THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

*If **you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.*

*If **you have sold or transferred** all your shares in China Tower Corporation Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).*

CHINA TOWER
中国铁塔

CHINA TOWER CORPORATION LIMITED
中國鐵塔股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0788)

(1) CONTINUING CONNECTED TRANSACTIONS
2022 SERVICE FRAMEWORK AGREEMENTS
(2) PROPOSED ADOPTION OF THE MEASURES ON PAYROLL MANAGEMENT OF CHINA TOWER CORPORATION LIMITED
(3) PROPOSED ADOPTION OF THE INTERIM ADMINISTRATIVE MEASURES ON THE REMUNERATION OF THE MANAGEMENT OF CHINA TOWER CORPORATION LIMITED
(4) PROPOSED ADOPTION OF THE INTERIM MEASURES ON THE OPERATING PERFORMANCE APPRAISAL OF THE MANAGEMENT OF CHINA TOWER CORPORATION LIMITED
AND
NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING OF 2022

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

SOMERLEY CAPITAL LIMITED

China Tower Corporation Limited will convene the EGM at 10:00 a.m. on Friday, 30 December 2022 at Room 101, Building 12, China Tower Industrial Park, No. 9 Dongran North Street, Haidian District, Beijing, PRC. The notice of EGM dated 15 December 2022 is set out on pages 107 to 109 of this circular.

Whether or not you are able to attend the EGM, you are required to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours before the time arranged (i.e. before 10:00 a.m. on Thursday, 29 December 2022) for convening the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

15 December 2022

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

"2018 Service Framework Agreements"	the Commercial Pricing Agreement(s) and the Service Agreement(s)
"2022 Commercial Pricing Agreement(s)"	three in total, one Commercial Pricing Agreement to be entered into by the Company with each of the Telecom Shareholders, which set out the updated pricing of the products and the services provided by the Company to the Telecom Shareholders and their branches/subsidiaries
"2022 Service Agreement(s)"	the agreements between the Company and each of the Telecom Shareholders, in relation to providing relevant services of tower products, DAS products, transmission products and service products to the Telecom Shareholders and their branches/subsidiaries
"2022 Service Framework Agreements"	six in total, including the 2022 Commercial Pricing Agreements and the 2022 Service Agreements between the Company and each of the Telecom Shareholders
"Amendments"	amendments to be made by the 2022 Service Framework Agreements compared with the 2018 Service Framework Agreements
"Articles of Association"	the articles of association of the Company, as amended from time to time
"associate(s)"	has the meaning ascribed thereto in the Listing Rules
"Board"	the board of Directors
"China Mobile Company"	China Mobile Communication Company Limited (中國移動通信有限公司), a company incorporated under the laws of the PRC which directly holds approximately 27.93% of the share capital of the Company and is a substantial shareholder of the Company as at the Latest Practicable Date

"China Telecom"	China Telecom Corporation Limited (中國電信股份有限公司), a company incorporated under the laws of the PRC and listed on the Hong Kong Stock Exchange (stock code: 728) and Shanghai Stock Exchange (stock code: 601728), which directly holds approximately 20.50% of the share capital of the Company and is a substantial shareholder of the Company as at the Latest Practicable Date
"China Unicom Corporation"	China United Network Communications Corporation Limited (中國聯合網絡通信有限公司), a company incorporated under the laws of the PRC, which directly holds approximately 20.65% of the share capital of the Company and is a substantial shareholder of the Company as at the Latest Practicable Date
"Commercial Pricing Agreement(s)"	six in total, including one commercial pricing agreement entered into between the Company and each of the Telecom Shareholders (three in total) on 8 July 2016, as amended by one supplemental agreement to each of the commercial pricing agreements entered into between the Company and each of China Mobile Company and China Unicom Corporation on 31 January 2018, and between the Company and China Telecom on 1 February 2018 (three in total), which set out the updated pricing of the products and the services provided by the Company to the Telecom Shareholders and their branches/subsidiaries
"Company"	China Tower Corporation Limited (中國鐵塔股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability, listed on the Hong Kong Stock Exchange (stock code: 0788)
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules
"DAS"	indoor distributed antenna system, which is a system comprising of facilities for reception, emission and transmission of wireless communications signal for covering buildings, tunnels or other specific areas
"Director(s)"	the director(s) of the Company

"EGM"	the extraordinary general meeting of the Company to be convened at 10:00 a.m. on Friday, 30 December 2022 to consider and approve (i) the 2022 Service Framework Agreements with each of the Telecom Shareholders and the Proposed Annual Caps; (ii) the adoption of the Measures on Payroll Management of China Tower Corporation Limited; (iii) the adoption of the Interim Administrative Measures on the Remuneration of the Management of China Tower Corporation Limited; and (iv) the adoption of the Interim Measures on the Operating Performance Appraisal of the Management of China Tower Corporation Limited, the notice of which is set out in this circular, or any adjournment thereof
"Group"	the Company and its subsidiaries
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"H Share(s)"	overseas listed foreign Shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Hong Kong Stock Exchange
"Independent Board Committee"	an independent board committee, comprising all of the independent non-executive Directors, formed to advise the Independent Shareholders in respect of, among other things, the 2022 Service Framework Agreements with each of the Telecom Shareholders and the Proposed Annual Caps
"Independent Financial Adviser"	Somerley Capital Limited, an independent financial adviser, appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of, among other things, the 2022 Service Framework Agreements with each of the Telecom Shareholders and the Proposed Annual Caps
"Independent Shareholders"	for the 2022 Service Framework Agreements with a Telecom Shareholder, Shareholders who do not have any material interest in the 2022 Service Framework Agreements with such Telecom Shareholder

