indirectly, shall abstain from voting on matters that require Shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given.
- (e) No instructions may be given by a Selected Participant to the Trustee in respect of Shares and (if any) Related Income that have not vested, and such other properties of the Account managed by the Trustee.
- (f) The Trustee may not subscribe for any new Shares pertaining to either (a) an open offer of new securities or (b) any rights issue or bonus warrants issued in respect of any Shares held by the Trustee. In the event of a rights issue, the Trustee will sell any nil-paid rights allotted to it. In the event of the issue of a bonus warrant, the Trustee will sell the bonus warrants granted to it. The net proceeds from the sale of such rights are held as cash income of the trust fund of the Trust and shall be applied in accordance with clause 5.6.
- (g) No Award may be granted by the Approving Body to any Selected Participant, no Shares may be issued or allotted under this Scheme and no instructions to acquire any Shares may be given to the Trustee where dealings in the Shares are prohibited under the Listing Rules and/or applicable laws from time to time. Without limiting the generality of the foregoing, no such grant or issue or allotment is to be made and such instruction is to be given:
 - (i) where the Company has information that must be disclosed under Rule 13.09 of the Listing Rules or where the Company reasonably believes there is Inside Information which must be disclosed under Part XIVA of the SFO, until (and including) the trading date after such Inside Information has been published on the websites of HKEX and the Company; or
 - (ii) after any Inside Information in relation to the Company's securities has occurred or has become the subject of a decision, until such Inside Information has been published; or

- (iii) during the period commencing one (1) month immediately before the earlier of (a) the date of a meeting of the Board (as such date is first notified to HKEX) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules) and (b) the deadline for the Company to publish its annual, interim or quarterly results announcement for any such period, and ending on the date of such announcement; or
 - (iv) (in relation to a grantee or prospective grantee who is a Director) during (a) the period of sixty (60) days immediately preceding the publication date of the Company's annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results, and (b) the period of thirty (30) days immediately preceding the publication date of the Company's quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results; or
 - (v) in any other circumstances where dealings by a Selected Participant (including a Director) are prohibited under the Listing Rules, the SFO or other applicable laws or regulations or where the requisite approval from applicable regulatory authorities has not been granted.
- (h) No Award of new Shares may be made or announced, and no issue or allotment of Shares pursuant to this Scheme may be made, for a period of thirty (30) days after any purchase by the Company of Shares whether on HKEX or otherwise, unless with the prior approval of HKEX.

5.8 Compliance

In respect of the administration of this Scheme, the Company shall comply with all applicable disclosure regulations including, without limitation, those imposed by the Listing Rules from time to time.

6 Unaccepted Shares and Unvested Shares

Where Shares, referable to a Selected Participant:

- (a) are not accepted by the Selected Participant within the stipulated time in accordance with clause 5.3(b) and become Unaccepted Shares; or
- (b) do not vest in accordance with the provisions of these Rules and become Unvested Shares,

the Trustee shall hold such Unaccepted Shares or Unvested Shares and all income derived from them for the benefit of all or one or more of the Eligible Participants (other than any Excluded Person) and may, subject to prior consultation with and the decision of the Approving Body, use such Unaccepted Shares or Unvested Shares to settle Award(s) which has/have vested.

7 Scheme limits

- 7.1 The total number of new Shares which may be awarded by the Approving Body under this Scheme shall be no more than 10% of the total number of Shares in issue as at the Adoption Date (being 773,963,824 Shares), subject to clause 7.4 (**Scheme Limit**).

- 7.2 No Award may be granted to any one Eligible Participant such that the total number of Shares issued and to be issued in respect of all options and awards granted to such person (excluding any options and awards lapsed in accordance with the terms of the corresponding scheme) in the twelve (12)-month period up to and including the date of the latest grant exceeds in aggregate 1% of the total issued Shares, unless the grant is separately approved by Shareholders in general meeting with such grantee and his close associates (or associates, if the grantee is a connected person) abstaining from voting.
- 7.3 Within the Scheme Limit, the total number of new Shares which may be awarded to Selected Participants who are Service Providers under this Scheme shall be no more than 0.5% of the total number of Shares in issue as at the Adoption Date (being 38,698,191 Shares, **Service Provider Sublimit**).
- 7.4 The total number of new Shares which may be issued in respect of all options and awards granted and to be granted under this Scheme and all other scheme(s) of the Company (each a **Share Scheme**) which are funded by the issue of new Shares, must not exceed 10% of the Shares in issue as at the date of approval by the Shareholders of the Share Scheme or a refreshment of the scheme mandate under a Share Scheme, whichever is later (**Scheme Mandate Limit**).
- 7.5 There is no limit on the number of existing Shares which may be awarded to Selected Participants under this Scheme.

