

THIS AGREEMENT is made on the 30 December 2006.

BETWEEN

THE TELECOMMUNICATIONS AUTHORITY of 29/F Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong ("TA");

AND

PCCW-HKT TELEPHONE LIMITED (formerly known as CABLE & WIRELESS HKT TELEPHONE LIMITED) of 39/F PCCW Tower, TaiKoo Place, 979 King's Road, Quarry Bay, Hong Kong ("PCCWHKTC");

AND

CITIBANK, N.A., Hong Kong Branch, a national banking association organized under the laws of the United States of America with principal place of business on the 50th Floor, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong ("the Intermediary").

WHEREAS

- A. PCCWHKTC is the USO provider of telecommunications services in Hong Kong pursuant to the terms and conditions of the Fixed Carrier Licence.
- B. PCCWHKTC is entitled to receive USC from the Contributing Parties in accordance with the relevant TA statements issued by the TA.
- C. Pursuant to the USC TA Statements, the TA indicated that an independent intermediary would be appointed to provide the Services in connection with the settlement of the USC between PCCWHKTC and the Contributing Parties.
- D. Pursuant to the Agreement dated 31 December 2004, PCCWHKTC and the TA have agreed that the Intermediary be appointed, and the Intermediary agrees to be appointed, as the said intermediary to provide the Services in accordance with the terms and conditions set out therein.
- E. PCCWHKTC and the TA have agreed to extend the appointment of the Intermediary and the Intermediary agrees to continue to be appointed, as the said intermediary to provide the Services on the terms and conditions as set out herein. Service extension transition shall be executed as more particularly described in Schedule 4.

IT IS HEREBY AGREED THAT

1. DEFINITIONS AND INTERPRETATION

1.1 In this Agreement, the following words and expressions shall have the meaning hereby assigned to them except when the context otherwise requires: -

“Agreement” means these terms and conditions including the schedules annexed hereto, as may be amended by the parties from time to time.

“Authorised Representatives” means staff from the TA, PCCWHKTC and the Intermediary who are authorised to serve notices (as described in Clause 9) and amend Schedule 1 of this Agreement in accordance with Clause 2.4 below. A list of Authorised Representatives is attached to this Agreement (Schedule 1 - Attachment 1) and can be amended by each party by notice in writing.

“Charges” means the amount charged by the Intermediary to PCCWHKTC in relation to the Service provided under this Agreement and set out in Schedule 3 which may be amended in whole or in part by agreement between all the parties from time to time provided that such amendment shall not be made earlier than 31 December 2008.

“Confidential Information” means:

- (a) any and all written, oral or other tangible or intangible information provided by the TA to the Intermediary relating to the raw data, international call traffic data, universal service contributions, disks, compact diskettes, tapes, software programs, financial or business information whether or not labelled as “Confidential” or otherwise relating to the performance of the Services by the Intermediary;
- (b) information of whatever nature obtained by the Intermediary through inspection allowed by OFTA of the books, records, documents, equipment, technology and facilities of OFTA;
- (c) invoices, reminders, reports and other information prepared by the Intermediary which contain or otherwise reflect or are generated from the information referred to in sub-paragraphs (a) and (b) or are prepared in the course of performing the Services hereunder;
- (d) any information relating to the Settlement Account; and
- (e) all copies of the information and those parts of the notes and other records that refer to any of sub-paragraphs (a), (b), (c) and (d).

“Contributing Parties” or "CP" means such person, as may from time to time be designated by the TA after review of the regulatory framework to have the obligation to pay PCCWHKTC or other

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licensees, as the case may be, its relevant share of the USC to assist PCCWHKTC or those licensees, to meet their USO.

“day” means calendar day.

“Due Date” means the 30th day after the date the relevant invoice is issued.

“Fixed Carrier Licence” means the fixed carrier licence or its replacement or substitute licence issued to PCCWHKTC.

“OFTA” means the Office of the Telecommunications Authority in Hong Kong.

“Raw data” means the traffic data, names, addressees and fax numbers of the Contributing Parties supplied by the TA to the Intermediary from time to time.

“Representatives” means in respect of:

- (a) the TA, an officer, employee or advisers of OFTA;
- (b) PCCWHKTC, a director, officer, employee or advisers of PCCWHKTC; and
- (c) the Intermediary, the employees or advisers of the Intermediary.

“Services” means the services to be performed by the Intermediary as referred to in Clause 2.3 and Schedule 1.

“Settlement Account” has the same meaning ascribed thereto in Schedule 1.

“USC” has the meaning ascribed thereto in Special Condition 1.5 of the Fixed Carrier Licence, subject to such amendments, modifications and re-enactments as may from time to time be applicable, which is subject to calculation in accordance with a formula adopted annually by the TA, to ensure that PCCWHKTC, where it has the USO, and any other licensee with such an obligation, as the case may be, receives a fair contribution from the Contributing Parties towards the costs, net of attributable revenues, of serving customers with Basic Service (as defined in Special Condition 1.1 of the Fixed Carrier Licence).

“USC TA Statement” means the following statements issued by the TA and the statements regarding USC levels to be issued by the TA from time to time:

- (a) “Universal Services Contribution – Confirmed Level for 1997/98 and Provisional Levels for April – December 1998 and after January 1999” dated 5 February 1999;
- (b) “Universal Service Contribution Collection Mechanism” dated 28 May 1999; and
- (c) “Universal Services Contribution – Confirmed Level for 1999 and Provisional Levels on and after 1 October 2001” dated 4 March 2002;
- (d) “Universal Services Contribution – Confirmed Level for 2000 and Provisional Levels on and after 1 January 2001” dated 30 November 2002;

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- (e) “Universal Services Contribution – Confirmed Level for 2001 and Provisional Levels on and after 1 July 2003” dated 20 October 2003;
- (f) “Universal Services Contribution – Confirmed Level for 2002 and Provisional Levels on and after 1 June 2004” dated 19 November 2004;
- (g) “Universal Services Contribution – Confirmed Level for 2003 and Provisional Levels on and after 1 July 2005” dated 11 November 2005; and
- (h) “Universal Services Contribution – Confirmed Level for 2004 and Provisional Levels on and after 1 July 2006” dated 13 November 2006.

“USO” has the meaning ascribed thereto in the Fixed Carrier Licence.