"Independent Third Party(ies)"	any third party which is not a connected person of the Company
"Latest Practicable Date"	13 December 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"PRC"	the People's Republic of China
"Proposed Annual Caps"	the proposed annual caps of transactions contemplated under the 2022 Service Framework Agreements with each of the Telecom Shareholders for the five years ending 31 December 2027
"Prospectus"	the prospectus of the Company dated 25 July 2018
"RMB"	Renminbi, the lawful currency of the PRC
"Service Agreement(s)"	three in total, including one service agreement entered into between the Company and each of the Telecom Shareholders in April 2018, which set out the content of the products and services provided by the Company to the Telecom Shareholders and their branches/subsidiaries, the customer service standard and, where applicable, the relevant agreements in respect of the evaluation of the maintenance quality and other related arrangements
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	shareholders of the Company
"subsidiary(ies)"	has the meaning ascribed thereto in the Listing Rules
"substantial shareholder"	has the meaning ascribed thereto in the Listing Rules

"Supervisor(s)"	the supervisor(s) of the Company
"Telecom Shareholders"	the three telecommunications service providers as our Shareholders, namely China Mobile Company, China Unicom Corporation and China Telecom
"%"	per cent

CHINA TOWER
中国铁塔

CHINA TOWER CORPORATION LIMITED
中國鐵塔股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 0788)

Executive Directors:
Mr. Zhang Zhiyong
Mr. Gu Xiaomin
Mr. Gao Chunlei

Non-executive Directors:
Mr. Gao Tongqing
Mr. Liu Guiqing
Mr. Fang Xiaobing

Independent Non-executive Directors:
Mr. Zhang Guohou
Mr. Dong Chunbo
Mr. Hu Zhanghong
Mr. Sin Hendrick

Registered Office:
Room 101, LG1 to 3/F
Building 14, North District
Yard No. 9, Dongran North Street
Haidian District, Beijing, PRC

Principal Place of Business in Hong Kong:
Room 3401, 34/F
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

15 December 2022

To the Shareholders

Dear Sir/Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS
2022 SERVICE FRAMEWORK AGREEMENTS
(2) PROPOSED ADOPTION OF THE MEASURES ON
PAYROLL MANAGEMENT OF CHINA TOWER CORPORATION LIMITED
(3) PROPOSED ADOPTION OF THE INTERIM ADMINISTRATIVE MEASURES
ON THE REMUNERATION OF THE MANAGEMENT OF
CHINA TOWER CORPORATION LIMITED
(4) PROPOSED ADOPTION OF THE INTERIM MEASURES ON THE
OPERATING PERFORMANCE APPRAISAL OF THE MANAGEMENT OF
CHINA TOWER CORPORATION LIMITED
AND
NOTICE OF THE THIRD EXTRAORDINARY GENERAL
MEETING OF 2022**

1. CONTINUING CONNECTED TRANSACTIONS – 2022 SERVICE FRAMEWORK AGREEMENTS

(1) INTRODUCTION

We refer to the disclosure in relation to the 2018 Service Framework Agreements entered into between the Company and each of the Telecom Shareholders, namely, China Mobile Company, China Unicom Corporation and China Telecom, in the section headed "Connected Transactions – Principal Services Provided to the Telecom Shareholders" in the Prospectus.

Specifically, the 2018 Service Framework Agreements with each of the Telecom Shareholders consist of three agreements as follows:

- one Commercial Pricing Agreement;
- one supplemental agreement to the Commercial Pricing Agreement; and
- one Service Agreement,

under which the Company provides relevant services of tower products, DAS products, transmission products and service products to the Telecom Shareholders and their branches/subsidiaries for a term of five years. The 2018 Service Framework Agreements will expire on 31 December 2022.

We also refer to the announcement of the Company dated 14 December 2022 in relation to the continuing connected transactions contemplated under the 2022 Service Framework Agreements with each of the Telecom Shareholders.

The Board (excluding the members of the Independent Board Committee, the opinion of which, after taking into account the advice from the Independent Financial Adviser, is included in the section headed "Letter from the Independent Board Committee" in this circular) is of the view that the 2022 Service Framework Agreements with each of the Telecom Shareholders and the transactions contemplated under such agreements shall be entered into in the ordinary and usual course of business of the Company. They are on normal commercial terms and shall be implemented in accordance with the relevant terms contained in the 2022 Service Framework Agreements, and the terms are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

We also refer to the announcement of the Company dated 7 December 2022 in relation to the proposed adoption of the Measures on Payroll Management of China Tower Corporation Limited, the proposed adoption of the Interim Administrative Measures on the Remuneration of the Management of China Tower Corporation Limited and the proposed adoption of the Interim Measures on the Operating Performance Appraisal of the Management of China Tower Corporation Limited.

The purpose of this circular is to provide the Shareholders with information regarding certain resolutions proposed to be approved at the EGM, including, among other things, further particulars of: (i) details of the 2022 Service Framework Agreements with each of the Telecom Shareholders and the Proposed Annual Caps; (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing (a) its advice to the Independent Board Committee and the Independent Shareholders in relation to its opinion and recommendation to the 2022 Service Framework Agreements and the transactions under such agreements (including the Proposed Annual Caps); and (b) its view that the five-year term for the 2022 Service Framework Agreements is normal business practice for agreement of this type in accordance with Rule 14A.52 of the Listing Rules; (iv) the proposed adoption of the Measures on Payroll Management of China Tower Corporation Limited; (v) the proposed adoption of the Interim Administrative Measures on the Remuneration of the Management of China Tower Corporation Limited; (vi) the proposed adoption of the Interim Measures on the Operating Performance Appraisal of the Management of China Tower Corporation Limited; and (vii) a notice of the EGM.

(2) THE 2022 SERVICE FRAMEWORK AGREEMENTS

The Board has approved the Company on 13 December 2022 to enter into two 2022 Service Framework Agreements with each of the Telecom Shareholders (six in total) for a term of five years from 1 January 2023 to 31 December 2027 while reflecting certain amendments compared to the 2018 Service Framework Agreements, subject to the Independent Shareholders' approval at the EGM as well as necessary approvals to be obtained by the Telecom Shareholders and/or listed members of their respective groups from their respective board of directors and/or shareholders (as the case may be) in accordance with relevant requirements under their respective articles of association, applicable laws and/or listing rules.

Specifically, the two 2022 Service Framework Agreements with each of the Telecom Shareholders consist of:

- One 2022 Commercial Pricing Agreement; and
- One 2022 Service Agreement.