8 Withholding

- 8.1 PCCW Services may be entitled to withhold, and any Selected Participant may be obliged to pay, the amount of any tax and/or contributions attributable to or payable in connection with the grant of an Award and any excluded expenses pursuant to clause 15.2. In particular, if PCCW Services is obliged to pay for and on behalf of a Selected Participant any taxes according to the relevant rules and regulation, instead of asking the Selected Participant to indemnify or reimburse PCCW Services in cash for such amount of taxes, PCCW Services is entitled, in its absolute discretion, to forfeit by way of deducting from the total number of Shares entitled to be vested in the Selected Participant (i.e., to be transferred to the Selected Participant) on the Vesting Date such number of Shares representing the relevant amount of taxes. The value of the Shares so deducted and forfeited shall be conclusively determined by PCCW Services in its absolute discretion with reference to the closing price of the Shares as quoted on HKEX on the Vesting Date (or the Business Day immediately after the Vesting Date, if the Vesting Date is not a Business Day) and the deduction and the forfeiture will be done on the date immediately after the Vesting Date and before the Shares are transferred to the Selected Participant. Such number of Shares so deducted and forfeited will become Unvested Shares. The Trustee shall hold the Unvested Shares and all income derived therefrom upon trust exclusively for the benefit of all or one or more of the Eligible Participants (other than any Excluded Person). Such Unvested Shares may be awarded as Grant Shares pursuant to this Scheme. The beneficial interest in these Unvested Shares is with the Eligible Participants as a whole prior to the grant of an Award and will only go to a particular Selected Participant after the making of an Award.
- 8.2 The Approving Body may establish appropriate procedures to provide for any such payment so as to ensure that PCCW Services receives advice concerning the occurrence of any event which may create, or affect the timing or amount of, any obligation to pay or withhold any such taxes or social security contributions or which may make available to PCCW Services any tax deduction resulting from the occurrence of such event.

- 8.3 PCCW Services may, by notice to a Selected Participant and subject to any rules as the Board may adopt, require that the Selected Participant pay at the time of acceptance and/or vesting of the Award an amount estimated by PCCW Services to cover all or a portion of the tax and/or contributions attributable to or payable in connection with the Award.

9 Reorganisation of capital structure

In the event of any alteration in the capital structure of the Company while any Award remains unvested, such as capitalisation issue, rights issue or sub-division or consolidation of Shares or reduction of share capital of the Company, the Approving Body shall determine (if appropriate) and make alterations (if any) to the number of Shares underlying the Award so far as unvested.

Any such alteration must give a Selected Participant the same proportion of the equity capital, rounded to the nearest whole Share, as that to which that person was previously entitled but no such adjustments may be made to the extent that a Share would be issued at less than its nominal value (if any). The issue of securities by the Company as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, an independent financial adviser or the Company's auditors must confirm to the Directors in writing that the adjustments satisfy the requirements set out in the Listing Rules.

The capacity of the independent financial adviser or the Company's auditors (as the case may be) in this clause is that of experts and not of arbitrators and their confirmation shall, in the absence of manifest error, be final and binding on the Company and the Selected Participant.

10 Disputes

Any dispute arising in connection with this Scheme is referred to the decision of the Approving Body who acts as experts and not as arbitrators and whose decision is final and binding.

11 Amendment

- 11.1 Except for the provisions the amendment of which require Shareholders' approval pursuant to the Listing Rules, this Scheme may be amended in any respect by a resolution of the Board provided that no such amendment may operate to affect adversely any subsisting rights of any Selected Participant under this Scheme unless:

- (a) the written consent of the Selected Participant is obtained; or
- (b) with the sanction of a special resolution passed at a meeting of all Selected Participants.

The amended terms of this Scheme shall remain in compliance with the requirements of Chapter 17 of the Listing Rules.

- 11.2 For any such meeting of Selected Participants referred to in Clause 11.1, all the provisions of the Articles as to general meetings of the Company apply *mutatis mutandis* except that:

- (a) not less than five (5) days' notice of such meeting shall be given;
- (b) a quorum at any such meeting shall be two (2) Selected Participants present in person or by proxy;

- (c) every Selected Participant present in person or by proxy at any such meeting shall be entitled on a show of hands to one vote, and on a poll, to one vote for each Share proposed to be awarded to him;
- (d) any Selected Participant present in person or by proxy may demand a poll; and
- (e) if any such meeting is adjourned for want of a quorum, such adjournment will be to such date and time, not being less than seven (7) or more than fourteen (14) days, and to such place as may be appointed by the chairman of the meeting. At any adjourned meeting those Selected Participants who are then present in person or by proxy form a quorum and at least seven (7) days' notice of any adjourned meeting is given in the same manner as for an original meeting and such notice states that those Selected Participants who are then present in person or by proxy shall form a quorum.

11.3 Any (i) alterations to the terms and conditions of this Scheme which are of a material nature, (ii) alterations to the provisions relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of Selected Participants or prospective Selected Participants, and (iii) change to the authority of the Directors or scheme administrators to alter the terms of this Scheme, must be approved by Shareholders in general meeting.

11.4 Any proposed amendment to the terms of an Award already granted to a Selected Participant must be approved by the Approving Body, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders (as the case may be), if the initial grant of the Award was approved by the Approving Body, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders (as the case may be). This requirement does not apply where the alterations take effect automatically under the existing terms of this Scheme.