- 1.2 Words importing the singular only include the plural and vice versa unless the context otherwise requires. The headings or notes in this Agreement are for ease of reference only and shall not limit or extend the interpretation of this Agreement. Each gender includes the others unless the context otherwise requires. Any reference to a “person” includes any individual, company, corporation, firm of partnership, joint venture, association, organisation or trust (in each case, whether or not having separate legal personality), and reference to any of the same shall include a reference to the others. Any reference to a “party” or “parties” shall mean a party or the parties to this Agreement unless the context otherwise requires.

2. THE SCOPE OF AUTHORITY AND OBLIGATIONS OF THE INTERMEDIARY

- 2.1 The Intermediary will provide the Services pursuant to the terms and conditions of this Agreement.
- 2.2 This Agreement does not authorise any party to represent or bind any other party in any way or to incur any liability on behalf of any other party. Nothing herein shall be deemed or construed to create a joint venture, partnership or agency relationship between the parties for any purpose.
- 2.3 The Intermediary shall perform the Services as more particularly described in Schedule 1 and the obligations under this Agreement. The parties hereby agree that in the event of any uncertainty as regards the Services (whether in respect of the scope, nature, contents or otherwise) to be rendered by the Intermediary hereunder, the interpretation of the TA after consideration of PCCWHKTC’s and the Intermediary’s views shall be final and conclusive and binding on the parties.
- 2.4 The Intermediary shall work closely with the TA and PCCWHKTC and work diligently to ensure that the Services are provided on time in accordance with Schedule 1. For the purpose of illustration, Schedule 1 also sets out an Operating Procedure for the performance of the Services by the Intermediary. The Authorised Representatives of the TA may at any time during the continuance of this Agreement, after consultation with the Authorised Representatives of PCCWHKTC and the Intermediary, by written notice of fourteen (14) days to the Intermediary, and copied to PCCWHKTC, make such changes as are reasonable in all the circumstances to Schedule 1 for the purpose of giving effect to the collection mechanism as devised in the USC TA Statements. Upon receipt of such notice from the Authorised Representatives of the TA by the Intermediary, the Services shall be deemed to

be amended accordingly. All other provisions of this Agreement shall remain in force, save to the extent amended by such notice(s).

- 2.5 The Intermediary shall perform the Services in a professional and business like manner at all times and comply with any applicable professional codes of conduct. The Intermediary hereby warrants that the Services shall be performed in a timely, independent and professional manner and up to the professional standards prevailing in the local banking market in accordance with the terms and conditions set out herein.
- 2.6 The Intermediary shall not engage in any conduct or activity which causes or is likely to cause any adverse impact on the interests of PCCWHKTC or the TA under this Agreement, provided that this clause shall not prevent the Intermediary from engaging in its normal banking activities.
- 2.7 The Intermediary shall not employ any sub-contractors or delegate any duties or obligations under this Agreement without the prior written consent of the TA and PCCWHKTC and without obtaining a written undertaking from the sub-contractor to observe all the obligations of the Intermediary under this Agreement as if the sub-contractor were a party hereto.
- 2.8 The Intermediary shall not, save as permitted herein, communicate with any Contributing Party concerning the Services except as specifically authorised in writing by the TA and PCCWHKTC from time to time and shall direct any Contributing Party who attempts to communicate with the Intermediary to the TA.
- 2.9 The Intermediary shall be responsible for any breach of the agreement constituted by this Agreement by any of its Representatives.

3. CHARGES

- 3.1 In consideration of the Services provided by the Intermediary, PCCWHKTC agrees to pay the Intermediary the charges set out in Schedule 3 ("Charges"). PCCWHKTC shall be reimbursed of the Charges paid to the Intermediary out of the USC based on such methodology, as the TA considers appropriate.
- 3.2 The Intermediary will issue invoices for the Charges payable to it for the Services after the issuance of all invoices for the Contributing Parties for the relevant USC Collection Cycle as defined in Schedule 1.
- 3.3 The Charges will be paid to the Intermediary by PCCWHKTC within 60 days after the date of the invoice. Any invoice remaining unpaid for more than sixty (60) days from the date of the invoice shall accrue interest at the simple annual rate of Hong Kong Dollar Prime Rate (as offered by the Intermediary) plus 2% to be calculated on a daily basis using a 365 day year from the date following the Due Date until full settlement by PCCWHKTC.

4. ROLE OF THE TA AND RESERVED RIGHTS OF PCCWHKTC

- 4.1 The TA will as soon as practicable after signing the Agreement notify the telecommunications industry of the extension of the appointment of Intermediary under this Agreement and such other information as the TA may deem appropriate. The terms and conditions of this Agreement or any parts thereof as the TA considers appropriate (with the exclusion of Schedule 3) will be made publicly available by posting on OFTA's website and in any other manner as the TA may think fit. The Intermediary shall in the first batch of invoices to be issued for the USC Collection Cycle indicate to each of the Contributing Parties its charges under this Agreement.
- 4.2 Subject to Clause 4.3, the TA will procure his Representatives, so far as practicable, to work closely with the Intermediary in relation to the implementation of the Services as set out in this Agreement. Without limiting the generality of the foregoing, the TA will be responsible for:
- (a) validating the correctness of the USC Raw data provided to the Intermediary for calculation of USC payments;
 - (b) monitoring the performance of the Intermediary to ensure accuracy and timeliness of the Intermediary's performance;
 - (c) validating on a sample basis the correctness of the non-payments and partial payments reported by the Intermediary; and
 - (d) instituting adjustments in the data provided to the Intermediary if necessary to accommodate the use of estimated traffic data.
- 4.3 The parties hereby acknowledge that the TA, as the regulator, will be performing a monitoring role in the USC collection exercise as envisaged hereunder in good faith and taking into account the statutory/quasi-governmental role of the TA, the TA shall in no circumstance incur any liability (monetary or otherwise) or be liable to any other parties for any direct, indirect or consequential loss, damages or expense sustained by whomsoever in connection with this Agreement whatsoever and howsoever caused. Without prejudice to the generality of the foregoing, the TA expressly disclaims any liability for representations, expressed or implied, contained in, or for omission from, the Raw data, or any other written or oral communication transmitted to the Intermediary and the TA shall not be liable for any loss, damages or expenses arising in contract, tort or otherwise from the use of or from any action or decision taken as a result of using the Raw data. The Intermediary shall be relieved of any liability caused by inaccuracy of the Raw data supplied by the TA. The Intermediary is not obliged to do anything other than to provide the Services in accordance with the terms of this Agreement. The Intermediary is not responsible for any errors or omissions contained in any communication or Raw data sent to it by the TA, PCCWHKTC or any Contributing Party. The Intermediary shall be entitled to rely on such communication and Raw data and shall not be liable for

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any loss or damage caused to anyone by any such communication or Raw data being incorrect or incomplete.

