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SmarTone Telecommunications Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00315)

ADOPTION OF SHARE AWARD SCHEME

and

GRANT OF AWARDED SHARES PURSUANT TO THE SHARE AWARD SCHEME

The Share Award Scheme

The Board is pleased to announce that on 29 June 2018 the Company has adopted the Scheme as an incentive arrangement to recognise the contributions by certain Employees and to attract and retain suitable personnel for the development of the Group.

Pursuant to the Scheme Rules, Shares will be acquired by the Trustee at the cost of the Company and be held in trust for the Selected Employees until the end of each vesting period.

The number of Shares to be awarded under the Scheme throughout its duration is limited to 10% of the issued share capital of the Company as at the Adoption Date.

The Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules. No Shareholders' approval is required to adopt the Scheme.

Grant of Awarded Shares pursuant to the Share Award Scheme

On 29 June 2018, the Board, based on the recommendation of the remuneration committee of the Company, granted an aggregate of 1,871,800 shares to certain Selected Employees.

THE SHARE AWARD SCHEME

The Board is pleased to announce that on 29 June 2018 the Company has adopted the Scheme. A summary of the Scheme Rules is set out below.

Purpose and objectives

The specific objectives of the Scheme are (i) to recognise the contributions by certain Employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

Administration

The Scheme shall be subject to the administration of the Board in accordance with the Scheme Rules.

Duration

Subject to any early termination as may be determined by the Board pursuant to the Scheme Rules, the Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

Maximum limit

The Board shall not make any further award of Shares which will result in the aggregate number of Shares awarded by the Board throughout the duration of the Scheme to be in excess of 10% (that is, 112,426,927 Shares) of the number of Shares of the Company in issue as at the Adoption Date (that is, 1,124,269,277 Shares).

Restrictions

No payment shall be made to the Trustee pursuant to the Scheme Rules, no discretion shall be exercised as to the grant, vesting terms or conditions of Awards by the Board, and no instructions to deal in any Shares shall be given to the Trustee under the Scheme where such payment, exercise of discretion or giving of instructions (as applicable) is prohibited under the Listing Rules, the Securities and Futures Ordinance or other applicable laws from time to time (and such prohibition has not been waived in respect of the Company).

Operation of the Scheme

Pursuant to the Scheme Rules, the Board may, from time to time, at its absolute discretion select any Employee (excluding any Excluded Employee) for participation in the Scheme as a Selected Employee and determine the Reference Awarded Sum for the purchase and/or allocation of Awarded Shares.

The Board shall cause to be paid to the Trustee an amount equal to the aggregate of the Reference Awarded Sums and the related purchase expenses, less the value of Returned Shares.

The Trustee shall purchase from the market the relevant number of Shares in accordance with written instructions issued by the Board from time to time and shall hold such Shares until they are vested in accordance with the Scheme Rules.

When a Selected Employee has satisfied all vesting conditions specified by the Board at the time of making the Award and becomes entitled to the Shares forming the subject of the Award, the Trustee shall transfer the relevant Awarded Shares and Related Income to that Selected Employee.

Vesting and Lapse

Awarded Shares and Related Income shall vest in accordance with the timetable as set out in the Scheme Rules. 30% of the Awarded Shares and Related Income shall vest on the first and second anniversary date of the Reference Date and the balance shall vest on the third anniversary date of the Reference Date. Vesting of the Awarded Shares and Related Income will be conditional on the Selected Employee remaining an Employee of the Group until and on each of the relevant Vesting Dates and his/her execution of the relevant documents to effect the transfer from the Trustee and payment of the vesting expenses (as applicable).

In the event that prior to or on the Vesting Date:

- (a) a Selected Employee is found to be an Excluded Employee or has ceased to be an Employee of the Group;
- (b) the Subsidiary employing the Selected Employee ceases to be a Subsidiary; or
- (c) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company),

(each of these, an event of "**Total Lapse**"), the relevant Award made to such Selected Employee shall automatically lapse immediately and the relevant Awarded Shares and Related Income shall become Returned Shares for the purposes of the Scheme.

In the event that:

- (a) the vesting terms and conditions imposed in respect of an Award are not fully satisfied; or
- (b) a Selected Employee fails to provide duly executed documents and/or pay the vesting expenses (as applicable) within the period prescribed by the Trustee for the relevant Awarded Shares and Related Income,

(each of these, an event of "**Partial Lapse**"), the relevant part of an Award made to such Selected Employee shall automatically lapse immediately and the relevant Awarded Shares and Related Income shall become Returned Shares for the purposes of the Scheme.

If an Award or part of an Award lapses as a result of an event of Total Lapse or Partial Lapse, the relevant Selected Employee shall have no right or claim against the Company or the Trustee.