12 Termination

12.1 This Scheme commences on the Adoption Date and remains valid and effective unless and until being terminated on the earlier of:

- (a) the tenth (10th) anniversary date of the Adoption Date; and
- (b) such date of early termination as determined by the Board provided that such termination does not affect any subsisting rights of any Selected Participant.

12.2 Upon termination, no further Awards may be granted. The Approving Body will notify the Trustee in writing of such early termination.

12.3 Upon receipt of the notification of termination in clause 12.2, the Trustee will, within twenty-one (21) Business Days of receiving such notice (or such longer time as the Trustee and the Approving Body may agree from time to time) and subject to instructions from the Approving Body, treat as vested all Awards which as at the date of such notice are unvested and have not lapsed pursuant to clauses 5.4(a)(iii) or 5.4(a)(iv) and transfer the relevant Shares (together with Related Income attributable to such Shares, if any) to the Selected Participants, subject to clause 5.4(d)(v) and compliance with the Listing Rules. The Residual Cash and such other funds/assets remaining in the Account will be dealt with at the direction of the Approving Body and (after making appropriate deductions in respect of all disposal costs, liabilities and expenses) all funds remitted to PCCW Services forthwith.

- 12.4 For the avoidance of doubt, the temporary suspension of the granting of any Award is not construed as a decision to terminate the operation of this Scheme.

13 Treatment of Shares held by the Trustee

The Approving Body may at any time during the Trust Period instruct the Trustee in writing to deal with Shares underlying Awards which, as of the date of such instruction (a) are unvested and have not lapsed pursuant to any provisions in these Rules or (b) remain in the account maintained by PCCW Services with the Trustee for any other reason, in a manner determined by the Approving Body in its absolute discretion (which may include, among others, (i) transferring all relevant Shares to other account(s) maintained by the Trustee for the purposes of operating other Share Scheme(s), (ii) disposing of such Shares and remitting the proceeds to PCCW Services, and/or (iii) accelerating the vesting of such Awards and transferring the relevant Shares (together with Related Income attributable to such Shares, if any) to the relevant Selected Participants).

14 Cancellation

An Award that has not vested may be cancelled by the Approving Body with the consent of the Selected Participant.

For the avoidance of doubt, where the Approving Body cancels Awards granted to a Selected Participant and makes a new grant to the same Selected Participant, such new grant may only be made within the available Scheme Limit and if applicable, the Service Provider Sublimit, and the Scheme Mandate Limit. Awards cancelled will be regarded as utilised for the purpose of calculating the Scheme Limit and if applicable, the Service Provider Sublimit, and the Scheme Mandate Limit.

15 Miscellaneous

- 15.1 This Scheme does not form part of any contract of employment or contract for services (as the case may be) between the Company or any Subsidiary and any Eligible Participant, and the rights and obligations of any Eligible Participant under the terms of his office, employment or service are not affected by his participation in this Scheme or any right which he may have to participate in it, and this Scheme affords such Eligible Participant no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason.
- 15.2 The Company bears the costs of establishing and administering this Scheme including, for the avoidance of doubt, costs arising from communication as referred to in clause 0, expenses incurred in the purchase and/or subscription of Shares for the grant of Awards and stamp duty and normal registration fees in respect of the transfer of Shares and (if any) Related Income to Selected Participants on the relevant Vesting Date. For the avoidance of doubt, neither the Company nor PCCW Services is liable for any tax or expenses of such other nature payable on the part of any Eligible Participant, the Approving Body or the Trustee in respect of any sale, purchase, vesting or transfer of Shares or Related Income.
- 15.3 Save as specifically provided in these Rules, this Scheme does not confer on any person any legal or equitable rights (other than those constituting and attaching to the Shares themselves) against the Company or PCCW Services directly or indirectly or give rise to any cause of action at law or in equity against the Company or PCCW Services.

- 15.4 Any notice or other communication between the Company or PCCW Services on one hand and any Eligible Participant on the other, may be given by sending the same by electronic communication to, in the case of the Company and PCCW Services, their designated Human Resources email address(es) and in the case of an Eligible Participant, his email address at his place of employment or as otherwise designated by the Eligible Participant.
- 15.5 Neither the Company nor PCCW Services is responsible for any failure by any Eligible Participant to obtain any consent or approval required for the Eligible Participant to participate in this Scheme as a Selected Participant or for any tax, duty, expenses, fees or any other liability to which he may become subject as a result of his participation in this Scheme.
- 15.6 The Company shall disclose details of Award(s) granted under this Scheme to the extent appropriate.
- 15.7 In case where an Award is funded by existing Shares (rather than the issue and allotment of new Shares) then to the extent permissible under Chapter 17 of the Listing Rules and other applicable laws and regulations, the Approving Body may make a determination to waive, modify and/or vary the application of any terms or provisions of these Rules to the Award and/or the Selected Participants as the Approving Body may at its discretion consider appropriate.

16 Governing law

- 16.1 This Scheme operates subject to the Articles and any applicable law to which the Company is subject.
- 16.2 This Scheme is governed by and is construed in accordance with the laws of Hong Kong.