- 4.4 The TA will provide the overdue/partial payment reports submitted by the Intermediary on a no-name basis via email to PCCWHKTC within 7 days after receipt of the same from the Intermediary.
- 4.5 Notwithstanding anything contained in this Agreement but subject to Clause 4.6 and Schedule 1, PCCWHKTC reserves to itself the right to take whatever action it deems appropriate to protect its interests in relation to the recovery of USC payments owed to it by the Contributing Parties, including without limitation, the following:
- (a) taking steps to recover all USC payments due to PCCWHKTC including outstanding interest thereon and all related recovery costs; and
 - (b) taking steps to suspend or terminate the delivery of any traffic originating from or destined for the network of any Contributing Party which has failed to pay its USC payments by the Due Date.
- 4.6 PCCWHKTC shall notify the TA of its intention to take any action as envisaged in Clause 4.5 at any time prior to the expiry of the credit period of the second reminder for the relevant USC which remains outstanding after the Due Date and shall not take any action unless the TA has so acknowledged PCCWHKTC taking such action. PCCWHKTC is entitled to request the TA to supply such documentary evidence necessary for the purpose of taking the action as acknowledged by the TA and the TA shall after considering whether the documents requested are reasonably necessary for taking such action provide and procure the Intermediary (and the Intermediary is obliged) to provide such documents that are in the TA's or, as the case may be, the Intermediary's possession to PCCWHKTC within a reasonable period of time. For the avoidance of doubt, neither the TA nor the Intermediary has any obligation to supply any documentary evidence to support PCCWHKTC's action if such documents are not in the TA's or the Intermediary's possession.
- 4.7 Without fettering the TA's powers conferred on him under the Telecommunications Ordinance (Cap. 106) (the "Ordinance"), for the purpose of enforcing collection of the USC as envisaged herein, if any Contributing Party fails to pay its relevant USC payment in full by the Due Date or after such period as the TA may consider appropriate, the TA may consider taking appropriate regulatory action against that Contributing Party, including without limitation, suspending or revoking the relevant licence held by that Contributing Party, and/or taking the steps set out in Schedule 2.
- 4.8 PCCWHKTC hereby waives all its access rights to the Settlement Account including but not limited to regular access to bank statements, enquiry and withdrawal. For the avoidance of doubt, PCCWHKTC does not waive its rights to receive the USC payments accumulated in the Settlement Account including all interest thereon. The TA is hereby granted, with the consent of PCCWHKTC, the access rights to the Settlement Account including but not limited to regular access to bank statements and enquiry and the Intermediary shall upon demand provide all details relating to the Settlement Account to the TA.

5. TERM AND TERMINATION

- 5.1 This Agreement shall commence on the date shown first above and expire, unless earlier terminated pursuant to this Agreement, on the date as specified in Schedule 4 which may be amended, in whole or in part, by agreement between all parties hereto from time to time.
- 5.2 Either the TA or PCCWHKTC (with the consent of the TA) shall have the right to terminate this Agreement at any time by giving to the Intermediary 14 days' notice in writing to that effect in any of the following events:
- (a) if the Intermediary is in breach of any of its obligations hereunder and fails to remedy such breach within fourteen (14) days of receiving a written notice so to do; or
 - (b) if any corporate action or other steps are taken or legal proceedings are started for the Intermediary's winding up or if the Intermediary makes any arrangements or composition with its creditors or has a receiver appointed or enters into liquidation (other than a voluntary liquidation for the purpose of reconstruction or amalgamation); or
 - (c) the Intermediary is not performing its obligations under this Agreement in accordance with good business standards or applicable professional code of conduct.
- 5.3 The Intermediary shall have the right to terminate this Agreement at any time by giving to the TA and PCCWHKTC 14 days' notice in writing to that effect if the TA or PCCWHKTC is in breach of any of its obligations hereunder and fails to remedy such breach within fourteen (14) days of receiving a written notice so to do. In the event of termination pursuant to this Clause 5.3, PCCWHKTC shall as soon as practicable pay the Intermediary for all Services rendered by the Intermediary prior to the date of termination which shall be reimbursed to PCCWHKTC in accordance with the arrangements set out in Clause 3.1.
- 5.4 Without prejudice to Clauses 5.2 and 5.3, any party may terminate this Agreement with effective date on 1 January 2008 by giving to the other two parties advanced notice in writing not later than 1 December 2007.
- 5.5 The expiration or termination of this Agreement for whatever cause shall be without prejudice to any pre-existing rights and obligations of the parties hereunder.
- 5.6 If this Agreement is terminated pursuant to Clauses 5.2(a) or (c), PCCWHKTC shall have the right to forfeit all outstanding Charges due to the Intermediary.

6. CONFIDENTIALITY

- 6.1 The Intermediary hereby irrevocably and unconditionally covenants with and undertakes to the TA that, save as permitted under this Agreement:

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- (a) the Intermediary shall use the Confidential Information solely for the purpose described in this Agreement and not for any other purpose;
- (b) the Intermediary shall keep the Confidential Information strictly confidential, and the Confidential Information shall not be disclosed to any person (including PCCWHKTC and its Representatives) other than the TA and his Representatives save as permitted herein, but (unless consent is prohibited by law) the TA and PCCWHKTC consent to the transfer and disclosure by the Intermediary of any Confidential Information to and between the branches, subsidiaries, representative offices, affiliates and agents of the Intermediary and third parties selected by any of them, wherever situated, for confidential use PROVIDED ALWAYS that such transfer and disclosure is made solely for facilitating the provision of the Service.
- (c) the Intermediary shall not provide any Confidential Information to any of its Representatives other than those Representatives who are directly involved in providing the Services and have been informed by the Intermediary of the confidential nature of the Confidential Information and are bound by confidentiality undertaking with the Intermediary which applies to the Confidential Information;
- (d) the Intermediary shall keep the Confidential Information and all information generated by the Intermediary based thereon, separate from all documents and other information of the Intermediary and are stored and kept under the Intermediary's effective control at its usual place of business in Hong Kong;
- (e) the Intermediary shall not make any copies or reproduce any documents or extracts of documents containing Confidential Information or in any other way duplicate Confidential Information, except for the purpose stipulated herein, and in all such cases, the Intermediary shall operate procedures to control the copying and distribution of the Confidential Information in accordance with this Clause 6.1;
- (f) the Intermediary shall indemnify the TA and PCCWHKTC in respect of all loss, damages and expenses (including but not limited to legal costs on a full indemnity basis) which may arise from the unauthorised use or disclosure of the Confidential Information; and
- (g) The Intermediary shall take all necessary steps to ensure the security of all Confidential Information in the same manner that it protects the confidentiality of its own proprietary and confidential information and shall take any specific measures in relation thereto which may be reasonably requested by the TA or PCCWHKTC.

6.2 All Raw data delivered by the TA to the Intermediary pursuant to this Agreement shall be and remain the property of the TA, and the Intermediary shall upon request promptly return all records and materials containing the Raw data to the TA. Provided that there is no outstanding claim or liabilities among the parties hereto at that time, the Intermediary shall destroy all copies, reproductions or duplicates of the Raw data and any papers referred to in paragraph (c) of the definition of

“Confidential Information” together with any copies, and shall expunge all Confidential Information from any computer, word processor or other device containing it and the Intermediary shall confirm compliance with the above in writing to the TA within 14 days after the seventh anniversary of the termination of this Agreement.

6.3 The foregoing obligations shall not apply, however, to any part of the Confidential Information which:

- (a) was already in the public domain or which becomes so through no fault of the Intermediary;
- (b) was already known to the Intermediary prior to receipt thereof;
- (c) is explicitly approved for release by written authorisation of the TA;
- (d) is contained in invoices or reminders sent to the relevant Contributing Party; or
- (e) is required to be disclosed by law or pursuant to a judicial order, in which case, provided that it is allowed by the relevant law or order to do so, prompt written notice shall, in all reasonable circumstances, be given to the TA and PCCWHKTC. The TA or PCCWHKTC may seek an appropriate remedy to prevent disclosure or waive compliance with the provisions of this agreement preventing disclosure. Provided that it is allowed by the relevant law or order to do so, the Intermediary shall co-operate with the TA and/or PCCWHKTC in the event that the TA or PCCWHKTC elects to challenge the validity of such requirements. If the Intermediary or any of its Representatives or anyone to whom the Intermediary transmits any Confidential Information becomes legally required to disclose any Confidential Information, they shall be entitled to do so only to the extent so required.

6.4 Subject to the provisions in Clause 6.3, these obligations of confidentiality shall survive the expiration or termination of this Agreement.

7. WARRANTIES AND REPRESENTATION

7.1 The parties hereto warrant and represent that they have full capacity and authority and all necessary consents to enter into and perform this Agreement and that this Agreement is executed by their respective duly authorised representatives.

8. LIABILITY

8.1 None of the Intermediary, PCCWHKTC or their respective employees, agents and servants shall be liable to one another or to any of the other parties hereto for any indirect or consequential loss, damages or expenses (including without limitation, loss of profit, contracts, goodwill or anticipated savings, loss of use or value of any equipment including software, claims of third parties and all

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associated and incidental expenses) sustained by any such party arising in any way or in connection with this Agreement.

- 8.2 Notwithstanding clause 8.1 but subject to clause 8.3, PCCWHKTC's liability to the Intermediary and the TA under or in connection with this Agreement is limited to the aggregate amount of HK\$300,000.
- 8.3 Nothing contained in this clause shall exclude or limit or otherwise affect the obligation or liability of PCCWHKTC to pay the Charges or to refund any amount due pursuant to any type of the refund mentioned in Schedule 1 of this Agreement.

9. NOTICE

- 9.1 All notices and other communications from one party to the others hereunder shall, except as otherwise provided herein, be in writing by the Authorised Representative(s) and shall be deemed received when actually delivered if personally delivered, or when receipt is confirmed if sent by facsimile and addressed to the other parties as particularised in Schedule 1 - Attachment 1.
- 9.2 PCCWHKTC and the TA acknowledge that the Intermediary has offered to it a variety of electronic transmissions to transmit communications and data, and that there are risks associated with the means of communications selected herein.

10. ASSIGNMENT OF RIGHTS AND OBLIGATIONS

- 10.1 The Intermediary shall not assign, transfer, sub-contract, convey, licence or otherwise dispose of, wholly or partially, the rights and obligations under this Agreement except with the prior written consent of the TA and PCCWHKTC.

11. ENTIRE AGREEMENT

- 11.1 This Agreement together with the Schedules hereto constitute the entire understanding between the parties relating to the subject matter of this Agreement and, save as may be expressly referred to or referenced herein, supersedes all prior representations, writings, negotiations or understandings between the parties.

12. AMENDMENT

- 12.1 Subject to Clause 2.4, this Agreement shall not be amended or modified except by written instrument signed by duly appointed representative of each party.

13. GOVERNING LAW AND JURISDICTION

- 13.1 This Agreement shall be construed in accordance with the laws of the Hong Kong Special Administrative Region. In the event of any disputes arising out of the interpretation, performance, or failure to perform this Agreement, the parties shall attempt in good faith negotiation to resolve any dispute. In the event that the parties fail to reach a settlement of the dispute within one month or such other time as the parties may agree, any party may refer the dispute to the Courts of the Hong Kong Special Administrative Region for settlement.

14. SEVERABILITY

- 14.1 If any provision of this Agreement is held invalid, illegal or unenforceable for any reason by any court of competent jurisdiction, such provision shall be severed and the remainder of the provisions hereof shall continue in full force and effect as if this Agreement had been executed with the invalid provision eliminated.

15. NO WAIVER

- 15.1 No waiver by any party of any provision of this Agreement shall be binding unless made expressly and expressly confirmed in writing. Further, any such waiver shall relate only to such matter, non-compliance or breach as it expressly relates to and shall not apply to any subsequent or other matter, non-compliance or breach.