If a Selected Employee retires at his/her normal retirement date or at such earlier or later date by agreement, or dies or suffers a permanent disability prior to a Vesting Date, all the Awarded Shares and the Related Income shall be deemed to be vested on the day immediately prior to his/her death, the day on which he/she suffered a permanent disability, or his/her normal retirement date or such earlier or later date by agreement, as the case may be. In a case where the vested interests are not claimed by the legal representative of the deceased Selected Employee within two years of the death of the Selected Employee (or such longer period as the Trustee and the Board shall agree from time to time) or the Trust Period (whichever is shorter), such vested interests shall be forfeited and cease to be transferable and shall be held as Returned Shares for the purposes of the Scheme.

If there occurs an event of change in control (as specified in The Codes on Takeovers and Mergers and Share Buy-backs from time to time) of the Company, whether by way of offer, merger, scheme of arrangement or otherwise, all the Awarded Shares and the Related Income shall immediately vest on the date when such change in control event becomes or is declared unconditional and such date shall be deemed the Vesting Date.

Where the Awarded Shares do not vest in accordance with the Scheme Rules, the Trustee shall hold such Shares and the Related Income for the benefit of one or more employees of the Group as it determines in its discretion, after having taken into account the recommendations of the Board.

Voting Rights

The Trustee shall not exercise the voting rights in respect of any Shares held under the Trust (including but not limited to the Awarded Shares, and further Shares acquired out of the income derived therefrom).

Termination

The Scheme shall terminate on the earlier of the 10th anniversary date of the Adoption Date or such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of the Selected Employees.

Upon termination, all Awarded Shares and the Related Income derived therefrom shall become vested on the Selected Employees so referable on such date of termination, subject to the receipt by the Trustee of the transfer documents duly executed by the Selected Employees within the stipulated period and payment of any vesting expenses.

Net sale proceeds (after making appropriate deductions) of the Returned Shares and such non-cash income together with the residual cash and such other funds remaining in the Trust shall be remitted to the Company forthwith after the sale.

IMPLICATIONS UNDER THE LISTING RULES

The Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules. No Shareholders' approval is required to adopt the Scheme, and this announcement is made on a voluntary basis.

Shares may be awarded to Selected Employees who are connected persons of the Group. If Shares are awarded to the connected persons of the Group, those Awards shall constitute connected transactions under Chapter 14A of the Listing Rules and where they do the Company will comply with the relevant requirements under the Listing Rules.

DEFINITIONS

Adoption Date	29 June 2018, being the date on which the Board adopted the Scheme
Award	an award of the Awarded Shares by the Board to a Selected Employee pursuant to the Scheme Rules
Awarded Shares	in respect of a Selected Employee, such number of Shares allocated or awarded by the Trustee pursuant to the Scheme Rules
Board	the board of directors of the Company, such committee or sub-committee or person(s) delegated with the power and authority by the board of directors of the Company to administer the Scheme
Company	SmarTone Telecommunications Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on The Stock Exchange of Hong Kong Limited
Employee	any employee (including without limitation any executive, non-executive or independent non-executive director or any other director whatsoever) of the Company or of any Subsidiary

Excluded Employee	any Employee who is resident in a place where the settlement of the amount caused to be paid by the Board to the Trustee for the purchase of Shares awarded and the award of Shares and/or the award of the Returned Shares and/or the vesting and transfer of Shares pursuant to the terms of the Scheme Rules are not permitted under the laws and regulations of such place or where in the view of the Board or the Trustee (as the case may be) compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such employee
Group	the Company and its Subsidiaries
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
Partial Lapse	an event which causes the relevant part of an Award made to the Selected Employee to automatically lapse immediately
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Securities and Futures Ordinance	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Reference Awarded Sums	the amounts, as determined by the Board from time to time pursuant to the Scheme Rules to be applied for the purchase and/or allocation of Awarded Shares in respect of the Selected Employee(s)
Reference Date	the date of final approval by the Board of the total amount of Reference Awarded Sums for the purchase and/or allocation of Shares to be awarded to the Selected Employee(s) in a single occasion pursuant to the Scheme or the date of an Award of Shares by the Trustee pursuant to the Trust Deed or such earlier or later date as may be determined by the Board in respect of any Award (as the case may be)
Related Income	all income derived from a Share held upon the Trust in the form of Shares (including but not limited to, any further Shares, any bonus Shares and scrip Shares received in respect of that Share held upon the Trust), and cash dividends and cash distributions which record date for ascertaining entitlements is on or after the Vesting Date, but excluding any nil paid right, bonus warrant, non-cash and non-scrip distribution or proceeds of sale of the same or residual cash
Returned Shares	such Awarded Shares and Related Income which are not vested and/or forfeited in accordance with the terms of the Scheme Rules
Scheme	"The SmarTone Telecommunications Holdings Limited Employees' Share Award Scheme" adopted by the Board whereby award of Shares may be made to the Employees pursuant to the Trust Deed and the Scheme Rules