Summary of Principal Amendments Compared to the 2018 Service Framework Agreements

The principal amendments made by the 2022 Service Framework Agreements compared to the 2018 Service Framework Agreements are summarized as follows:

1. **Adjustments to the pricing terms of the relevant products**

    - granting a discount of 2.4% to the base price (excluding the maintenance cost) of the tower products under existing orders entered into before 1 January 2023 (excluding the orders which will not be renewed upon their expiry on 31 December 2022);
    - self-built towers:
        - adjustments to the terms of the backup-power guarantee;
        - adjustments to the pricing terms of the maintenance cost and the site fee to take into account more market-driven factors as well as relevant government policies in relation to real properties;
        - elaborating the application of the co-location discounts under the "joint contribution and shared benefits" model (「網絡共建共享」模式);

    - adjustments to the co-location discounts on the base price as follows:

        - if shared by two tenants, the co-location discounts for the anchor tenant and the other tenant are adjusted from 35% to 37.4% and from 30% to 32.4%, respectively; and

        - if shared by three tenants, the co-location discounts for the anchor tenant(s) and other tenant(s) are adjusted from 45% to 47.4% and from 40% to 42.4%, respectively;

    - decreases of the geographical coefficients of the standard construction cost for certain provinces;

- acquired towers:

    - aligning the pricing of the maintenance fee with that of self-built towers;

    - same adjustments to the co-location discounts on the base price as to those to self-built towers as described above;

    - decreases of product discounts for certain provinces;

    - continuing to apply the co-location discounts for the existing sharing party(ies) and original property owner(s) to acquired towers;

    - adjustment to the base price for the existing sharing party(ies) from 30% to 27.6% and adjustments to the co-location discounts on the base price for the original owner as follows:

        - if shared by two tenants, adjusted from 30% to 32.4%;

        - if shared by three tenants, adjusted from 40% to 42.4%;

      while clarifying that the orders from the existing sharing party(ies) and the original property owner(s) on which the co-location discounts apply will no longer enjoy other discounts;

- DAS products:

    - elaborating the application of the co-location discounts under the "joint contribution and shared benefits" model; and

- Service products:

    - further elaborating the pricing terms and implementation details of the power service.

2. **Individual agreements**: the parties shall request and procure their respective branches/subsidiaries to sign individual Provincial Company Service Agreements (the updated template of which is contained in the 2022 Commercial Pricing Agreements) which set out more detailed terms according to the specific circumstances of the relevant provinces subject to the principles in the 2022 Service Framework Agreements. The updated template of the Provincial Company Service Agreement made certain adjustments to the previous template mainly including but not limited to:

   - granting exemption for rental compensation in relation to tower products for a tenant's early termination of all products or change of the type of shelters on a shared site provided that the number of such sites in aggregate in a calendar year does not exceed 2% of the total number of the shared sites actually in use by the subsidiaries of the telecommunications companies' parent companies in China;

   - providing that if there is an early termination of the services for all same type of products exclusively in use by a tenant for five years or more but less than ten years on a site, such site can be counted into the 2% mentioned above (but not the total number of the shared sites actually in use) if the parties agree after negotiation; and

   - providing that a tenant is not required to compensate the Company for an early termination of the service for all same type of products exclusively in use by such tenant for ten years or more on a site.

3. **Adjustment to the customer service standard and the Company's obligations**: certain adjustments are made to the customer service standard and the Company's obligations contained in the Service Framework Agreements, which are mainly in relation to amended indicators in relation to the maintenance services standard and penalty rules as further elaborated below. The Company will also be responsible for major renovation and updates to its products and equipment under the 2022 Service Framework Agreements. The adjusted customer service standard will take effect from 1 January 2023 on both existing orders before and new orders on or after such date.

Saved as disclosed in this circular, other principal terms of the 2018 Service Framework Agreements remain unchanged.

Potential Financial Impact on the Group of the Amendments

It is expected that the Amendments will make the prices of the services provided by the Company under the 2022 Service Framework Agreements more attractive and competitive among telecommunication tower infrastructure companies in China and help the Company secure more orders from each of the Telecom Shareholders and their branches/subsidiaries and thus increase its revenue and profit in the long run.

As a result of the Amendments, based on the preliminary assessment by the Company with reference to the pricing and other terms under the 2022 Service Framework Agreements, it is expected that the revenue to be generated by the Company in 2023 from the transactions contemplated under the 2022 Service Framework Agreements will likely remain substantially the same as that in 2022 and the total revenue of the Company in 2023 is expected to show an increase from that in 2022. It is also expected that the operating profit margin of the Company will remain stable in 2023 compared to that in 2022.

Reasons for and Benefits of the Amendments

The Amendments are the result of the commercial negotiations between the Company with each of the Telecom Shareholders on arm's length basis taking into account factors such as costs of the Company in providing the relevant services under the 2022 Service Framework Agreements, different circumstances of different provinces (such as geographical conditions), the potential increase in demands for the Company's services by each of the Telecom Shareholders and the development of the competition landscape of telecommunication tower infrastructure industry in China in recent years.

Notwithstanding that the Amendments may result in a short-term negative impact on the Company's financial conditions as described above, for the reasons below, the Company believes that the 2022 Service Framework Agreements with each of the Telecom Shareholders and the transactions contemplated under the relevant 2022 Service Framework Agreements are entered into in the ordinary and usual course of business of the Company, on normal commercial terms and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole:

- **The Amendments are expected to further enhance the Company's competitiveness.** Leveraging the extensive geographical coverage of its tower sites, the scale effect of its operation and its cost advantage, the Company is able to provide more competitive and attractive prices of services and quality services to its customers. This helps the Company to retain more orders from customers and increase the level of sharing of tower sites which in turn helps strengthen the market-leading position of the Company. To achieve this goal, the customer service standard is improved and certain discounts are increased as a result of commercial negotiation between the Company and each of the Telecom Shareholders.

- **The Amendments better accommodate to provincial differences.** The adjustments to the geographical coefficients of the standard construction cost of self-built towers and the product discounts of acquired towers for certain provinces better reflect the different circumstances of different provinces discovered during the implementation of the 2018 Service Framework Agreements during their terms. The Company expects that such adjustments will help the Company implement the relevant agreements and conduct the business more smoothly.