16. CONFLICT OF INTEREST

The Intermediary shall during the term of this Agreement forthwith notify in writing to the TA and PCCWHKTC all or any facts which may reasonably be considered by the Intermediary to give rise to a situation where any interest which it has is in real or apparent conflict with its duties to be performed in this Agreement. The Intermediary shall not on its own or in conjunction with any other person enter into any agreement, arrangement, engagement or undertaking in respect of the provision of any service which is or is likely to give rise to conflict with the Intermediary's duties, undertakings and responsibilities under this Agreement save with the prior written consent of the TA and PCCWHKTC, which consent shall not be unreasonably withheld or delayed.

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AS WITNESS the hands of the Parties the day and year first above written.

Signed by)
)
for and on behalf of)
THE TELECOMMUNICATIONS)
AUTHORITY)
)
in the presence of:)
)
)

Signed by)
)
for and on behalf of)
PCCW-HKT TELEPHONE)
LIMITED)
)
in the presence of:)
)
)

Signed by)
)
for and on behalf of)
CITIBANK, N.A.)
)
)
in the presence of:)
)
)

Schedule 1 - Collection Operating Procedures

A. Definitions and Interpretation

	Terminology	Definition
1.	Banking Hours	Mondays to Fridays from 9:30am to 4:30pm.
2.	Business Day	Monday to Friday, excluding Hong Kong public holidays.
3.	Clearing House Automated Transfer System (“CHATS”)	Electronic fund clearing and settlement medium.
4.	Invoice Issuance Day	The day the Intermediary issues Invoices to each Contributing Party. Issuance of Invoices shall occur on the 7 th Business Days after the Notification Day.
5.	Net Outstanding Amount	Chargeable amount less partial payment, previous overpayment, and net credit amount.
6.	Notification Day	The day the Intermediary acknowledges receipt of traffic statistic of Contributing Parties from the TA. Notification Day may fall on any Business Day within a month.
7.	Payment Due Date	The 30 th calendar day after Invoice Issuance Day of the respective USC Collection Cycle. If any Payment Due Date falls on any Saturday, it will be treated as if it falls on the next Business Day. Payment Due Date can also be defined as the last day of the 30 days interest free period.
8.	PCCWHKTC Account	Bank Name: ☒ Bank Code: ☒ Account Title: ☒ Account Number: ☒
9.	Prime Rate	The best lending rate as quoted by the Intermediary from time to time
10	Settlement Account	The Hong Kong dollar savings account, titled PCCWHKTC-USC with interest rate quoted by the Intermediary from time to time, originally opened for the collection of USC Collection Cycles 1-6.

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		Although PCCWHKTC will be entitled for all interest accrued in the account, its access rights to the account have been waived. Such rights include but not limited to regular access to bank statements, enquiry and withdrawal. The account will be used for the collection of USC payments and closed upon termination of the Agreement subject to Schedule 4.
11.	Total Overdue Amount	Equal to the sum of the Net Outstanding Amount and the overdue interest .
12.	Traffic Report	Report provided by the TA to the Intermediary for calculation of Universal Service Contribution.
13.	USC Collection Cycle	A series of predefined events which include receipt of Traffic Report, issuance of Invoices and First/Second Reminder Notices, preparation of Overdue/Partial Payment Reports and Monthly Statements, processing of USC and subsequent transfer of proceeds to PCCWHKTC Account. Each cycle commences from the Intermediary's receipt of Traffic Report to 30 calendar days after the Payment Due Date. Provisional USC and Auditor Certificate adjustments are treated as independent USC Collection Cycles.

14. Non-Business Day Arrangements

- 14.1 If the day on or by which any activity is scheduled falls on a day other than Business Day, the day will be scheduled to the next Business Day.
- 14.2 In case of Gazetted Holiday in Hong Kong, rainstorm, typhoon signal number 8 or above, or other emergency occur on the day on or by which any activity is scheduled, the day will be deferred to the next Business Day without further notice.

B. Operating Procedures

1. Notification Day

- 1.1 The TA will deliver a signed letter (Attachment 2) together with the Traffic Report in the form of computer compact diskette with WinZip encryption to the Intermediary by hand. The Intermediary will acknowledge receipt of the Traffic Report on a confidential basis by countersigning the letter by an authorised signatory upon hand delivery. The Traffic Report serves as the authorised instruction to

issue Invoices for the collection of USC from CPs and transfer of such proceeds to PCCWHKTC Account.

- 1.2 Based on the USC per minute rate for category A and B traffic (which rates are included in the Traffic Report) and the Traffic Report provided by the TA, the Intermediary will calculate the USC due from each CP for each category respectively. For CPs who have failed to report traffic punctually, the Intermediary will estimate their traffic volume based on previous month's data plus a factor of 10% per month growth rate.

2. From Notification Day to Invoice Issuance Day

- 2.1 The Intermediary will prepare and issue Invoices (Attachment 3) to CPs stated in the Traffic Report via mail and facsimile on the Invoice Issuance Day. Although the CPs identified in Attachment 4 are required to be invoiced, they are deemed to have paid the amount of the Invoices once the USC Invoices are issued by the Intermediary. Subject to prior endorsement with the TA, Authorised Representatives of PCCWHKTC may direct the Intermediary to include or exclude CPs to the deemed payment arrangement at no extra cost. A list of such CPs is appended hereto as Attachment 4.
- 2.2 All payments received from CPs before the Invoice Issuance Day will be included in the upcoming Invoice.
- 2.3 The Intermediary will issue a Service Charge Invoice (Attachment 5) to PCCWHKTC being the collection service charge for respective USC Collection Cycle. A separate Maintenance Charge Invoice (Attachment 6) will be issued to PCCWHKTC for the monthly maintenance charge, payment processing charge and PCCWHKTC self-recovery advice update charge on the last Business Day of every applicable month.

3. From Invoice Issuance Day to Payment Due Date

- 3.1 The Intermediary will receive USC payment via crossed check on Business Days within Banking Hours. Such proceeds will be credited to the Settlement Account under normal check clearing procedures in Hong Kong.
- 3.2 Overpayment will be used to settle outstanding USC of other USC Collection Cycles on first-in-first-out basis. If overpayment of a CP is greater than the outstanding amount on the Invoice, Authorised Representatives of the TA may instruct the Intermediary to make a refund to the CP as and when the TA thinks appropriate. Otherwise, the overpayment will be treated as credit in the CP account. Check for refund will be sent by either ordinary mail or speed post within 2 Business Days after receipt of notification subject to funds availability in Settlement Account.