Scheme Rules	the rules relating to the Scheme adopted by the Board
Selected Employee(s)	Employee(s) of the Group selected by the Board and Employee(s) of the Group selected by the Trustee in respect of the Returned Shares in its absolute discretion, after having taken into consideration recommendations of the Board, for participation in the Scheme pursuant to the Scheme Rules. A Selected Employee may also include a former Employee, where such former Employee is granted “good leaver” status by the Board at its discretion.
Shares	ordinary shares of HK\$0.10 each in the capital of the Company
Shareholder(s)	holder(s) of Share(s)
Subsidiary(ies)	subsidiary(ies) of the Company from time to time within the meaning of the Companies Ordinance (Cap.622 of the Laws of Hong Kong)
Total Lapse	an event which causes an Award made to the Selected Employee to automatically lapse immediately
Trust	the trust constituted by the Trust Deed
Trust Deed	the trust deed made between the Company as settlor and the Trustee as trustee, which deed establishes the Scheme
Trust Period	the period beginning with the Adoption Date and ending upon the first to happen of the following, namely: (a) 28 June 2028, being the expiry of the period of 10 years beginning with the Adoption Date; or (b) the date as may be informed by the Company that the Scheme shall be terminated
Trustee	Acheson Limited (which is independent and not connected with the Company)
Vesting Date	the date or each such date on which the Awarded Shares and the Related Income are to vest in the Selected Employee(s)

GRANT OF AWARDED SHARES PURSUANT TO THE SHARE SCHEME AWARD

On 29 June 2018 (the “**Date of Grant**”), the Board, based on the recommendation of the Remuneration Committee of the Company, granted an aggregate of 1,871,800 shares to 326 Selected Employees (the **Grantees**) pursuant to the Scheme. Among the Grantees, 3 of them (namely, Ms. Anna Yip, Mr. Chan Kai-lung, Patrick and Mr. Chau Kam-kun, Stephen) are executive directors of the Company and 5 of them are directors of certain subsidiaries of the Company, and they are therefore connected persons of the Company (the “**Connected Grantees**” for the purpose of this Announcement).

Further details of the Grantees are as set out below:

	No. of Award Shares Granted
Connected Grantees	
Ms. Anna Yip	109,000
Mr. Chan Kai-lung, Patrick	73,000
Mr. Chau Kam-kun, Stephen	73,000
5 directors of certain subsidiaries of the Company	103,600
Non-Connected Grantees	
318 Selected Employees who are not connected with the Company or connected persons of the Company	1,513,200
Total	<u>1,871,800</u>

The grant of the Awarded Shares to each of the Connected Grantees constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As all applicable percentage ratios (as specified in the Listing Rules) are below 0.1% and the transactions are on normal commercial terms, the grant of the Awarded Shares to the Connected Grantees is fully exempt under Rule 14A.76(1) of the Listing Rules and exempted from reporting, announcement and shareholders’ approval requirements. Each of the respective Connected Grantees who are also directors of the Company has abstained from voting on the resolution approving the grant of the Awarded Shares to them under the Share Award Scheme (while such resolution has been approved by, among others, all independent non-executive directors of the Company).

The 1,871,800 Awarded Shares to be granted to the Grantees represent 0.17% of issued share capital of Company as at the date of this Announcement. The 1,871,800 Awarded Shares represent the value of HK\$15,161,580, taking into account the closing price of HK\$8.10 per Share as stated in the daily quotation sheets issued by The Stock Exchange of Hong Kong Limited on the Date of Grant.

The Awarded Shares granted shall vest in the Grantees in accordance with the vesting schedule under the Scheme Rules, that is, 30% of the Awarded Shares and Related Income (if any) shall vest on the first and second anniversary date of the Reference Date and the balance shall vest on the third anniversary date of the Reference Date. Vesting of the Awarded Shares and Related Income (if any) will be conditional on the Grantee remaining an Employee of the Group until and on each of the relevant Vesting Dates and his/her execution of the relevant documents to effect the transfer from the Trustee and payment of the vesting expenses (as applicable).

When the relevant Grantee has satisfied all vesting conditions and become entitled to the shares forming the subject of the Award, the Trustee shall transfer the relevant vested Shares to the Grantee in accordance with the Scheme Rules.

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

Hong Kong, 29 June 2018

As at the date of this announcement, the Executive Directors of the Company are Ms. Anna YIP (Chief Executive Officer), Mr. CHAN Kai-lung, Patrick and Mr. CHAU Kam-kun, Stephen; Non-Executive Directors are Mr. KWOK Ping-luen, Raymond (Chairman), Mr. CHEUNG Wing-yui (Deputy Chairman), Mr. FUNG Yuk-lun, Allen (Deputy Chairman), Mr. David Norman PRINCE, Mr. SIU Hon-wah, Thomas, and Mr. John Anthony MILLER; Independent Non-Executive Directors are Dr. LI Ka-cheung, Eric, JP, Mr. NG Leung-sing, JP, Mr. GAN Fock-kin, Eric, Mrs. IP YEUNG See-ming, Christine and Mr. LAM Kwok-fung, Kenny.