Principal Terms of the 2022 Service Framework Agreements

Please see below the principal terms of the 2022 Service Framework Agreements. The principal amendments to be made by the 2022 Service Framework Agreements against the relevant terms of the 2018 Service Framework Agreements are shown in ~~strike-throughs~~ and <u>underlines</u>.

Products and Services

The relevant products and related services provided by the Company to each of the Telecom Shareholders and their respective branches/subsidiaries mainly include:

(a) **services in relation to tower products**: the Company, to serve the needs for the space required for hosting telecommunications equipment of each of the Telecom Shareholders and their respective branches/subsidiaries, provides, constructs and maintains the tower products, including towers, shelters, and ancillary facilities, together with the provision of other services in connection with the above;

(b) **services in relation to DAS products**: the Company provides, constructs or maintains the DAS products together with the provision of other services in connection with the above, including the whole DAS, shelters and accessory facilities based on the needs of the Telecom Shareholders and their respective branches/subsidiaries for telecommunications signal feed-in and indoor extensive coverage together with the provision of other services in connection with the above;

(c) **services in relation to transmission products**: the Company provides and constructs ducts, pole lines, optical fiber, public manholes in front of sites and exits and routes to sites together with other services in connection with the above for the Telecom Shareholders and their respective branches/subsidiaries; and

(d) **services in relation to service products**: the Company provides power supply and generation services to the Telecom Shareholders and their respective branches/subsidiaries in connection with the tower products and DAS products, which include power service, gasoline or diesel power generation service and extra battery assurance service.

Duration of Agreements and Service Period

The 2022 Service Framework Agreements will be entered into by the Company with each of the Telecom Shareholders upon the approval of their respective shareholders and take effect from 1 January 2023.

The term of the 2022 Service Framework Agreements will be five years from 1 January 2023 to 31 December 2027. The service period of each service is five years. Prior to the expiry of the 2022 Service Framework Agreements on 31 December 2027, the parties shall negotiate to determine matters in relation to the pricing.

The adjusted pricing terms under the 2022 Service Framework Agreements will take effect from 1 January 2023 on both existing orders to which the Company has already provided services and new orders to be placed on or after such date. The provincial branches/subsidiaries of the parties shall enter into "Product and Service Confirmation Letter" or "Product and Service Confirmation Letter (in batches)" to reflect such adjustments.

Cooperation in Review and Information Disclosure

The parties to the 2022 Service Framework Agreements agree to cooperate with each other regarding the review and approval procedures and information disclosure required by applicable laws and regulations, regulatory rules, corporate governance documents taking into account market conditions, factors affecting the pricing of relevant products and the cooperation of the parties.

Pricing Policy

The pricing policy under the 2022 Service Framework Agreements is determined after arm's length negotiations between the Company and each of the Telecom Shareholders during the ordinary and usual course of business of the Company with reference to the construction cost, maintenance cost, site fee, management cost, operating cost, labor cost and appropriate profit margins, as applicable, of each of the relevant services.

In addition to the factors considered in making the Amendments described under the section headed "Reasons for and Benefits of the Amendments" above, other factors considered in adopting the above pricing mechanism are as follows:

(a) as the Telecom Shareholders had been constructing and operating the towers and indoor distribution antenna systems for a long time, they understand the cost structure of the transactions contemplated under the 2022 Service Framework Agreements and the pricing of such transactions is relatively transparent between the parties;

(b) the above pricing mechanism has been reached by the Company and each of the Telecom Shareholders through commercial negotiations on an arm's length basis. Since the transactions contemplated under the 2022 Service Framework Agreements are the core strategic transactions for the business of the Company, it is crucial for the Company to reach an agreement with the Telecom Shareholders and maintain their long-term relationship and thus to secure stable revenue and cash flow generated from such transactions;

(c) such pricing mechanism is not inconsistent with international industry practice as similar pricing mechanisms are adopted by a few other international tower companies; and

(d) there is no generally adopted pricing mechanism in the telecommunications tower infrastructure industry in China before the establishment of the Company.

Set out below are the pricing policies in respect of the transactions contemplated under the 2022 Service Framework Agreements with principal amendments to be made by the 2022 Service Framework Agreements shown in ~~strike throughs~~ and underlines against the relevant terms of the 2018 Service Framework Agreements.

Tower products

The pricing for the tower products under the 2022 Service Framework Agreements is determined after arm's length negotiations by the parties during the ordinary and usual course of business of the Company. The key factors underlying such pricing include the base price, the site fee, the power access fee and applicable co-location discounts.

In summary, the product price for tower products is the aggregation of the base price, the site fee and the power access fee (as applicable) after applying certain fixed co-location discounts, which vary based on the number of tenants and whether a tenant is an anchor tenant or not. The base price is calculated based on the costs of a certain tower product (including the standard construction costs for the product which vary based on certain factors (e.g. the type of products and the geographical locations), years of depreciation, and the annual maintenance cost as agreed in each case), plus a cost markup calculated with reference to a fixed cost margin. The material details of the pricing principles for the tower products are set out below:

Self-built Towers

Product price	= base price × (1 - co-location discount rate 1) + (site fee + power access fee) × (1 - co-location discount rate 2)	
	Base price	$= (\sum \frac{\text{standard construction cost}}{\text{years of depreciation}} \times (1 + \text{impairment rate}) + \text{maintenance cost}) \times (1 + \text{cost margin})$
	Standard construction cost	The standard construction cost shall include the cost for materials, construction, design, supervision, crop compensation and other things in relation to towers, shelters and ancillary facilities but exclude the cost for environmental evaluation. The standard construction cost shall be determined through the replacement cost method with reference to the wind pressure, antenna mounting height, types of the ancillary facilities and types of towers. The standard construction cost applied to different provinces shall be the national standard construction cost as adjusted by relevant geographical coefficients.
	Years of depreciation	The rounded-up average years of depreciation of the relevant assets previously owned by the Telecom Shareholders, which are: • ten years for towers • 20 years for self-owned shelters attached to ground towers • six years for each of self-owned shelters attached to rooftop towers, rented shelter and integrated cabinet and ancillary facilities
	Impairment rate	2% (covering relocation, overhaul and damages)

