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SmarTone Telecommunications Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 315)

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement made by the Company on 9 January 2020 in relation to certain continuing connected transactions, namely the Leasing of Premises, the Acquisition of Insurance Services, the Provision of Enterprise Solutions and the Provision of Mobile Coverage Services, between the Group and certain members of the SHKP Group which were governed by the 2020 Framework Agreement. As the term of the 2020 Framework Agreement will soon expire, the Company and SHKP entered into the 2022 Framework Agreement on 30 June 2022 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 2022 Framework Agreement, be conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, and fair and reasonable and in the interests of the Company and its shareholders as a whole.

It is expected that the value of such continuing connected transactions will not exceed certain caps as provided for in the 2022 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 9 January 2020 in relation to certain continuing connected transactions, namely the Leasing of Premises, the Acquisition of Insurance Services, the Provision of Enterprise Solutions and the Provision of Mobile Coverage Services (collectively, the "Transactions"), between the Group and certain members of the SHKP Group which were governed by the 2020 Framework Agreement.

Since SHKP is the controlling shareholder, and therefore a connected person, of the Company, the Transactions constitute continuing connected transactions for the Company. As the term of the 2020 Framework Agreement in respect of the Transactions will soon expire, the Company and SHKP entered into the 2022 Framework Agreement on 30 June 2022 so that such continuing connected transactions will continue to comply with the relevant requirements of the Listing Rules. The 2022 Framework Agreement is for a term of three years commencing

from 1 July 2022 and ending on 30 June 2025.

Leasing of Premises

The Group occupies premises of certain subsidiaries and associated companies of SHKP for use as offices, retail stores, warehouses and sites for the installation of telecommunications equipment. The historical amounts of the right-of-use assets acquired and the payments recognized as expenses for the last three financial years under the 2020 Framework Agreement are as follows:

<u>Historical period</u>	<u>Historical amounts (HK\$)</u>	
	<u>Right-of-use assets acquired</u>	<u>Payments recognized as expenses</u> <i>(Note)</i>
Year ended 30 June 2020	52,122,000	22,384,000
Year ended 30 June 2021	142,060,000	22,427,000
6 months ended 31 December 2021	45,169,000	12,069,000

Note: Representing variable lease payments, rentals (for short-term and low-value leases), and building management and related service fees.

Pursuant to the 2022 Framework Agreement, the Group will continue to enter into leases and license agreements with certain members of the SHKP Group from time to time in connection with the Leasing of Premises. The terms and conditions of such leases and license agreements will be no less favorable than the terms and conditions of similar leases and license agreements offered by independent third parties for comparable premises. The rental and license fees to be paid under such leases and license agreements will be negotiated and determined on an arm’s length basis by reference to the following to ensure that the pricing is fair and reasonable in the light of prevailing market conditions:

- (a) the rental or license fees of other similar properties in the relevant premises charged to independent third parties; and
- (b) if applicable, the rental or license fees of properties of comparable premises in the same district.

The 2022 Framework Agreement provides that the term of such leases and license agreements will not exceed three years. Under the 2022 Framework Agreement, the Company and SHKP have agreed that for the three years ending 30 June 2023, 2024 and 2025, the aggregate amounts of right-of-use assets acquired and the payments recognized as expenses under such leases and licenses shall not exceed the following annual caps.

<u>Period</u>	<u>Annual caps (HK\$)</u>	
	<u>Right-of-use assets acquired</u>	<u>Payments recognized as expenses</u> (Note)
Year ending 30 June 2023	97,100,000	30,200,000
Year ending 30 June 2024	213,800,000	38,300,000
Year ending 30 June 2025	153,700,000	48,900,000

Note: Representing variable lease payments, rentals (for short-term and low-value leases), and building management and related service fees.

The rental and license 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 a stable expansion of the Group's business and operations in the next three years, including increase in the number of base stations for network enhancement and upgrades; and (2) there will be a steadily rising demand in the rental market over the next three years and hence rental payments for offices, retail stores, warehouses and base stations will increase.

Acquisition of Insurance Services

The Group acquires insurance services from a wholly-owned subsidiary of SHKP. The historical amounts of insurance premiums paid by the Group under the 2020 Framework Agreement are as follows:

<u>Historical period</u>	<u>Historical amount (HK\$)</u>
Year ended 30 June 2020	3,947,000
Year ended 30 June 2021	3,889,000
6 months ended 31 December 2021	1,778,000

Pursuant to the 2022 Framework Agreement, the wholly-owned subsidiary of SHKP will continue to provide insurance services to the Group from time to time. The Group will solicit quotations from independent insurers providing similar insurance services to ensure that the terms offered by the wholly-owned subsidiary of SHKP are fair and reasonable and comparable with those offered by independent third parties.