3.3 From time to time the Intermediary will update the status of USC payments subject to Section B of Schedule 4.

4. Payment Due Date

4.1 The Intermediary will issue the First Reminder Notice (Attachment 7) to concerned CPs on the first Business Day following Payment Due Date by mail and facsimile. The overdue interest will be calculated based on 15 calendar day period on the Net Outstanding Amount. The Total Overdue Amount on the First Reminder Notice should equal to the sum of the Net Outstanding Amount and the overdue interest calculated for the Net Outstanding Amount. Simple annual interest rate of Prime Rate plus 2% will apply to the Net Outstanding Amount. CPs will be responsible for the Total Overdue Amount stated on the First Reminder Notice regardless of any payment made on any earlier day. Reminders will not be issued to CPs listed in Attachment 4.

4.2 The Intermediary will transfer USC payments accumulated in the Settlement Account to PCCWHKTC Account, via CHATS on the 14th and 27th day of each month. On the transfer day, the Intermediary will notify PCCWHKTC of the amount of transfer by phone before noon. If the transfer day falls on a Business Day immediately after Friday, the amount deposited on Friday will not be included in such transfer.

5. After Payment Due Date

5.1 USC payment by a CP which is received by the Intermediary on Payment Due Date, but after Banking Hours on Business Days, will be considered as overdue payment and subject to overdue interest.

5.2 The Intermediary will receive the Net Outstanding Amount and overdue interest from the CPs. PCCWHKTC will be the recipient of both the Net Outstanding Amount and the overdue interest.

5.3 The Intermediary will issue Overdue/Partial Payment Report (Attachment 8) to the TA on Tuesdays of every week via mail and electronic mail highlighting overdue status for the previous week(s). Report indicating "Nil" will be provided should no CP have overdue payments. The Overdue/Partial Payment Report will show the CPs who have not settled their outstanding amounts. For the avoidance of doubt, overdue amounts for different USC Collection Cycles will remain to be shown separately by USC Collection Cycle in the Overdue/Partial Payment Report.

5.4 The Intermediary will issue the Second Reminder Notice (Attachment 9) on the 16th calendar day after the Payment Due Date by mail and facsimile to CPs who have not settled the Total Overdue Amount set out in the First Reminder Notice. Additional overdue interest for the second reminder period will be calculated based on 15 calendar day period on the Net Outstanding Amount. The Total

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Overdue Amount shown on the Second Reminder Notice should equal to the sum of the Net Outstanding Amount, the overdue interest for the first reminder period and the overdue interest for the second reminder period. Simple annual interest rate of Prime Rate plus 2% will be applied to the Net Outstanding Amount.

- 5.5 Copies of the Second Reminder Notices issued to CPs, who have outstanding payment as of the 31st calendar day after the Payment Due Date, will be copied and sent to the TA by post within 3 Business Days. The TA will then deliver the appropriate Second Reminder Notices and information (i.e. contact name, fax number, telephone number and mailing address of respective CP) to PCCWHKTC for its private recovery actions within a reasonable time subject to Clause 4.5 of this Agreement.
- 5.6 Thirty calendar days after the Payment Due Date, the Intermediary has no responsibility to accumulate, track and report any additional overdue interest after the end of respective USC Collection Cycle. PCCWHKTC shall be responsible for the recovery effort of any Net Outstanding Amount and overdue interest.
- 5.7 Authorised Representatives from PCCWHKTC will update the Intermediary on the amount recovered with a copy to the TA (Attachment 10). Intermediary will then make the necessary adjustments on subsequent Invoices, Monthly Statements and Overdue/Partial Payment Report. PCCWHKTC should breakdown the repayment information by CPs and USC Collection Cycle (applicable to all USC Collection Cycles). The recovered amount should include amount recovered by PCCWHKTC and interest charged by PCCWHKTC.

PCCWHKTC shall assure that-

- (a) the information provided to the Intermediary is true and accurate;
- (b) those documents related to its private recovery of USC, such as correspondences and cheques, shall be maintained up to the seventh anniversary of the expiry of the Agreement; and
- (c) documents mentioned in (b) will be delivered to the TA as per his request.

Without prejudice to the generality of the power conferred upon the TA by the Ordinance the TA may request the information relating to this paragraph 5.7 that the TA may reasonably require to ensure PCCWHKTC's compliance with the provisions hereof. If PCCWHKTC refuses or fails to supply the information reasonably request under this Clause the TA is entitled to infer that PCCWHKTC does not satisfy the requirements above and in that event, the TA may by notice inform the Intermediary and the Intermediary shall until further notice by the TA cease to perform its duties under this paragraph 5.7 upon receiving written notification from the Authorised Representative of the TA. The TA will copy such notification to PCCWHKTC.

In case CP makes a payment without attaching any payment slip, the payment will be allocated on first-in-first-out basis, meaning that the record of merged column for USC Collection Cycle 1-6 will be applied first then Cycles 7, 8 and so on with exception to paragraph 7.9 after the closing of USC Collection Cycle 1-21. Should the outstanding amount be subsequently recovered by PCCWHKTC,

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any payment allocated on first-in-first-out basis will not be reversed, but the Intermediary will treat the amount as a credit item for subsequent cycles. The Intermediary will process checks for settlement of overdue payments received during the entire period of this Agreement. The Intermediary will transfer amount collected in accordance with the schedule as set out in paragraph 4.3 above.

