**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **PCCW Limited**, you should at once hand this circular to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

No Shareholder (as defined herein) receiving a copy of this circular and/or an Election Form (as defined herein) in any Excluded Territory (as defined herein) may treat the same as an invitation to participate in the Scrip Dividend Scheme (as defined herein) unless in that relevant territory such invitation could lawfully be made to that Shareholder without the Company (as defined herein) having to comply with any registration or other legal requirements, governmental or regulatory procedures or any other similar formalities. It is the responsibility of any Shareholder outside Hong Kong who wishes to receive New Shares (as defined herein) under the Scrip Dividend Scheme to comply with the laws of the relevant jurisdictions including any applicable procedures or any other similar formalities.

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**PCCW Limited**

**電 訊 盈 科 有 限 公 司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 0008)**

# SCRIP DIVIDEND SCHEME IN RELATION TO THE FINAL DIVIDEND FOR THE YEAR ENDED DECEMBER 31, 2014

This circular is made in English and Chinese. In case of any inconsistency, the English version shall prevail.

May 21, 2015

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*Page*

*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

| | |
|---|---|
| "**AGM**" | the annual general meeting of the Company held on Thursday, May 7, 2015; |
| "**Board**" | the board of Directors (as constituted from time to time); |
| "**CCASS**" | the Central Clearing and Settlement System established and operated by HKSCC; |
| "**Company**" or "**PCCW**" | PCCW Limited, a company incorporated in Hong Kong with limited liability and having its Shares listed on the main board of the Stock Exchange (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); |
| "**Director(s)**" | the director(s) of the Company; |
| "**Election Form**" | the form of election in relation to the Scrip Dividend Scheme; |
| "**Eligible Shareholder(s)**" | Shareholder(s) (other than Excluded Shareholders) whose name(s) appeared on the register of members of the Company at 4:30 p.m. on the Record Date; |
| "**Excluded Shareholder(s)**" | Shareholder(s) whose name(s) appeared on the register of members of the Company at 4:30 p.m. on the Record Date and whose address(es) as shown on such register are in any of the Excluded Territories; |
| "**Excluded Territory(ies)**" | the Bahamas, India, Japan, Malaysia, Nepal, the United Arab Emirates and the United States of America; |
| "**Final Dividend**" | the final dividend of 13.21 HK cents per Share for the year ended December 31, 2014 payable to Shareholders whose names appeared on the register of members of the Company on the Record Date; |
| "**HK$**" and "**HK cents**" | Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong; |
| "**HKSCC**" | Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited; |
| "**Hong Kong**" | the Hong Kong Special Administrative Region of the People's Republic of China; |

| | |
|---|---|
| "**Listing Rules**" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; |
| "**New Share(s)**" | new fully paid Share(s) to be issued under the Scrip Dividend Scheme; |
| "**Record Date**" | May 14, 2015; |
| "**Scrip Dividend Scheme**" | the scheme of offering a scrip alternative to the Eligible Shareholders whereby Eligible Shareholders may elect to receive the Final Dividend by way of New Shares in lieu of cash; |
| "**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)**" | ordinary share(s) in the capital of the Company; |
| "**Share Registrar**" | Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong; |
| "**Shareholder(s)**" | holder(s) of Share(s), from time to time; |
| "**Stock Exchange**" | The Stock Exchange of Hong Kong Limited; |
| "**Takeovers Code**" | the Code on Takeovers and Mergers; and |
| "**%**" | per cent. |

