
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 you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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No Shareholder receiving a copy of this circular and/or an Election Form in any territory outside Hong Kong may treat the same as an invitation to elect for Shares unless in the relevant territory such invitation could lawfully be made to it/him/her without the Company 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 under the Scrip Dividend Scheme to comply with the laws of the relevant jurisdictions including procedures or any other similar formalities.

SMARTONE TELECOMMUNICATIONS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00315)

**SCRIP DIVIDEND SCHEME IN RELATION TO
THE FINAL DIVIDEND
FOR THE YEAR ENDED 30 JUNE 2012**

DEFINITIONS

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

“Board”	the board of Directors;
“CCASS”	Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;
“Company”	SmarTone Telecommunications Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange;
“Directors”	the directors of the Company;
“Election Form”	The form of election in relation to the Scrip Dividend Scheme;
“Eligible Shareholders”	Shareholders whose names appeared on the register of members of the Company on the Record Date (except US Shareholders);
“Final Dividend”	the final dividend of HK\$0.53 per Share for the year ended 30 June 2012 payable to Shareholders whose names appeared on the register of members of the Company as at the Record Date;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“New Shares”	new fully paid Shares to be issued under the Scrip Dividend Scheme;
“Record Date”	Friday, 16 November 2012, being the date by reference to which entitlements to the Final Dividend will be determined;
“Scrip Dividend Scheme”	the scrip alternative offered to the Shareholders whereby Shareholders may elect to receive their Final Dividend wholly or partly by the allotment of fully paid New Shares in lieu of cash;
“Share Registrar”	Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong;
“Shareholders”	holders of Shares;
“Shares”	ordinary shares of HK\$0.10 each in the capital of the Company;

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US”	United States of America or any of its territories or possessions; and
“US Shareholders”	Shareholders with registered addresses in the US.

EXPECTED TIMETABLE

The following is a summary of the events in relation to the Scrip Dividend Scheme in the form of a timetable:

Last day of dealings in the Shares on a cum-entitlement basis	Friday, 9 November 2012
First day of dealings in the Shares on an ex-entitlement basis	Monday, 12 November 2012
Latest time for lodging transfers of the Shares for registration in order to be entitled to the Final Dividend	4:30 p.m. on Tuesday, 13 November 2012
Closure of register of members of the Company	Wednesday, 14 November 2012 to Friday, 16 November 2012 (both days inclusive)
Record Date	Friday, 16 November 2012
Announcement of calculation of the market value of Shares for calculating the number of New Shares to be issued	Monday, 19 November 2012
Latest time for return of the Election Form to the Share Registrar ²	4:00 p.m. on Friday, 7 December 2012
Despatch of cheques for cash dividends and definitive certificates for New Shares at the risk of recipients	Monday, 17 December 2012
Dealings in New Shares expected to commence	Tuesday, 18 December 2012

Notes:

1. All references to times are Hong Kong time.
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 4:00 p.m. on Friday, 7 December 2012, the deadline for return of the Election Form will be changed. Further information is set out in paragraph headed “Election Form” of the “Letter from the Board”.

LETTER FROM THE BOARD

SMARTONE TELECOMMUNICATIONS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00315)

Directors:

- * KWOK Ping-luen, Raymond, *Chairman*
- Douglas LI, *Chief Executive Officer*
- CHAN Kai-lung, Patrick
- * CHEUNG Wing-yui
- * David Norman PRINCE
- * YUNG Wing-chung
- * SIU Hon-wah, Thomas
- * TSIM Wing-kit, Alfred
- * John Anthony MILLER
- # LI Ka-cheung, Eric, *JP*
- # NG Leung-sing, *JP*
- # YANG Xiang-dong
- # GAN Fock-kin, Eric
- # IP YEUNG See-ming, Christine

* *Non-Executive Director*

Independent Non-Executive Director

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Office in Hong Kong:

31st Floor
Millennium City 2
378 Kwun Tong Road
Kwun Tong
Kowloon
Hong Kong

22 November 2012

SCRIP DIVIDEND SCHEME IN RELATION TO THE FINAL DIVIDEND FOR THE YEAR ENDED 30 JUNE 2012

To: the Shareholders

Dear Sir or Madam,

INTRODUCTION

The Company announced on 4 September 2012 that the Board had proposed the Final Dividend and that, subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on 6 November 2012, the Final Dividend would be paid to Shareholders whose names appeared on the register of members of the Company on the Record Date. Eligible Shareholders may elect to receive the Final Dividend in cash, or in the form of fully paid New Shares in lieu of cash, or partly in cash and partly in the form of fully paid New Shares under the Scrip Dividend Scheme. The register of members of the Company was closed from Wednesday, 14 November 2012 to Friday, 16 November 2012 (both dates inclusive). In order to establish entitlement to the Final Dividend, all completed transfer forms, accompanied by the relevant share certificates, had to be lodged with the Company's Share Registrar for registration not later than 4:30 p.m. on Tuesday, 13 November 2012.

LETTER FROM THE BOARD

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

DETAILS OF THE SCRIP DIVIDEND SCHEME

Under the Scrip Dividend Scheme, Eligible Shareholders may elect to receive the Final Dividend in one of the following ways:

- (a) cash of HK\$0.53 for each Share held on the Record Date; or
- (b) an allotment of fully paid New Shares (the number of which is determined as explained below); or
- (c) partly in cash and partly in the form of fully paid New Shares.

For the purpose 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\$14.516 per Share (the “**Average Closing Price**”), which is the average value of the closing prices per Share as quoted on the Stock Exchange for the five consecutive trading days commencing from, and including, 12 November 2012.

Accordingly, the number of New Shares which an Eligible Shareholder is entitled to receive, in respect of the Shares registered in its/his/her name as at the Record Date and for which it/he/she has elected to receive New Shares, will be calculated as follows:

$$\begin{array}{l} \text{Number of} \\ \text{New Shares} \\ \text{to be} \\ \text{received} \end{array} = \begin{array}{l} \text{Number of existing Shares} \\ \text{held on the Record Date for} \\ \text{which scrip election is made} \\ \text{for the Final Dividend} \end{array} \times \frac{\text{HK\$0.53 (Final Dividend per Share)}}{\text{HK\$14.516 (Average Closing Price)}}$$

Based on 1,037,196,142 Shares in issue as at the close of business on the Record Date, the maximum number of New Shares which may fall to be issued under the Scrip Dividend Scheme will be 37,869,520, representing approximately 3.65% of the existing issued share capital of the Company and approximately 3.52% of the issued share capital of the Company as enlarged by the issue of New Shares.

The last day and time on which the Eligible Shareholders will be entitled to select their desired form of the Final Dividend is 4:00 p.m. on Friday, 7 December 2012. The number of New Shares to be issued to each Eligible Shareholder pursuant to its/his/her election will be rounded down to the nearest whole number of the New Shares. Fractional entitlements to the 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 such New Shares themselves will not rank for the Final Dividend.

LETTER FROM THE BOARD

ADVANTAGES OF THE SCRIP DIVIDEND SCHEME

The Directors consider that the Scrip Dividend Scheme is beneficial to both the Shareholders and the Company as it will give Shareholders the opportunity to increase their investment in the Company at market value without incurring brokerage fees, stamp duty and related dealing costs and the Company to retain cash, which would otherwise have been paid to the Shareholders, for the 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 listing of, and permission to deal in, the New Shares to be issued in respect of the Final Dividend.

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

EFFECT OF THE SCRIP DIVIDEND SCHEME

Shareholders should note that the New Shares to be issued under the Scrip Dividend Scheme may give rise to disclosure requirements under Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). **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.**

ELECTION FORM

The Election Form is enclosed with this circular for use by 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.

(a) To receive only cash dividend

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

(b) To receive only New Shares for the Final Dividend

If you wish to receive only New Shares for the Final Dividend, please just SIGN, DATE and RETURN the Election Form.