Under the 2022 Framework Agreement, the Company and SHKP have agreed that for the three years ending 30 June 2023, 2024 and 2025, the aggregate annual insurance premiums to be paid by the Group in connection with the Acquisition of Insurance Services shall not exceed the following annual caps:

<u>Period</u>	<u>Annual cap (HK\$)</u>
Year ending 30 June 2023	4,600,000
Year ending 30 June 2024	6,000,000
Year ending 30 June 2025	7,800,000

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.

Provision of Enterprise Solutions

The Group provides information and communication technology (ICT) solutions to certain members of the SHKP Group covering, among others, business digitalization, connectivity and industry-specific solutions. The historical amounts of revenue received by the Group under the 2020 Framework Agreement are as follows:

<u>Historical period</u>	<u>Historical amount (HK\$)</u>
Year ended 30 June 2020	45,980,000
Year ended 30 June 2021	37,166,000
6 months ended 31 December 2021	50,172,000

Pursuant to the 2022 Framework Agreement, the Group will continue to provide enterprise solution to the SHKP Group. The Group will enter into sales agreements with members of the SHKP Group from time to time in connection with the Provision of Enterprise Solutions. The terms and conditions under such sales agreements shall be negotiated on an arm’s length basis and on normal commercial terms, and the contract sums payable by the members of the SHKP Group shall be comparable with the sums charged by the Group against independent third-party customers of the Group taking into account the nature and complexity of the relevant projects.

The sales agreement covers initial installation of hardware and/or software and, if applicable, on-going services and maintenance. The 2022 Framework Agreement provides that the term of such sales agreements will not exceed three years. Under the 2022 Framework Agreement, the Company and SHKP have agreed that for the three years ending 30 June 2023, 2024 and 2025, the aggregate annual revenues to be received by the Group under such sales agreements shall not exceed the following annual caps:

<u>Period</u>	<u>Annual cap (HK\$)</u>
Year ending 30 June 2023	130,000,000
Year ending 30 June 2024	164,000,000
Year ending 30 June 2025	188,000,000

The contract sums will be billed in installments reflecting the progress of completion of the relevant projects and/or the level of fulfilment of the service obligations. The amount billed will be paid in cash with no term of arrangement for payment on a deferred basis. Such annual caps are determined based on the expected growth of the Group’s capacity of providing enterprise solutions, increasing market demands for such services, and recovery of the economy in general after the pandemic.

Provision of Mobile Coverage Services

The Group provides technical services for certain properties owned or managed by certain members of the SHKP Group for enhancement of mobile coverage in the properties. The

historical amounts of revenue received by the Group under the 2020 Framework Agreement are as follows:

<u>Historical period</u>	<u>Historical amount (HK\$)</u>
Year ended 30 June 2020	13,551,000
Year ended 30 June 2021	14,787,000
6 months ended 31 December 2021	5,306,000

Pursuant to the 2022 Framework Agreement, the Group will continue to provide mobile coverage services to the SHKP Group. The Group will enter into service agreements with members of the SHKP Group from time to time in connection with the Provision of Mobile Coverage Services. The terms and conditions under such service agreements shall be negotiated on an arm's length basis and on normal commercial terms, and the contract sums payable by the members of the SHKP Group shall be comparable with the sums charged by the Group against independent third-party customers of the Group taking into account the nature and complexity of the coverage enhancement projects.

The 2022 Framework Agreement provides that the term of such service agreements will not exceed three years. Under the 2022 Framework Agreement, the Company and SHKP have agreed that for the three years ending 30 June 2023, 2024 and 2025, the aggregate annual revenues to be received by the Group under such service agreements shall not exceed the following annual caps:

<u>Period</u>	<u>Annual cap (HK\$)</u>
Year ending 30 June 2023	21,000,000
Year ending 30 June 2024	28,000,000
Year ending 30 June 2025	30,000,000

The contract sums will be billed in installments reflecting the progress of completion of the relevant projects. The amount billed will be paid in cash with no term of arrangement for payment on a deferred basis. Such annual caps are determined based on the expected growth of the Group's capacity of providing mobile coverage services, increasing demand for superior mobile coverage in residential and/or commercial developments, and recovery of the economy in general after the pandemic.

Reasons for the Leasing of Premises, Acquisition of Insurance Services, Provision of Enterprise Solutions and Provision of Mobile Coverage Services

SHKP is one of the largest property companies in Hong Kong and the subsidiaries and associated companies of SHKP which lease and/or license premises to the Group are engaged in the business of property development and leasing and/or licensing of premises. The wholly-owned subsidiary of SHKP which provides insurance services to the Group is engaged in the business of provision of insurance services. As a provider of telecommunications services in Hong Kong, the Group needs to lease and obtain licenses for premises for use as offices, retail stores, warehouses and sites for the installation of telecommunication equipment. The Group also needs to obtain insurance coverage for its business and operational risks.