# EXPECTED TIMETABLE

Set out below is a summary of the events in relation to the Scrip Dividend Scheme in the form of a timetable:

| | |
|---|---|
| Latest date for dealings in the Shares on a cum-entitlement basis | Friday, May 8, 2015 |
| Commencement of dealings in the Shares on an ex-entitlement basis | Monday, May 11, 2015 |
| Latest time for lodging transfer of the Shares in order to be entitled to the Final Dividend | 4:30 p.m. on Tuesday, May 12, 2015 |
| Closure of the register of members of the Company | Wednesday, May 13, 2015 to Thursday, May 14, 2015 (both days inclusive) |
| Record Date for determination of entitlements to the Final Dividend | Thursday, May 14, 2015 |
| Announcement of calculation of the market value of the Shares for calculating the number of New Shares to be allotted | Friday, May 15, 2015 |
| Latest time for return of the Election Form to the Share Registrar[2] | 4:30 p.m. on Monday, June 8, 2015 |
| Despatch of share certificates for New Shares and dividend warrants for cash dividends | on or about Friday, June 19, 2015 |
| Expected first day of dealings in New Shares | on or about Monday, June 22, 2015 |

*Notes:*

1. All times and dates refer to Hong Kong local times and dates.

2. If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force at or at any time prior to 4:30 p.m. on Monday, June 8, 2015, the deadline for returning the Election Form will be changed. Further information is set out in the paragraph headed "Election Form" of the "Letter from the Board".

# PCCW Limited
# 電訊盈科有限公司

*(Incorporated in Hong Kong with limited liability)*
**(Stock Code: 0008)**

***Executive Directors***
Li Tzar Kai, Richard *(Chairman)*
Srinivas Bangalore Gangaiah (aka BG Srinivas)
*(Group Managing Director)*
Hui Hon Hing, Susanna *(Group Chief Financial Officer)*
Lee Chi Hong, Robert

***Non-Executive Directors***
Sir David Ford, KBE, LVO
Tse Sze Wing, Edmund, GBS
Lu Yimin *(Deputy Chairman)*
Li Fushen
Zhang Junan
Wei Zhe, David

***Independent Non-Executive Directors***
Dr The Hon Sir David Li Kwok Po, GBM, GBS, OBE, JP
Aman Mehta
Frances Waikwun Wong
Bryce Wayne Lee
Lars Eric Nils Rodert
David Christopher Chance

***Registered Office***
41st Floor, PCCW Tower
Taikoo Place, 979 King's Road
Quarry Bay, Hong Kong

May 21, 2015

*To the Shareholders*

Dear Sir or Madam,

## SCRIP DIVIDEND SCHEME IN RELATION TO THE FINAL DIVIDEND FOR THE YEAR ENDED DECEMBER 31, 2014

### INTRODUCTION

The Company announced on February 11, 2015 that the Board had recommended the payment of the Final Dividend to Shareholders whose names appeared on the register of members of the Company on the Record Date. At the AGM, an ordinary resolution was passed to approve the Final Dividend. Under the Scrip Dividend Scheme, Eligible Shareholders may elect to receive the Final Dividend wholly in cash, or in the form of New Shares in lieu of cash, or partly in cash and partly in the form of New Shares. In order to determine entitlements to the Final Dividend, the register of members of the Company was closed from Wednesday, May 13, 2015 to Thursday, May 14, 2015 (both days inclusive) and all transfers of Shares, accompanied by the relevant share certificates needed to have been lodged with the Share Registrar for registration by 4:30 p.m. on Tuesday, May 12, 2015.

The purpose of this circular is to provide further information in relation to the Scrip Dividend Scheme and to set out the procedures which apply in relation to the Scrip Dividend Scheme and the actions which should be taken by Shareholders in relation thereto.

**DETAILS OF THE SCRIP DIVIDEND SCHEME**

Under the Scrip Dividend Scheme, Eligible Shareholders may, instead of receiving the Final Dividend wholly in cash, elect to receive the Final Dividend in either of the following ways:

(i) wholly in the form of New Shares (the number of which is determined as explained below); or

(ii) partly in cash and partly in the form of New Shares.

In the absence of any election, Eligible Shareholders will receive the Final Dividend wholly in cash, in the amount of 13.21 HK cents for each Share held on the Record Date.