- 5.8 The Intermediary will generate Monthly Statement (Attachment 11) to the TA and PCCWHKTC up to 31 December 2008 by mail and electronic mail on the 5th Business Day of the following month.
- 5.9 The respective USC Collection Cycle will be considered complete once the Second Reminder Notice for the relevant batch expires, that is on the 30th calendar day after the issuance of the First Reminder Notice.
- 5.10 Five types of adjustments may be required during the entire contracted period:
 - 5.10.1 Traffic adjustment/data omission - For CPs who have failed to report traffic punctually, the Intermediary will estimate their traffic volume based on previous month's data plus a factor of 10% per month growth rate. The TA will submit the adjusted traffic to the Intermediary on the subsequent USC Collection Cycle's Notification Day. The adjustment will then be reflected on the Invoice issued on the Invoice Issuance Day. All refund/recollection will be arranged through an adjustment in this USC Collection Cycle Invoice for the corresponding CP. If adjustments happen after the last USC Collection Cycle, the TA will consolidate adjustment requests and deliver to the Intermediary on or before the 10th day of each month. Submission date will be treated as the 10th even the adjustment data arrive the Intermediary on an earlier date. If the TA receives auditor certificate from a particular CP before the scheduled submission date of the traffic adjustment to the Intermediary, traffic adjustment will not be processed and any adjustment will be based on auditor certificate. The Intermediary will issue separate Invoice on the traffic adjustment to CPs at no extra cost if the traffic adjustment is sent to the Intermediary before the submission of auditor's certificate by the CP. Traffic adjustment/data omission do not apply to USC Collection Cycle 1-6 data.

If the credit adjustment is greater than the billed amount charged under the Invoice, refund of the difference will be sent to the CP. Should the total amount of refund be greater than the current available balance in the Settlement Account, the Intermediary will serve a written notice to PCCWHKTC requesting transfer of adequate amount to the Settlement Account. The Intermediary may only execute the refund within 2 Business Days upon receipt of sufficient amount from PCCWHKTC and will not be responsible for any delay due to insufficient available balance in the Settlement Account to cover the batch of refund. If the credit adjustment is less than the billed amount charged under the Invoice, the difference will be collected from the CP on the coming USC Collection Cycle. No interest will be accrued for any credit adjustment amount.

Interest at Prime Rate Plus 2% will be applied to the debit adjustment amount calculated from the day after the corresponding Payment Due Date up to the Invoice Issuance Day immediately after the

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receipt of adjusted traffic information from the TA. The difference and accrued interest will be collected from the CP on the coming USC Collection Cycle. Prime Rate is fixed as at the date immediately after the corresponding Payment Due Date.

- 5.10.2 Provisional USC adjustment – Adjustment has to be made when there is any refund or collection arising from the difference between the provisional and actual USC. This adjustment will be submitted in batches. The batches can be submitted at any time but in any event 60 Business Days before the expiry of this Agreement. PCCWHKTC will be responsible for additional costs incurred in accordance with Schedule 3. Adjustment is not applicable to USC Collection Cycle 1-21 after the TA’s notification of closure as described in paragraph 7.9. If the refund is greater than the current available balance in the Settlement Account, the Intermediary will serve a written notice to PCCWHKTC requesting transfer of adequate amount to the Settlement Account. The Intermediary may only execute the refund within 2 Business Days upon receipt of sufficient amount from PCCWHKTC and will not be responsible for any delay due to insufficient available balance in the Settlement Account to cover the batch of refund. No interest will be accrued for either refund or collection of shortfall.
- 5.10.3.1 Auditor Certificate adjustment (normal) – Adjustment has to be made when discrepancy arises due to difference between annual auditor certificate of CPs and traffic reported. This adjustment will be submitted in batches. The batches can be submitted any time but 60 Business Days before the expiry of this Agreement. PCCWHKTC will be responsible for additional costs incurred in accordance with Schedule 3. Adjustment is not applicable to USC Collection Cycle 1-21 after the TA’s notification of closure as described in paragraph 7.9. If the refund is greater than the current available balance in the Settlement Account, the Intermediary will serve a written notice to PCCWHKTC requesting transfer of adequate amount to the Settlement Account. The Intermediary may only execute the refund within 2 Business Days upon receipt of sufficient amount from PCCWHKTC and will not be responsible for any delay due to insufficient available balance in the Settlement Account to cover the batch of refund. No interest will be accrued for either refund or collection of shortfall.
- 5.10.3.2 Auditor Certificate adjustment (false) – Adjustment has to be made when the TA discovers from an auditor certificate that a CP who did not report, or reported zero traffic, to the TA actually have traffic recorded during the period subject to auditing. The adjustment amount is subject to overdue interest of Prime Rate plus 2% calculated based on the start and end dates (both days inclusive) provided by the TA. Prime Rate is fixed as at the date immediately after the Payment Due Date of the first USC Collection Cycle for that particular CP. Since other collection arrangements are identical to paragraph 5.10.3.1 above, collection effort described in this paragraph will be consolidated to the of Auditor Certificate adjustment (normal). For the avoidance of doubt, submission of raw adjustment data will not be mingled with regular USC Collection data. For those Invoices in relation to CPs who did not report or reported zero traffic to the TA during the respective USC Collection Cycles but subsequently verified to have traffic recorded will be subject to Intermediary’s collection service charge set out in Pricing Schedule.

5.10.4 Dispute Adjustments - If the CP objects to the amount charged by the Invoice, it must give the TA notice in writing within 14 calendar days after the date of issue of the Invoice stating precisely the grounds of objection, together with supporting evidence. Any amount payable under the Invoice must be paid in full before the Payment Due Date notwithstanding any notice of objection. The TA shall resolve the objection within one month after receipt of the notice of objection. If any adjustment is found before or after the Payment Due Date, the TA will notify the Intermediary and the adjustment will then be reflected on the Invoice issued after the following cycle's Notification Day. If there is a credit/debit adjustment, all refund/recollection will be arranged through an adjustment in the upcoming USC Collection Cycle Invoice for corresponding CP. The affected Invoice will not be reversed or adjusted. Given the above, dispute adjustment will not be entertained for the last USC Collection Cycle under the Agreement. It should be noted that dispute adjustment is not applicable to USC Collection Cycle 1-21 data.

If the credit adjustment is greater than the billed amount charged under the Invoice, a refund will be sent to the CP. If the refund is greater than the current available balance in the Settlement Account, the Intermediary will serve a written notice to PCCWHKTC requesting transfer of adequate amount to the Settlement Account. The Intermediary may only execute the refund upon receipt of sufficient amount from PCCWHKTC and will not be responsible for any delay due to insufficient available balance in the Settlement Account to cover the batch of refund. If the credit adjustment is less than the billed amount charged under the Invoice, the difference will be collected from the CP on the coming USC Collection Cycle. No interest will be accrued for any credit adjustment amount.

