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SmarTone Telecommunications Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00315)

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement made by the Company on 3 December 2007 in relation to certain continuing connected transactions between the Group and subsidiaries and associated companies of SHKP which were governed by the 2007 Framework Agreement. As the term of the 2007 Framework Agreement has expired, the Company and SHKP have on 28 December 2010 entered into the Renewal Framework Agreement so that such continuing connected transactions will continue to comply with the relevant requirements of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that such continuing connected transactions have been and will, when conducted in accordance with the Renewal Framework Agreement, be conducted in the ordinary and usual course of business of the Group, on normal commercial terms, and fair and reasonable and in the interests of the shareholders of the Company as a whole.

It is expected that the value of such continuing connected transactions will not exceed certain caps as provided for in the Renewal Framework Agreement and as detailed in this announcement and accordingly under the Listing Rules, such transactions need only be disclosed in the Company's annual reports and need not be subject to shareholders' approval.

Background

Reference is made to the announcement made by the Company on 3 December 2007 in relation to certain continuing connected transactions between the Group and subsidiaries and associated companies of SHKP which were governed by the 2007 Framework Agreement.

Since SHKP is the controlling shareholder, and therefore a connected person, of the Company, the Leasing of Premises and Provision of Insurance Services constitute connected transactions for the Company. Such continuing connected transactions have in the past been announced and reported in the Company's annual reports in accordance with the requirements of the Listing Rules. As the term of the 2007 Framework Agreement in respect of such continuing connected transactions have expired, the Company and SHKP have on 28 December 2010 entered into the Renewal Framework Agreement so that such continuing connected transactions will continue to comply with the relevant requirements of the Listing Rules. The Renewal Framework Agreement is for a term of three years which is deemed to have begun on 1 July 2010 and shall end on 30 June 2013.

Leasing of Premises

In relation to the Leasing of Premises, for the three years ended 30 June 2008, 2009 and 2010, the rental and licence fees paid under relevant leases and licences amounted to HK\$71,507,000, HK\$76,467,000 and HK\$76,657,000 respectively.

Pursuant to the Renewal Framework Agreement, the Group will continue to enter into leases and licence agreements with subsidiaries and associated companies of SHKP from time to time in connection with the Leasing of Premises and the rental and licence fees to be paid under such leases and licence agreements are and will be negotiated on an arm's length basis based on normal commercial terms and at the prevailing market rates. The Renewal Framework Agreement provides that the term of such leases and licence agreements will not exceed three years. Under the Renewal Framework Agreement, the Company and SHKP have agreed that for the three years ending 30 June 2011, 2012 and 2013, the aggregate annual rental and licence fees to be paid under such leases and licences shall not exceed HK\$92,000,000, HK\$111,000,000 and HK\$133,000,000 respectively. The rental and licence fees will be paid in cash on a monthly basis with no term of arrangement for payment on a deferred basis. Such annual caps are determined based on the expectation of the Company that (1) there will be an increase in the number of base stations which it would need to install over the next three years in connection with the enhancement and upgrading of its integrated mobile communications network and related telecommunications services; and (2) there will be a steadily rising demand in the rental market over the next three years and hence rental payments for its offices, retail stores, warehouses and base stations will increase.

Provision of Insurance Services

In relation to the Provision of Insurance Services, for the three years ended 30 June 2008, 2009 and 2010, insurance premiums paid by the Group to a wholly-owned subsidiary of SHKP amounted to HK\$3,681,000, HK\$4,252,000 and HK\$4,152,000 respectively.

Pursuant to the Renewal Framework Agreement, a wholly-owned subsidiary of SHKP will continue to provide general insurance services to the Group from time to time and insurance premiums to be paid are and will be negotiated on an arm's length basis based on normal commercial terms and at the prevailing market rates. Under the Renewal Framework Agreement, the Company and SHKP have agreed that for the three years ending 30 June 2011, 2012 and 2013 the aggregate annual insurance premiums to be paid by the Group in connection with the Provision of Insurance Services shall not exceed HK\$5,000,000, HK\$6,000,000 and HK\$8,000,000 respectively. The insurance premiums will be paid in cash on an annual basis with no term of arrangement for payment on a deferred basis. Such annual caps are determined based on the expectation of the Company that there will be an increase in insurance cover in connection with the enhancement and upgrading of its integrated mobile communications network and telecommunication equipment, growth of handsets and accessories sales and expansion of its operations.