For the purposes of calculating the number of New Shares to be allotted pursuant to the Scrip Dividend Scheme, the market value of the New Shares has been fixed at HK$5.088 per Share (the "**Average Closing Price**"), which is the average closing price per Share as quoted on the Stock Exchange for the five consecutive trading days from Monday, May 11, 2015 to Friday, May 15, 2015. Accordingly, the number of New Shares which the Eligible Shareholders are entitled to receive in respect of the Shares registered in their names on the Record Date will be calculated as follows:

$$\begin{array}{c}\text{Number of}\\ \text{New Shares}\\ \text{to be received}\end{array} = \begin{array}{c}\text{Number of Shares held on}\\ \text{the Record Date and}\\ \text{elected for New Shares}\end{array} \times \frac{\begin{array}{c}\text{HK\$0.1321}\\ \text{(Final Dividend per Share)}\end{array}}{\begin{array}{c}\text{HK\$5.088}\\ \text{(Average Closing Price)}\end{array}}$$

Based on the 7,453,177,661 Shares in issue as at the Record Date, the maximum number of New Shares which may fall to be issued under the Scrip Dividend Scheme will be 193,507,226, representing approximately 2.60% of the existing total number of Shares in issue and approximately 2.53% of the total number of Shares in issue including the New Shares.

**The last day and time on which Eligible Shareholders will be entitled to elect to receive New Shares in lieu of cash as regards the Final Dividend is 4:30 p.m. on Monday, June 8, 2015.** The number of New Shares to be issued to each Eligible Shareholder will be rounded down to the nearest whole number. Fractional entitlements to New Shares will be disregarded and the benefit thereof will accrue to the Company. The New Shares to be issued pursuant to the Scrip Dividend Scheme will, when they are issued, rank pari passu in all respects with the Shares in issue on the date of the allotment and issue of the New Shares, except that they shall not be entitled to the Final Dividend.

## ADVANTAGES OF THE SCRIP DIVIDEND SCHEME

The Directors believe that the Scrip Dividend Scheme is beneficial to both the Shareholders and the Company as it gives Shareholders the opportunity to increase their investment in the Company at market value without incurring brokerage fees, stamp duty and related dealing costs and allows the Company to retain cash which would otherwise have been paid to Shareholders for use by the Company.

## CONDITION OF THE SCRIP DIVIDEND SCHEME

The Scrip Dividend Scheme is conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares to be issued in respect of the Final Dividend.

If the condition is not satisfied, the Scrip Dividend Scheme will not become effective and the Election Forms will be void. The Final Dividend would then be paid wholly in cash.

## EFFECT OF THE SCRIP DIVIDEND SCHEME

Shareholders should note that the subscription for New Shares to be issued under the Scrip Dividend Scheme may give rise to disclosure requirements under the provisions of Part XV of the SFO. Shareholders who are in any doubt as to how these provisions may affect them as a result of the issue of the New Shares are recommended to seek their own professional advice. Shareholders who are in any doubt as to their taxation position are also recommended to seek their own professional advice.

## IMPLICATIONS UNDER THE TAKEOVERS CODE

If, as a result of the election to receive the Final Dividend by way of New Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition of voting rights for the purposes of the Takeovers Code. Accordingly, a Shareholder, or group of Shareholders acting in concert, could, depending upon the level of increase in shareholding interest(s), obtain or consolidate control of the Company and thereby become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

If an election to receive the Final Dividend by way of New Shares would otherwise result in a Shareholder becoming obliged to make a mandatory offer in respect of the Company under the Takeovers Code, the amount of the Final Dividend elected by the Shareholder to be received in the form of New Shares shall be reduced to the extent necessary to ensure that the election does not result in the Shareholder becoming obliged to make a mandatory offer in respect of the Company. The election shall be deemed to be an election to receive the reduced amount of Final Dividend in the form of New Shares and the remaining balance of the relevant Shareholder's Final Dividend shall be paid in cash.