Interest at Prime Rate Plus 2% will be applied to the debit adjustment amount calculated from the date after the corresponding Payment Due Date to the date this dispute is resolved. Such date will be advised by TA by written notice. The difference with accrued interest will be collected from the CP on the coming USC Collection Cycle. Prime Rate is fixed as at the date immediately after the corresponding Payment Due Date.

5.11 Credit adjustments will be used to settle outstanding of other USC Collection Cycles on first-in-first-out basis. If credit adjustment is greater than the sum of all outstanding cycles, refund will be triggered automatically. Check for refund will be sent by either ordinary mail or speed post within 2 Business Days subject to funds availability in Settlement Account.

6. Rounding Methodology

Figures that require documentation are "chargeable amount for current cycle" and "overdue interest".

6.1 Chargeable amount for current cycle

6.1.1 Estimate of Traffic Minutes

Estimate traffic minutes of a month = Actual or estimate traffic minutes of the previous month times 110%, rounded to the nearest 4 decimal places

Sample Illustration:

Month	Type	Traffic minute
May (base)	Actual	98.4763
June	Estimate	108.3239

6.1.2 Chargeable Amount

Chargeable amount of the cycle = Chargeable amount of Category A rounded to the nearest 2 decimal places + Chargeable amount of Category B rounded to the nearest 2 decimal places.

Sample Illustration:

	Chargeable minutes	Minute rate (\$)	Chargeable amount (\$)
Category A	1860.4531	0.068	126.51
Category B	2551.6598	0.106	270.48
Total			396.99

6.1.3 Total chargeable amount for two cycles

Total chargeable amount for USC cycle 7 and 8 = Chargeable amount of cycle 7 rounded to the nearest 2 decimal places + Chargeable amount of cycle 8 rounded to the nearest 2 decimal places.

6.2 Overdue interest for 15 calendar days

Overdue interest = Outstanding amount rounded to the nearest 2 decimal places x 15/365 x (Prime Rate + 2%), rounded to the nearest 2 decimal places.

7. Other Duties

7.1 The Intermediary will safekeep records of the Settlement Account and will at no charge produce a copy of the record and the transaction details of the Settlement Account upon receipt of written request from the TA. All records of transaction details will be maintained up to the seventh anniversary of the expiry of this Agreement.

7.2 The Intermediary will maintain the Settlement Account until 31 December 2008 (thereafter the Settlement Account will be closed) for the collection of the USC payment. The Intermediary will facilitate the termination of the Settlement Account on 31 December 2008 by transferring the residual balance, if any, to PCCWHKTC Account or requesting PCCWHKTC in advance to remit an adequate sum to settle any refund by the Settlement Account.

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- 7.3 The Intermediary will send Overdue/Partial Payment Report to OFTA via mail and electronic mail as at the date before the termination of this Agreement.
- 7.4 The Intermediary will issue the last Monthly Statement and Overdue/Partial Payment Report on the 5th Business Day of the month following the termination of this Agreement if there are any unsettled USC payments.
- 7.5 The Intermediary will use its best efforts to disburse all Invoices by mail and by facsimile within the same day. Failed facsimile transmissions will be re-tried up to three times per day. The Intermediary will make a second attempt the next Business Day if all attempts fail on the first day.
- 7.6 Any undelivered/returned Invoice will be returned to the TA together with acknowledgement slip. Authorised Representatives from the TA should sign and return the acknowledgement slip within a reasonable period. Meanwhile, the Intermediary should continue with the collection process for the related CP until written notice to the contrary is received from the TA.
- 7.7 For any submission of documents by the TA, PCCWHKTC or CPs, official time of receipt should be based upon the Intermediary's time chop stamped on respective document. Payments are effective only after checks are successfully cleared.
- 7.8 To avoid accidental disclosure of confidential information to unauthorised person(s), enquiries from any party other than staff from the TA listed under Authorised Representatives will not be entertained with exception to the following:

The Intermediary may receive and respond to a general enquiry from "invoiced" Contributing Parties during the term of this Agreement. During the call-in process, the Intermediary will verify the identity of the enquirer by checking whether the enquirer can quote the correct company name, address, invoice number and respective Category A and B traffic minutes as printed on the Invoice or reminder subject to enquiry. When the correct identity of the enquirer has been verified to the satisfaction of the Intermediary, the Intermediary should handle the following list of general enquiries in respect of the Invoices or reminders of the relevant Contributing Parties:

- Invoice or reminder delivery status
- Payment due date
- Chargeable amount calculation methodology and explanation
- Overdue interest calculation methodology
- Overdue amount in lump sum (monthly breakdown will not be provided)
- Invoice settlement method

Other than the above, the Intermediary has the discretion to re-direct any enquiry to representatives of the TA if the enquiry exceeds the scope as stated above or as reasonably deemed appropriate in the

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circumstances. The Intermediary will not be liable for any delay of payment from the CP, if any, that may be caused solely due to such “re-routing” process as permitted herein.

- 7.9 “Closing” of USC Collection Cycles 1-21 may be made upon written notification from the Authorised Representative of the TA to the Intermediary and PCCWHKTC. The TA must state the effective date of “closing” on the notification. Thereafter, data of any closed USC Collection Cycle will not be adjusted, amended nor updated commencing the effective date. In the event that the Intermediary receives any payment or payment advice pertaining to USC Collection Cycle 1-21, the credit amount will be allocated on first-in-first-out basis (from USC Collection Cycle 22) as described in paragraph 3.2 above.

Schedule 2

Steps	Actions
(A)	The TA issues separate warning letter.
(B)	The TA issues final warning or direction under section 36B of the Telecommunications Ordinance and to stress its authority to impose financial penalties, revoke or suspend licence.
(C)	The TA to impose financial penalties, revoke or suspend the licence of non-compliance and may refuse to grant new licence on renewal.

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Schedule 3 – Charges

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Schedule 4 – Extension Arrangement

- A. The Intermediary will continue to provide services for USC cycles 1- 29 pursuant to the Agreement dated 31 December 2004 but subject to the Pricing Schedule set out in Schedule 3.
- B. The Agreement applies up to additional twelve USC Collection Cycles, namely Cycles –30-41, and will terminate on 31 December 2008 or such earlier date pursuant to Clause 5 of the Agreement. Settlement Account will remain effective until 31 December 2008 to handle all incoming and outgoing funds flow related to USC Collection. Settlement Account will be closed thereafter provided that the Service is not extended before 31 December 2008.