Maintenance cost	Charged by site, including costs for outsourcing maintenance, repair and consumable materials, to be agreed through negotiation by way of market-based bidding process or on a lump-sum price based on the actual maintenance services and quality indicators agreed by relevant provincial branches/subsidiaries of the parties to the agreement. The branches/subsidiaries of the parties shall negotiate with each other in relation to the maintenance cost for emergency communication support incurred due to reasons such as natural disasters or material events.	
Cost margin	10%	
Site fee	For each site, to be charged on a lump sum or on an itemised basis which should include the site rents, one-time slotting fees, coordination cost, and land expropriation fees, which shall ~~to~~ be determined by the provincial branches/subsidiaries of the parties to the agreement taking into account specific circumstances of the relevant geographical area, the price of properties in the area and relevant government policies. A lump-sum pricing model should be adopted for the site fee in principle if and when it is appropriate. Provincial branches/subsidiaries of the parties shall establish mechanisms to incentivize the relevant parties to cooperate to obtain favorable government policies in relation to exemption of site rents and get such policies implementation.	
Co-location discount 1 (co-location discount of base price)[1]	If shared by 2 tenants	~~30~~ 32.4% (~~35~~ 37.4% for the anchor tenant)
	If shared by 3 tenants	~~40~~ 42.4% (~~45~~ 47.4% for the anchor tenant)
Co-location discount 2 (co-location discount of site fee and/or power access fee)	If shared by 2 tenants	40% (45% for the anchor tenant)
	If shared by 3 tenants	50% (55% for the anchor tenant)
Power access fee (applicable to power access by means of solar energy, wind power or wind-solar hybrid)	= construction cost/years of depreciation × (1 + 5%) The construction cost of power access is priced on a lump sum or priced on an itemized basis based on the actual construction cost. Ten years (determined with reference to average years of depreciation of the assets of the Telecom Shareholders and their branches/subsidiaries which require power access) The maintenance cost of the power access facilities is included in the maintenance cost of the tower products and shall be determined according to the bidding price.	

1 When multiple telecommunications companies use the same site and related facilities are shared, co-location discounts can be applied to the shared facilities. The co-location discounts apply to the base price, site fee and power access fee. The start date is the service start date of the new tenant.

If multiple telecommunications companies jointly build and share network and antennas and the wireless main facility on such site are shared, the applicable co-location discount shall be the one which should have been applied as described above to the telecommunications company which raises a request for service as if the telecommunications companies jointly building and sharing such site were one telecommunications company.

Pricing for additional antennas or systems	Three sets of antennas (as one system) are treated as one basic product unit. The number of systems will be rounded up to the nearest whole number if the number of antennas is not the integrate multiples of three. If there is more than one basic product unit, additional charges will be applied based on certain standards.
Other things	Constructions in response to the demands for sites on the mountains or islands, camouflage towers and small cells shall be carried out in a customized manner. The provincial branches/subsidiaries of the parties to the agreements shall estimate the construction cost through consultation prior to the construction of the sites, and apply such cost to the pricing formula for tower products. The pricing for the towers with certain different conditions (e.g. products of which the configurations differ from the standard configurations) may differ from the price listed above. The cooperation between the respective branches/subsidiaries of the parties in areas such as tower products and small cells products, is encouraged. When products with configurations different from the relevant standard configurations are developed, the provincial branches/subsidiaries of the parties shall determine relevant pricing after arm's length negotiation with reference to the pricing policies of relevant products with the standard configurations as set out above. Backup power guarantee: If the single system power is not higher than 1.5kW, the main equipment will be backed up for 3 hours. If the single system power exceeds 1.5kW, the backup power guarantee will be provided for a converted backup time calculated on 1.5kW. If the converted backup time is less than one hour, the backup power guarantee will be provided for an hour. The transmission equipment will be backed up for 10 hours. In the case that the backup power guarantee time of the main equipment qualifies standard requirement, if additional investment occurs due to the 10-hour backup time of transmission equipment, it will be negotiated by the branches/subsidiaries of the parties and will be charged separately according to the pricing formula of tower products. Branches/subsidiaries of the parties shall follow the calculation of the backup power guarantee of the site above. The provincial branches/subsidiaries of the parties can negotiate the power backup time of specific sites with reference to factors such as the stableness of the power, importance of the above relevant sites and the readiness of installation of batteries at the relevant sites. The branches/subsidiaries of the parties can choose from the above approaches. If it is impracticable to provide the backup battery guarantee service or if the services cannot be provided due to the battery status on a site, the Company can negotiate with the telecommunications companies to provide alternative backup power guarantee services through renovation, power generation and other method. The relevant costs incurred in the duration of the backup power guarantee service agreed above shall be solely borne by the Company and shall not affect the product price.

Illustrative examples for the pricing of a self-built tower:

Scenario 1: Assuming that a subsidiary of Telecom Shareholder A ("**Tenant A**") hangs one set of its equipment (one system) with a mounting height of 30 meters to a self-built ground tower of the Company located in City X

Variables: According to the 2022 Service Framework Agreements:

- the **standard construction cost** for the tower, the integrated cabinet and the ancillary power facilities based on the type of the tower (i.e. ground tower) and the mounting height of Tenant A (i.e. 30 meters) is RMB183,433, RMB5,915 and RMB48,278, respectively; and assuming that the geographical coefficient is 1.0 and the wind pressure coefficient is 1.0 for the province that City X is in
- the number of **years of depreciation** for the tower, the integrated cabinet and the ancillary power facilities is ten years, six years and six years, respectively
- assuming that the **maintenance cost** determined through the market-oriented bidding and procurement process is RMB3,400 per year
- assuming that the lump sum of **the site fee** determined with reference to the historical site fees for such area is RMB11,000 per year
- assuming that the investment for the power access for this particular site is RMB21,000
- the impairment rate is 2%
- the cost margin is 10%

Application of the formulae: Based on the above assumptions:

- Base price per year = [(standard construction cost of the ground tower/years of depreciation of the ground × tower wind pressure coefficient + standard construction cost of the integrated cabinet/years of depreciation of the integrated cabinet + standard construction cost of the ancillary power facilities/years of depreciation of the ancillary power facilities) × geographical co-efficient × (1 + impairment rate) + maintenance cost] × (1 + cost margin) = [(RMB183,433/10 × 1.0 + RMB5,915/6 + RMB48,278/6) × 1.0 × (1 + 2%) + RMB3,400] × (1 + 10%) = RMB34,455
- Power access fee per year = construction cost/years of depreciation × (1 + cost margin) = RMB21,000/10 × (1 + 5%) = RMB2,205
- Product price per year = base price + site fee + power access fee = RMB34,455 + RMB11,000 + RMB2,205 = RMB47,660

Scenario 2: Assuming that two tenants, Tenant A and Tenant B (a subsidiary of Telecom Shareholder B), are sharing a self-built ground tower with the same mounting height under Scenario 1 above

Tenant A is the anchor tenant

Variables: According to the 2022 Service Framework Agreements:

- Tenant A will enjoy a co-location discount 1 of 37.4% to the base price and a co-location discount 2 of 45% to the site fee and power access fee
- Tenant B will enjoy a co-location discount 1 of 32.4% to the base price and a co-location discount 2 of 40% to the site fee and power access fee

Application of the formulae: Based on the above assumptions:

- Product price per year for Tenant A = RMB34,455 × (1-37.4%) + (RMB11,000 + RMB2,205) × (1-45%) = RMB28,831.6

- Product price per year for Tenant B = RMB34,455 × (1-32.4%) + (RMB11,000 + RMB2,205) × (1-40%) = RMB31,214.6

Scenario 3: Assuming that Tenant A and Tenant B started to use this self-built ground tower with the same mounting height at the same time, which means that there is no anchor tenant for this tower

Variables: Tenant A and Tenant B will both enjoy the discounts for Tenant B under Scenario 2 above

Application of the formulae: Based on the above assumptions, the product price per year for Tenant A and Tenant B is RMB31,214.6

Scenario 4: Assuming that three tenants, Tenant A, Tenant B and Tenant C (a subsidiary of Telecom Shareholder C) are sharing a self-built ground tower with the same mounting height under Scenario 1 above

Tenant A is the anchor tenant

Variables: According to the 2022 Service Framework Agreements:

- Tenant A will enjoy a co-location discount 1 of 47.4% to the base price and a co-location discount 2 of 55% to the site fee and power access fee

- Tenant B and Tenant C will enjoy a co-location discount 1 of 42.4% to the base price and a co-location discount 2 of 50% to the site fee and power access fee

Application of the formulae: Based on the above assumptions:

- Product price per year for Tenant A = RMB34,455 × (1-47.4%) + (RMB11,000 + RMB2,205) × (1-55%) = RMB24,065.6

- Product price per year for Tenant B and Tenant C = RMB34,455 × (1-42.4%) + (RMB11,000 + RMB2,205) × (1-50%) = RMB26,448.6

Acquired Towers

Product price: (no power access fee) = base price × (1-co-location discount rate 1) + site fee × (1-co-location discount rate 2)

Base price

$$= \left(\sum \frac{\text{standard construction cost of self-built towers}}{\text{years of depreciation of self-built towers}} \times \text{discount rate} \times (1 + \text{impairment rate}) + \text{maintenance cost}\right) \times (1 + \text{cost margin})$$

Standard construction cost of self-built towers: Same as those of self-built towers

Years of depreciation of self-built towers: Same as those of self-built towers

Discount rate

$$= \frac{\sum \text{appraised value / years of depreciation of the acquired tower}}{\sum \left(\sum \text{standard construction cost of self-built towers of the sub-category/ years of depreciation of self-built towers} \times \text{percentage of similar products of acquired towers}\right) \times \text{numbers of acquired towers}}$$

The years of depreciation of batteries and other ancillary facilities shall be determined with reference to their remaining years of depreciation, and the years of depreciation of the towers, shelters, air-conditioners, power access and other assets shall be determined with reference to the years of depreciation of similar self-built towers.

The agreements set out different fixed discount rates for different provinces. The wind pressure coefficient and the geographical coefficient for self-built towers do not apply to acquired towers.

No separate power access fee will be charged for acquired towers. Before the commencement date when power services are charged on a lump-sum basis, if the Telecom Shareholders or their branches/subsidiaries request an alteration in the method of power supply, for acquired towers, the power access fee shall be simultaneously adjusted to the one applicable to the corresponding self-built towers and charged separately.

Maintenance cost

~~Covering the cost for outsourcing maintenance, repair and consumable items and to be determined according to prices set out in existing contracts or the market-oriented bidding and procurement results.~~

Same as that of self-built towers

Impairment rate

2% (covering relocation, overhaul and damages)

Cost margin

10%

Site fee

A lump sum or priced on an itemised basis agreed between provincial branches/subsidiaries of the parties.

Provincial branches/subsidiaries of the parties shall establish mechanisms to incentivize the relevant parties to cooperate to obtain favorable government policies in relation to exemption of site rents and get such policies implementation.

A lump-sum pricing model should be adopted for the site fee in principle if and when it is appropriate, taking into account specific circumstances of the relevant geographical area, the price of properties in the area and relevant government policies.