The Group entered into the transactions of Provision of Enterprise Solutions and Provision of Mobile Coverage Services because they are part of the principal business activities of the

Group.

Requirements of the Listing Rules

The Transactions under the 2022 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, Acquisition of Insurance Services, Provision of Enterprise Solutions and Provision of Mobile Coverage Services, the highest of the relevant percentage ratios as defined under Rule 14.07 of the Listing Rules would, on an annual basis, be more than 0.1 per cent. but less than 5 per cent. Accordingly, the 2022 Framework Agreement is subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules and is exempt from the independent shareholders' approval requirements. Details of the 2022 Framework Agreement will be included in the Company's annual reports for the years 2023 to 2025. The Company will re-comply with the announcement requirement under Chapter 14A of the Listing Rules if any of the abovementioned caps are exceeded or if the 2022 Framework Agreement is renewed or there is a material change to its terms.

General

The Directors (including the independent non-executive Directors) are of the view that the Leasing of Premises, Acquisition of Insurance Services, Provision of Enterprise Solutions and Provision of Mobile Coverage Services have been and will, when conducted in accordance with the 2022 Framework Agreement, be conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, and fair and reasonable and in the interests of the Company and its shareholders as a whole.

As Messrs. Kwok Ping-luen, Raymond, Fung Yuk-lun, Allen and Li Ka-cheung, Eric are directors of both the Company and SHKP, they are regarded as materially interested in all the continuing connected transactions under the 2022 Framework Agreement. Therefore, they have abstained from voting on the board resolutions of the Company for the approval of the 2022 Framework Agreement and all the continuing connected transactions contemplated thereunder.

Messrs. Cheung Wing-yui, David Norman Prince, Siu Hon-wah, Thomas and John Anthony Miller hold certain posts in the SHKP Group. To avoid potential conflicts of interests, they have also abstained from voting on the board resolutions of the Company for the approval of the 2022 Framework Agreement and all the continuing connected transactions contemplated thereunder.

Principal Business Activities of the Group and the SHKP Group

The Group is a leading telecommunications operator with operations in Hong Kong and Macau, offering voice, multimedia and mobile broadband services, as well as fixed fiber broadband services for both consumer and corporate markets. The Group also provides enterprise solutions to corporate clients.

The principal activities of the SHKP Group are the development of and investment in properties for sale and rent, hotel operations, telecommunications, transport infrastructure and logistics, and data centre operations.

Terms Used in this Announcement

"2020 Framework Agreement"	the agreement between the Company and SHKP dated 9 January 2020 in relation to the Transactions for a term of three years ending 30 June 2022.
"2022 Framework Agreement"	the agreement between the Company and SHKP dated 30 June 2022 in relation to the Transactions for a term of 3 years ending 30 June 2025.
"Acquisition of Insurance Services"	acquisition of insurance services by the Group from a wholly-owned subsidiary of SHKP.
"Company"	SmarTone Telecommunications Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 315).
"connected person"	has the meaning ascribed to it under the Listing Rules.
"continuing connected transactions"	has the meaning ascribed to it 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 and/or licensing of premises by the Group from certain subsidiaries and associated companies of SHKP for use as offices, retail stores, warehouses and sites for the installation of telecommunications equipment.
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange.
"percentage ratios"	has the meaning ascribed to it under Chapter 14 of the Listing Rules.
"Provision of Enterprise Solutions"	provision of information and communication technology (ICT) solutions to certain members of the SHKP Group covering, among others, business digitalization, connectivity and industry-specific solutions.

"Provision of Mobile Coverage Services"	provision of technical services for certain properties owned or managed by certain members of the SHKP Group for enhancement of mobile coverage in the properties.
"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 and associated companies from time to time, but excluding the Group.
"Stock Exchange"	The Stock Exchange of Hong Kong Limited.
"Transactions"	the transactions contemplated under the 2020 Framework Agreement and the 2022 Framework Agreement, namely, the Leasing of Premises, the Acquisition of Insurance Services, the Provision of Enterprise Solutions and the Provision of Mobile Coverage Services.

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

Hong Kong, 30 June 2022

As at the date of this announcement, the Executive Directors of the Company are Mr. FUNG Yuk-lun, Allen (Deputy Chairman), Mr. TAM Lok-man, Norman (Deputy Chief Executive Officer) and Mr. CHAU Kam-kun, Stephen; Non-Executive Directors are Mr. KWOK Ping-luen, Raymond (Chairman), Mr. CHEUNG Wing-yui (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, Mr. LAM Kwok-fung, Kenny, Mr. LEE Yau-tat, Samuel and Mr. Peter KUNG.