Reasons for the Leasing of Premises and Provision of Insurance Services

The Group is a provider of mobile services in Hong Kong and Macau. SHKP is one of the largest property companies in Hong Kong and subsidiaries and associated companies of SHKP which lease premises to the Group are engaged in the business of property development and leasing of premises. The wholly-owned subsidiary of SHKP which provides insurance services to the Group is engaged in the business of provision of general insurance coverage and services. As a provider of mobile services in Hong Kong, the Group needs to lease and obtain licences for

premises for use as offices, retail stores, warehouses and for the installation of telecommunication equipment. The Group also needs to obtain insurance coverage for its business and operational risks.

Requirements of the Listing Rules

The Leasing of Premises and Provision of Insurance Services under the Renewal Framework Agreement would be treated as continuing connected transactions under Chapter 14A of the Listing Rules. It is expected that, with respect to each of the Leasing of Premises and Provision of Insurance Services, all applicable ratio tests referred to in Rule 14.07 of the Listing Rules would, on an annual basis, be less than 5 per cent. Accordingly, the Renewal Framework Agreement is only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirements of Chapter 14A of the Listing Rules. Details of the Renewal Framework Agreement will be included in the Company's annual reports for the years 2011 to 2013. The Company will re-comply with Rules 14A.35(3) and (4) of the Listing Rules if any of the abovementioned caps are exceeded; or if the Renewal Framework Agreement is renewed with a material change to its terms.

General

The Directors (including the independent non-executive Directors) are of the view that the Leasing of Premises and Provision of Insurance Services under the Renewal Framework Agreement will be conducted in the ordinary and usual course of business of the Group, are on normal commercial terms, and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Mr. Raymond Ping-luen Kwok and Dr. Eric Ka-cheung Li, being directors of both the Company and SHKP, are materially interested in the continuing connected transactions under the Renewal Framework Agreement and have abstained from voting on the board resolutions to approve the new annual caps in respect of such continuing connected transactions.

Principal Business Activities of the Company and SHKP

The Company is a leader in total communications in Hong Kong, providing voice, multimedia and broadband services in the mobile and fixed markets through its ubiquitous GSM/3G/HSPA+ network. The Company's main subsidiary in Hong Kong operates as SmarTone-Vodafone, a Partner Network of Vodafone Group Plc., the world's leading mobile telecommunications company. The Company has been listed in Hong Kong since 1996.

SHKP was publicly listed in 1972 and is now one of the largest property companies in Hong Kong. It specialises in premium-quality residential and commercial projects for sale and investment. The SHKP Group's core business is the development of property for sale and investment. The SHKP Group also has complementary operations in hotels, financial services, insurance and property management. The SHKP Group also has investments in telecommunications, information technology, and transportation, infrastructure and logistics.

Terms Used in this Announcement

"2007 Framework Agreement"	the agreement between the Company and SHKP dated 3 December 2007 in relation to the Leasing of Premises and Provision of Insurance Services.
"Company"	SmarTone Telecommunications Holdings Limited.
"connected person"	has the meaning ascribed to it under the Listing Rules.
"connected transactions" and "continuing connected transactions"	have the meanings ascribed to them under the Listing Rules.
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules.
"Directors"	directors of the Company.
"Group"	the Company and its subsidiaries.
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong.
"Leasing of Premises"	leasing of premises by the Group from certain subsidiaries and associated companies of SHKP for use as offices, retail stores, warehouses and for the installation of telecommunications equipment.
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended.
"Provision of Insurance Services"	provision of general insurance services by a wholly-owned subsidiary of SHKP to the Group.
"ratio tests"	has the meaning ascribed to it under Chapter 14 of the Listing Rules.
"Renewal Framework Agreement"	the framework agreement between the Company and SHKP dated 28 December 2010 in relation to the Leasing of Premises and Provision of Insurance Services.
"SHKP"	Sun Hung Kai Properties Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 16).
"SHKP Group"	SHKP and its subsidiaries.

"Stock Exchange"

The Stock Exchange of Hong Kong Limited.

By order of the Board
SmarTone Telecommunications Holdings Limited
Alvin Yau-hing Mak
Company Secretary

Hong Kong, 28 December 2010

As at the date of this announcement, Executive Directors of the Company are Mr. Douglas Li and Mr. Patrick Kai-lung Chan; Non-Executive Directors are Mr. Raymond Ping-luen Kwok, Mr. Wing-yui Cheung, Mr. David Norman Prince, Mr. Wing-chung Yung, Mr. Thomas Hon-wah Siu, Mr. Alfred Wing-kit Tsim and Mr. John Anthony Miller; Independent Non-Executive Directors are Dr. Eric Ka-cheung Li, JP, Mr. Leung-sing Ng, JP, Mr. Xiang-dong Yang and Mr. Eric Fock-kin Gan.