Co-location discount 1 (same as that for self-built towers)	If shared by 2 tenants	~~30~~ 32.4% (~~35~~ 37.4% for the anchor tenant)
	If shared by 3 tenants	~~40~~ 42.4% (~~45~~ 47.4% for the anchor tenant)
Co-location discount 2 (same as that for self-built towers)	If shared by 2 tenants	40% (45% for the anchor tenant)
	If shared by 3 tenants	50% (55% for the anchor tenant)

Pricing method for new tenant	The base price and site fee for the new tenant shall be based on the prices of acquired towers located at the same site and the co-location discount shall apply. No power access fee shall be charged separately. The power grid switching expenses which incur during adding new product unit or new tenant shall be calculated according to the power access pricing formula for self-built towers and paid separately by the new tenant.
Pricing method for existing sharing party	~~By 31 December 2019:~~ During the period of the agreements: • the prices for the existing sharing parties shall be 27.6% of the base price and 30% of the site fee~~product price (including base price and site fee)~~ • the original property owner shall enjoy the follow discounts: o ~~30%~~32.4% off the base price if shared by 2 tenants, ~~40%~~42.4% off the base price if shared by 3 tenants o 30% off the site fee if shared by 2 tenants, 60% off the site fee if shared by 3 tenants • with an additional third tenant, the original property owner shall enjoy the follow discounts: o ~~40%~~42.4% off the base price o 55% off the site fee The orders of existing sharing party(ies) and the original property owner(s) on which the co-location discounts apply will no longer enjoy other discounts.
Pricing for additional antennas or systems	Prior to 31 December 2015, all products built by the Telecom Shareholders and their branches/subsidiaries shall be deemed as a whole and priced at the base price of the product unit with the highest antenna mounting height on the relevant acquired towers. The newly added product unit of acquired towers (including the product units constructed and added by the Company prior to the aforementioned date) shall be priced the base price of the corresponding product unit of acquired towers. Every additional three antennas (one system) shall be charged at 30% of the price for a product unit and every one additional system (excluding the antennas) which expands the facility space shall be charged at 10% of the price for a newly added product unit.

Illustrative examples for the pricing of an acquired tower:

Scenario 5:	Assuming that Tenant A hangs one set of its equipment (one system) with mounting height of 30 meters to an acquired ground tower of c located in City X
Variables:	According to the 2022 Service Framework Agreements: • the geographical coefficient and wind pressure coefficient do not apply to an acquired tower • assuming that the **discount rate** for an acquired tower is fixed at 0.82 for the province that City X is in • no power access fee applies to an acquired tower
Application of the formulae:	Based on the above assumptions: • The base price per year = [(standard construction cost of the ground tower/years of depreciation of the ground tower + standard construction cost of the integrated cabinet/years of depreciation of the integrated cabinet + standard construction cost of the ancillary power facilities/years of depreciation of the ancillary power facilities) × discount rate × (1 + impairment rate) + maintenance cost] × (1 + cost margin) = [(RMB183,433/10 + RMB5,915/6 + RMB48,278/6) × 0.82 × (1+2%) + RMB3,400] x (1+10%) = RMB28,927 • The other calculations are similar to those under Scenario 1 above

DAS products

The pricing for the DAS products under the 2022 Service Framework Agreements is determined after arm’s length negotiations by the parties during the ordinary and usual course of business of the Company. The key factors underlying such pricing include the base price, the site fee and applicable co-location discounts.

In summary, the product price for DAS products is the aggregation of the base price and the site fee after applying certain fixed co-location discounts, which vary based on the number of tenants. The base price is calculated based on the costs of distribution antenna systems (including the standard construction cost for the product which vary based on certain factors, years of depreciation and the annual maintenance cost as agreed in each case), plus a cost markup calculated with reference to a fixed cost margin. The material details of the pricing principles for the DAS products are set out below:

DAS products for commercial buildings

Product price = (base price × area covered+ site fee) × (1 - co-location discount rate)

Base price	$= (\sum \frac{\text{standard construction cost}}{\text{years of depreciation}} \times (1 + \text{impairment rate}) + \text{maintenance cost}) \times (1 + \text{cost margin})$ = RMB2.95/m^2/year Due to the variations in construction standards, the price calculated based on the actual construction cost is usually less than the agreed price above during the implementation by relevant provincial branches/subsidiaries of the parties
Standard construction cost	RMB16.24/m^2 (covering distribution systems, ancillary facilities, municipal power access and others), subject to adjustment under certain circumstances (e.g. using different materials or the actual construction cost substantially vary from the standard construction cost)
Years of depreciation	Seven years
Impairment rate	2% (covering overhaul and damages)
Maintenance cost	Covering the fees for outsourcing maintenance, repair and consumable items, which is either at a fixed price of RMB0.2/year/m^2, or determined through bidding process or on a lump-sum basis after negotiation
Site fee	Currently on lump sum or an itemised basis (after taking into account factors covering the site rents, one-time slotting fees and coordination cost) to be determined by the provincial branches/subsidiaries of the parties
Co-location discount[1]	If shared by 2 tenants 40%
	If shared by 3 tenants 50%

[1] When multiple telecommunications companies use the same DAS system, the co-location discounts can be applied. The scope of co-location discounts includes the basic price of DAS products and site fee. The starting date of sharing discounts is the service start date of new entrants to the sharing party. No anchored discounts are applicable.

If multiple telecommunications companies jointly build and share a site and the wireless main facility on such site are shared, the applicable co-location discount shall be the one which should have been applied as described above to the telecommunications company which raises a request for service as if the telecommunications companies jointly building and sharing such site were one telecommunications company.

Cost margin: 15%

Basic product unit: Two systems, including systems for buildings and for tunnels, as one basic product unit, and 10% of the unit price of a basic product unit will be charged for any additional system

The pricing for the DAS products with configurations different from the standard configurations may differ from the price listed above.

The cooperation between the respective branches/subsidiaries of the parties in terms of DAS products is encouraged. When products with configurations different from the relevant standard configurations are developed, the provincial branches/subsidiaries of the parties shall determine the relevant pricing after arm's length negotiation with reference to the pricing policies of relevant products with the standard configurations as set out above.