LETTER FROM THE BOARD

(c) To receive part cash dividend and part New Shares for the Final Dividend

If you wish to receive your Final Dividend partly in cash and partly in 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 require the Final Dividend to be paid 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 an allotment of 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, 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 Form should be completed in accordance with the instructions printed thereon and returned, so that they are received by the Company's Share Registrar no later than 4:00 p.m. on Friday, 7 December 2012 at:

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

- a. 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 Friday, 7 December 2012. Instead, the deadline for the submission of Election Forms will be 5:00 p.m. on the same business day;**
- b. in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Friday, 7 December 2012. Instead, the deadline for the submission of Election Forms will be rescheduled to 4:00 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 4:00 p.m.**

Failure to complete and return the signed Election Form in accordance with the instructions printed thereon will result in the relevant Eligible Shareholder's Final Dividend being paid wholly in the form of cash.

No acknowledgement 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 Company's Share Registrar, be in any way withdrawn, revoked, superseded or altered.

LETTER FROM THE BOARD

LISTING AND DEALINGS

Application has been made to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the New Shares to be allotted and issued pursuant to the Scrip Dividend Scheme.

It is expected that the definitive certificates for New Shares, and cheques for cash dividends, will be sent by ordinary mail to Shareholders at the risk of those entitled thereto on or about Monday, 17 December 2012, and the first day of dealings in the New Shares on the Stock Exchange is expected to be on or about Tuesday, 18 December 2012.

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 Hong Kong Securities Clearing Company Limited for deposit, clearance and settlement in the CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by Hong Kong Securities Clearing Company Limited. 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 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 Stock Exchange and are traded over the counter in the United States in the form of American Depositary Receipts (ADR). No part of the securities of the Company is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchange.

SHAREHOLDERS RESIDENT OUTSIDE HONG KONG

As at the Record Date, the addresses of some of the Shareholders as shown on the register of members of the Company were outside Hong Kong.

US Shareholders will not be permitted to participate in the Scrip Dividend Scheme and they will receive the Final Dividend wholly in cash. Having obtained and taken into consideration a legal opinion in respect of the US, the Directors considered such exclusion to be necessary and expedient pursuant to Rule 13.36(2) of the Rules Governing The Listing of Securities on the Hong Kong Stock Exchange. US Shareholders are therefore not "Eligible Shareholders" for the purposes of the Scrip Dividend Scheme. This circular has been sent to such Shareholders for information only and no Election Form is being sent to such Shareholders.

Save for US Shareholders, all Shareholders resident outside Hong Kong should consult their professional advisers as to whether or not they are permitted to participate in the Scrip Dividend Scheme or whether any government or other consents are required or other formalities need to be observed. No Shareholder receiving a copy of this circular and/or an Election Form in any territory outside Hong Kong may treat the same as an invitation to elect for Shares unless in the relevant territory such invitation could lawfully be made to it/him/her without the Company having to comply with any registration or other legal requirements, governmental or regulatory procedures or any other similar formalities. It is the responsibility

LETTER FROM THE BOARD

of any Shareholder outside Hong Kong who wishes to receive New Shares under the Scrip Dividend Scheme to comply with the laws of the relevant jurisdictions including procedures or any other similar formalities. Persons who receive New Shares in lieu of the cash dividend must also comply with any restrictions on the resale of the Shares which may apply outside Hong Kong.

GENERAL

New Shares issued to the 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 500 Shares). No special dealing arrangements will be put in place by the Company to facilitate the trading or disposal of New Shares 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 the New Shares, in whole or in part, in respect of the Final Dividend depends upon your own individual circumstances, and the decision in this regard and all effects resulting therefrom must be solely your responsibility. **If you are in doubt as to what to do, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.**

Shareholders who are trustees are recommended to take professional advice as to whether an election to receive 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 of
SmarTone Telecommunications Holdings Limited
Kwok Ping-luen, Raymond
Chairman

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