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SmarTone Telecommunications Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00315)

DISCLOSEABLE TRANSACTION IN RELATION TO THE AUCTION OF FREQUENCY SPECTRUM

The Board is pleased to announce that SmarTone Mobile, an indirect wholly-owned subsidiary of the Company, is the provisional successful bidder of the Relevant Auctioned Spectrum, being a total of 30 MHz, in the auction of the radio spectrum in the 900 MHz and 1800 MHz band for the provision of public mobile telecommunications services in Hong Kong.

The assignment of the Relevant Auctioned Spectrum and the corresponding licence will be valid for a period of 15 years. The total SUF for the Relevant Auctioned Spectrum will be HK\$1,340 million. The SUF can be paid 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%.

The Group is also required to provide letters of credit from qualifying banks in Hong Kong to guarantee the payment of the SUF, and performance bonds issued by qualifying banks in Hong Kong to guarantee the network and service rollout obligations.

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.

The Board is pleased to announce that SmarTone Mobile, an indirect wholly-owned subsidiary of the Company, is the provisional successful bidder of the Relevant Auctioned Spectrum (as defined below) in the auction of the radio spectrum in the 900 MHz and 1800 MHz band for the provision of public mobile telecommunications services in Hong Kong.

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. SmarTone Mobile, like the other incumbent spectrum assignees, was 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. On 10 September 2018, SmarTone Mobile accepted the offer of the right of first refusal for the relevant spectrum in the 1800 MHz band.

The Transaction

The Auction commenced on 17 December 2018 and was concluded on 18 December 2018. SmarTone Mobile participated in the Auction and successfully bid for a total of 30 MHz at the following frequency ranges:

- (i) 2 x 10 MHz of spectrum in the frequency ranges of 1710 – 1720 MHz paired with 1805 – 1815 MHz at a SUF of HK\$760 million (the “**Relevant Auctioned Spectrum A**”); and
- (ii) 2 x 5 MHz of spectrum in the frequency ranges of 910 – 915 MHz paired with 955 – 960 MHz at a SUF of HK\$580 million (the “**Relevant Auctioned Spectrum B**”).

(collectively, the “**Relevant Auctioned Spectrum**”)

On 18 December 2018, the Communications Authority published a Provisional Successful Bidder Notice announcing the provisional successful bidders of the Auction, which include SmarTone Mobile.

Assignment of the Relevant Auctioned Spectrum

Within 60 business days after publication of the Provisional Successful Bidder Notice, SmarTone Mobile must provide to the Communications Authority:

- (a) a letter of credit in full amount of the SUF payable by it from a qualifying bank in Hong Kong to guarantee payment of the SUF on or before 12 November 2020 for Relevant Auctioned Spectrum B; and
- (b) a letter of credit in full amount of the SUF payable by it from a qualifying bank in Hong Kong to guarantee payment of the SUF on or before 30 July 2021 for Relevant Auctioned Spectrum A.

SmarTone Mobile is also required to lodge with the Communications Authority performance bonds issued by qualifying banks in Hong Kong in the amount of HK\$50 million for Relevant Auction Spectrum B on or before 12 November 2020 and in the amount of HK\$100 million for Relevant Auction Spectrum A on or before 30 July 2021 to guarantee the network and service rollout obligations.

The SUF for the Relevant Auctioned Spectrum can be paid 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%.

The lump sum payment or the first instalment of the SUF for (a) Relevant Auctioned Spectrum B is payable on or before 12 November 2020; and (b) Relevant Auctioned Spectrum A is payable on or before 30 July 2021.

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.

The assignment of spectrum and the corresponding licence will be valid for a period of 15 years starting from 12 January 2021 for Relevant Auctioned Spectrum B and from 30 September 2021 for Relevant Auctioned Spectrum A.

The assignment of the Relevant Auctioned Spectrum remains conditional upon, or subject to, there being no judicial order or direction, legislation or other legal impediment which would otherwise prevent the Communications Authority from assigning the Relevant Auctioned Spectrum to SmarTone Mobile or compel the Communications Authority to reconsider the assignment of the relevant spectrum.

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

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| “Auction” | the public auction of a total of 120 MHz of spectrum, comprising 50 MHz of spectrum in the 900 MHz band and 70 MHz of spectrum in the 1800 MHz band for the provision of public mobile telecommunications services in Hong Kong; |
| “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; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “MHz” | megahertz; |
| “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; and |

“Transaction” the acquisition of the Relevant Auctioned Spectrum by SmarTone Mobile through the Auction.

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.