Accordingly, it is not anticipated that any election to receive the Final Dividend in the form of New Shares under the Scrip Dividend Scheme would give rise to any consequences under the Takeovers Code.

## ELECTION FORM

The Election Form has been prepared for use by those Eligible Shareholders who wish to receive the Final Dividend wholly in the form of New Shares or partly in cash and partly in the form of New Shares in lieu of cash. Please read carefully the instructions below and the instructions printed on the Election Form.

### (i) To receive the Final Dividend wholly in cash

If you wish to receive the Final Dividend wholly in cash, you do not need to take any action. Therefore, please DO NOT return the Election Form.

### (ii) To receive the Final Dividend wholly in the form of New Shares

If you wish to receive the Final Dividend wholly in the form of New Shares, please just SIGN, DATE and RETURN the Election Form.

### (iii) To receive the Final Dividend partly in cash and partly in the form of New Shares

If you wish to receive the Final Dividend partly in cash and partly in the form of New Shares, please ENTER in Box C of the Election Form the number of Shares which you held on the Record Date for which you wish to receive the Final Dividend to be paid to you in New Shares. Then SIGN, DATE and RETURN the Election Form.

If you do not specify the number of Shares in respect of which you wish to receive New Shares or if you elect to receive New Shares in respect of a greater number of Shares than your registered holding on the Record Date in your signed and returned Election Form, you will be deemed to have elected to receive only New Shares in respect of ALL the Shares registered in your name on the Record Date. Therefore, you will receive only New Shares for the Final Dividend.

The Election Forms should be completed in accordance with the instructions printed thereon and returned, so that they are received by the Share Registrar no later than 4:30 p.m. on Monday, June 8, 2015 at:

**Computershare Hong Kong Investor Services Limited**
**Shops 1712-1716**
**17th Floor, Hopewell Centre**
**183 Queen's Road East**
**Wan Chai**
**Hong Kong**

The latest time for return of the Election Form mentioned above will not be valid if there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning:

(i) in force in Hong Kong at any local time at or before 12:00 noon and no longer in force after 12:00 noon on Monday, June 8, 2015. Instead, the deadline for the submission of Election Forms will be rescheduled to 5:00 p.m. on the same business day;

(ii) in force in Hong Kong at any local time between 12:00 noon and 4:30 p.m. on Monday, June 8, 2015. Instead, the deadline for the submission of Election Forms will be rescheduled to 4:30 p.m. on the next business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:30 p.m.

Failure to complete and return the Election Form in accordance with the instructions printed thereon will result in the relevant Eligible Shareholder's Final Dividend being paid wholly in cash. No acknowledgment of receipt of the Election Form will be issued. No elections in respect of the Final Dividend may, after the relevant Election Forms are signed and returned to the Share Registrar, be in any way withdrawn, revoked, superseded and altered.

## SHAREHOLDERS RESIDENT OUTSIDE HONG KONG

No Shareholder receiving a copy of this circular and/or an Election Form in any Excluded Territory may treat the same as an invitation to participate in the Scrip Dividend Scheme unless in that relevant territory such invitation could lawfully be made to that Shareholder without the Company having to comply with any registration or other legal requirements, governmental or regulatory procedures or any other similar formalities.

Excluded Shareholders are not permitted to participate in the Scrip Dividend Scheme and will receive the Final Dividend wholly in cash. The Board has made enquiries with its legal advisers in respect of all jurisdictions outside Hong Kong where an address has been registered in the register of members of the Company in respect of a Shareholder and, on the basis of the results of such enquiries, has considered the exclusion of the Excluded Shareholders to be necessary and expedient pursuant to Rule 13.36(2) of the Listing Rules. No Election Form is sent to the Excluded Shareholders.

