

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

## **SmarTone Telecommunications Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00315)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO THE RIGHT OF FIRST REFUSAL FOR RE-ASSIGNMENT OF FREQUENCY SPECTRUM**

The Board is pleased to announce that on 10 September 2018, SmarTone Mobile accepted the Communications Authority's offer to exercise the right of first refusal for the re-assignment of the Relevant RFR Spectrum for a new term of 15 years starting from 30 September 2021.

SmarTone Mobile has, upon its acceptance of such offer, provided the Communications Authority with an irrevocable standby letter of credit issued by a qualifying bank in Hong Kong for an amount of HK\$1,400 million (equivalent to HK\$70,000 per kHz for 20 MHz of the Relevant RFR Spectrum), and will maintain its validity until 29 September 2021. The auction is concluded on 18 December 2018 and the actual amount of SUF for the Relevant RFR Spectrum is HK\$1,080 million. Since the actual SUF turns out to be less than HK\$1,400 million, the amount of the standby letter of credit will be reduced accordingly.

SmarTone Mobile has also undertaken to pay the SUF for the Relevant RFR Spectrum either (i) in full as a lump sum payment upfront or (ii) by annual instalments with the first instalment equivalent to the lump sum amount divided by 15 (i.e. the number of years of assignment) and the subsequent instalments increased every year by 2.5%.

As the highest of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Transaction is more than 5% and less than 25%, the Transaction constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

#### **Background**

On 19 December 2017, the Communications Authority and the Secretary for Commerce and Economic Development announced that a hybrid administratively-assigned cum market-based approach would be adopted for the re-assignment of 200 MHz of spectrum in the 900 MHz band and 1800 MHz band upon expiry of the existing assignments. Each of the incumbent spectrum assignees, including SmarTone Mobile, would be offered a right of first refusal to be re-assigned 20 MHz of spectrum in the 1800 MHz band and the remaining 70 MHz of spectrum in the 1800 MHz band together with 50 MHz of spectrum in the 900 MHz band would be assigned through auction.

For the re-assignment of the Relevant RFR Spectrum, the SUF per MHz was set at HK\$54 million, or the average of the SUF for the re-auctioned spectrum in the 1800 MHz band as determined by the auction referred to above, whichever is the higher, with a cap of HK\$70 million per MHz.

#### **The Transaction**

The Communications Authority has offered SmarTone Mobile the right of first refusal for the reassignment of the Relevant RFR Spectrum for a new term of 15 years starting from 30

September 2021. The Relevant RFR Spectrum is due to expire on 29 September 2021. The Board is pleased to announce that on 10 September 2018, SmarTone Mobile accepted such offer.

In accordance with the terms of such offer:

- (a) SmarTone Mobile has undertaken to pay the SUF for the Relevant RFR Spectrum as determined in accordance with sections 4(1) to 4(3) of the Telecommunications Regulation, either (i) in full as a lump sum payment upfront on or before 30 July 2021; or (ii) by annual instalments with the first instalment payable on or before 30 July 2021 in a sum equivalent to the lump sum amount divided by 15 (i.e. the number of years of assignment) and the subsequent instalments increased every year by 2.5%;
- (b) SmarTone Mobile has, upon its acceptance of such offer, provided the Communications Authority with an irrevocable standby letter of credit issued by a qualifying bank in Hong Kong for an amount of HK\$1,400 million (equivalent to HK\$70,000 per kHz for 20 MHz of the Relevant RFR Spectrum), and will maintain its validity until 29 September 2021. If the SUF for every 1 kHz of the Relevant RFR Spectrum turns out to be less than HK\$70,000 after the auction referred to above, SmarTone Mobile may reduce the amount of the standby letter of credit to the actual amount of SUF payable;
- (c) if the SUF is to be paid by annual instalments, SmarTone Mobile is required to maintain at all times throughout the whole new assignment period a rolling performance bond issued by a qualifying bank in Hong Kong to guarantee payment of SUF payable in the ensuing five years, or the SUF payable for the remaining duration of the new assignment term if it is less than five years. The first rolling performance bond shall be submitted to the Communications Authority together with the first annual instalment payment;
- (d) the re-assignment of the Relevant RFR Spectrum upon acceptance of the offer remains conditional upon there being no judicial order or direction, legislation or other legal impediment which would otherwise prevent the Communications Authority from re-assigning the Relevant RFR Spectrum to SmarTone Mobile.

The auction referred to above is concluded on 18 December 2018 and the actual amount of SUF for the Relevant RFR Spectrum is HK\$1,080 million. Since the actual SUF turns out to be less than HK\$1,400 million, the amount of the standby letter of credit will be reduced accordingly.

Upon approval of the standby letter of credit, the Communications Authority has issued a conditional assignment of the Relevant RFR Spectrum to SmarTone Mobile for a period of 15 years commencing 30 September 2021.

### **Reasons for and Benefits of the Transaction**

The Transaction enables the Group to secure sufficient spectrum capacity to ensure the continuity of its quality mobile services to its customers.

The Board considers that the terms of the Transaction are fair and reasonable and in the interests of the shareholders of the Company as a whole.

### **Information about the Group and the Communications Authority**

SmarTone Mobile is an indirect wholly-owned subsidiary of the Company. The Company is a leading telecommunications company with operating subsidiaries in Hong Kong and Macau, providing voice, multimedia and mobile broadband services, as well as fixed fibre broadband services for the consumer and corporate markets.

The Communications Authority is an independent statutory body established under the Communications Authority Ordinance (Chapter 616 of the Laws of Hong Kong) on 1 April 2012. It is a unified regulatory body overseeing the converging telecommunications and broadcasting sectors. To the best of the Directors' knowledge, information and belief having made all

reasonable enquiry, the Communications Authority is a third party independent of the Company and its connected persons.

### **Implications under the Listing Rules**

As the highest of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Transaction is more than 5% and less than 25%, the Transaction constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

### **Definitions**

“Board”	the board of directors of the Company;
“Company”	SmarTone Telecommunications Holdings Limited;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“kHz”	kilohertz;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“MHz”	megahertz;
“Relevant RFR Spectrum”	the 2 x 10 MHz of spectrum in the frequency ranges of 1740 – 1750 MHz paired with 1835 – 1845 MHz;
“SmarTone Mobile”	SmarTone Mobile Communications Limited, an indirect wholly-owned subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“SUF”	spectrum utilisation fee;
“Telecommunications Regulation”	Telecommunications (Method for Determining Spectrum Utilization Fee) (Administratively Assigned Spectrum in the 1800 MHz Band) Regulation (Chapter 106AF of the Laws of Hong Kong); and
“Transaction”	the acceptance by SmarTone Mobile of the Communications Authority’s offer to exercise the right of first refusal for the re-assignment of the Relevant RFR Spectrum for a new term of 15 years starting from 30 September 2021.

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

Hong Kong, 18 December 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.*