Notwithstanding the enquiries made by the Company with its legal advisers, it is the responsibility of Shareholders with a registered address outside Hong Kong or otherwise residing outside Hong Kong to consult their professional advisers as to whether they are permitted to receive New Shares under the Scrip Dividend Scheme or if any governmental or other consent is required or other formalities need to be observed, the taxation consequences of their decision and whether there are any restrictions on their handling of any New Shares so acquired (such as the sale of them). Excluded Shareholders will be deemed to have received this circular and the Election Form for information only.

**France**

The Scrip Dividend Scheme does not require a prospectus to be submitted for approval to the Autorité des marchés financiers. Persons or entities referred to in point 2°, Section II of Article L. 411-2 of the French Monetary and Financial Code may elect to take the Final Dividend in the form of New Shares solely for their own account, as provided in Articles D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French Monetary and Financial Code; the financial instruments thus acquired cannot be distributed directly or indirectly to the public otherwise than in accordance with Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French Monetary and Financial Code.

**New Zealand**

It is a term of the Scrip Dividend Scheme that the offer of securities to the public in New Zealand is made in compliance with the laws of Hong Kong and any code, rules and requirements relating to the Scrip Dividend Scheme that apply in Hong Kong.

**Philippines**

The Scrip Dividend Scheme is exempt from the registration requirement set out in Section 8 of the Philippine Securities Regulation Code (Republic Act No. 8799), pursuant to Section 10.1(d) thereof, which provides that "the distribution by a corporation, actively engaged in the business authorized by its articles of incorporation, of securities to its stockholders or other security holders as a stock dividend or other distribution out of surplus" is exempt from registration.

**THE SECURITIES BEING OFFERED OR SOLD HEREIN HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES REGULATION CODE. ANY FUTURE OFFER OR SALE THEREOF IS SUBJECT TO REGISTRATION REQUIREMENTS UNDER THE CODE UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.**

**Taiwan**

The securities under the Scrip Dividend Scheme are offered as a dividend distribution without registration in Taiwan and may not be publicly offered, sold or resold, privately placed, transferred or distributed in Taiwan. No person or entity in Taiwan has been authorized to offer, sell, re-sell, make private placement, transfer, distribute, give advice or services regarding or otherwise intermediate the offering and sale of the securities under the Scrip Dividend Scheme.

## LISTING AND DEALINGS

Application has been made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the New Shares.

It is expected that the share certificates for New Shares will be sent by ordinary mail to those Eligible Shareholders who elected to receive the Final Dividend wholly or partly in New Shares at their own risk on or about Friday, June 19, 2015, and the first day of dealings in the New Shares on the Stock Exchange is expected to be on or about Monday, June 22, 2015.

Subject to the granting of the listing of, and permission to deal in, the New Shares to be allotted and issued pursuant to the Scrip Dividend Scheme on the Stock Exchange, such New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek the advice of their licensed securities dealer(s) or other professional adviser for details of these settlement arrangements and how such arrangements will affect their rights and interests.

The Shares are listed on the main board of the Stock Exchange and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the United States of America. Save as mentioned above, no part of the equity or debt securities of the Company is listed on or dealt in on any other stock exchange and no such listing of, or permission to deal, is being or is proposed to be sought.

## GENERAL

New Shares issued to Eligible Shareholders pursuant to an election to receive some or all of their Final Dividend in New Shares may be allocated in odd lots (of fewer than a board lot of 1,000 Shares). No special dealing arrangements will be put in place by the Company to facilitate the trading or disposal of New Shares to be issued in odd lots. Eligible Shareholders should be aware that odd lots usually trade at a discount to the price of board lots.

Whether or not it is to your advantage to receive cash or New Shares, in whole or in part, depends upon your own individual circumstances, and the decision in this regard, and all effects resulting therefrom, are the sole responsibility of each Shareholder. If you are in doubt as to what to do, you should consult your professional advisers.

Shareholders who are trustees are recommended to take professional advice as to whether the choice of New Shares is within their powers and as to its effect having regard to the terms of the relevant trust instrument.

Yours faithfully,
For and on behalf of the Board
**BG Srinivas**
*Group Managing Director*