Illustrative examples for the pricing of DAS products for commercial buildings:

Scenario 6: Assuming that we provide DAS products for a subsidiary of Telecom Shareholder A ("**Tenant A**") covering an area of 80,000 m^2 in commercial buildings

Variables: According to the 2022 Service Framework Agreements:

- assuming that the **actual construction cost** of the DAS product is RMB7.5/m^2: as it varies more than 15% from the standard construction cost of RMB16.24/m^2, the actual construction cost shall be applied in the pricing formula

- the **number of years of depreciation** is seven years

- assuming that the **maintenance cost** determined through the market-oriented bidding and procurement process is RMB0.05/m^2/year

- assuming that the lump sum of the **site fee** is determined to be RMB2,000 per year

Application of the formulae: Based on the above assumptions:

- Base price/m^2/year = [the actual construction cost/years of depreciation × (1 + impairment rate) + maintenance cost] × (1 + cost margin) = [RMB7.5/7 (1+2%) + RMB0.05] × (1+15%) = RMB1.3143

- The product price per year = base price × area covered + site fee = RMB1.3143/m^2 × 80,000 m^2 + RMB2,000 = RMB107,143

Scenario 7: Assuming that two tenants, Tenant A and Tenant B (a subsidiary of Telecom Shareholder B), are sharing the DAS product under Scenario 6 above

Variables: According to the 2022 Service Framework Agreements, both Tenant A and Tenant B will enjoy a co-location discount of 40% to the base price and site fee

Application of the formulae: Based on the above assumptions, the product price per year = RMB107,143 (the product price per year under Scenario 6) x (1-40%) = RMB64,286

Scenario 8:	Same as Scenario 6 other than one different variable as set out below
Variables:	According to the 2022 Service Framework Agreements: • assuming that the actual construction cost of the DAS product is RMB15.55/m^2: as it varies less than 15% from the standard construction cost of RMB16.24/m^2, the standard construction cost shall be applied in the pricing formula • The rest of the variables stay the same
Application of the formulae:	The calculations are the same as those under Scenario 6

DAS products for large venues structures[1], subway tunnels (including subway platforms) and railway tunnels

Product price (on an itemised basis) = (base price + site fee) × (1 - co-location discount rate)

Base price	$= (\sum \frac{\text{construction cost}}{\text{years of depreciation}} \times (1 + \text{impairment rate}) + \text{maintenance cost}) \times (1 + \text{cost margin})$
Construction cost	To be determined according to the actual construction cost incurred in the relevant projects, covering distribution systems, ancillary facilities, power access and other items
Years of depreciation	• To be determined with reference to average years of depreciation of similar assets of the Telecom Shareholders and their branches/subsidiaries • Seven years for distribution systems
Impairment rate	2% (covering overhaul and damages)
Maintenance cost	Including fees for outsourcing maintenance, repair and consumable materials, to be determined according to the actual maintenance services and quality indicators agreed by relevant provincial branches/subsidiaries of the parties and the bidding prices
Cost margin	15%
Co-location discount	If shared by 2 tenants 40% If shared by 3 tenants 50%
Site fee	Determined on an itemised basis based on actual cost (including the rental, one-time slotting fees and the coordination fee)
Basic Product Unit	Same as those of the DAS products for commercial buildings

Illustrative examples for the pricing of DAS products for large venues structures, subway tunnels (including subway platforms) and railway tunnels: Applications of the formulae are similar to the examples mentioned above.

[1] Including but not limited to airports, train stations, exhibition centers, and gymnasiums.

Transmission products

The pricing for the transmission products under the 2022 Service Framework Agreements is determined after arm's length negotiations by the parties during the ordinary and usual course of business of the Company. The key factors underlying such pricing include the construction cost, the maintenance cost (if applicable) and applicable co-location discounts.

In summary, the product price for a certain user (i.e. the Telecom Shareholders and/or their branches/subsidiaries) for transmission products constructed per the request and on behalf of such user is calculated based on the construction costs of such transmission product divided by the number of users, plus a cost markup calculated with reference to a fixed cost margin; and the product price for the transmission products constructed and owned by the Company is the aggregation of the construction costs of such transmission products, the maintenance cost and a cost markup calculated with reference to a fixed cost margin, after applying certain fixed co-location discounts.

The material details of the pricing principles for the transmission products are set out below:

Transmission products (constructed per the request and on behalf of the Telecom Shareholders and their respective branches/subsidiaries)

Product price (on an itemised basis)

$$= \frac{\text{actual construction cost}}{\text{number of the Telecom Shareholder and their respective branches/subsidiaries connected}} \times (1 + \text{cost margin})$$

Construction cost	Including but not limited to, the expenses for materials, construction, design, supervision and compensations during the process, among which, the compensations including but not limited to, compensations for coordination, road, bridge/river-crossing, road-crossing, farmland and forest-crossing, etc.
Cost margin	5%

Ownership and undertaking of cost: The ownership, maintenance arrangements and cost of transmission products will be determined with reference to the established practice in respect of the joint construction and sharing arrangements prior to the establishment of the Company by the respective branches/subsidiaries of the Telecom Shareholders.

Transmission products (provision of services for the transmission products constructed and owned by the Company)

Product price (on an itemised basis)

$$= [(\sum \frac{\text{construction cost}}{\text{years of depreciation}} \times (1 + \text{impairment rate}) + \text{maintenance cost}) \times (1 + \text{cost margin})] \times (1 - \text{co-location discount rate})$$

Construction cost:	Including but not limited to, the expenses for materials, construction, design, supervision and compensations during the process, among which, the compensations including but not limited to, compensations for coordination, road, bridge/river-crossing, road-crossing, farmland and forest-crossing, etc.

Years of depreciation:	Ten years	
Impairment rate:	2% (covering overhaul and damages)	
Maintenance cost:	Covering expenses for outsourcing maintenance, repair and consumable items, and shall be determined according to the amount actually incurred	
Co-location discount:	If shared by 2 tenants	20%
	If shared by 3 tenants	30%
Cost margin:	15%	

Ownership and undertaking of cost:	The ownership of transmission products belongs to the Company, and the maintenance and its cost shall be borne by the Company
Illustrative examples for the pricing of transmission products	The application of the formulae are similar to those examples mentioned above

Service products

The pricing for the service products under the 2022 Service Framework Agreements is determined after arm's length negotiations by the parties during the ordinary and usual course of business of the Company, among which:

- the pricing for the power service is determined by methods including the lump-sum method and the pass-through method;

- the pricing for the gasoline or diesel power generation service is based on either a lump sum or an itemised basis (in summary, the aggregation of the base price for single-time power generation, the gasoline or diesel cost for power generation, the duration of power generation, the vehicle usage fee, and a cost markup calculated with reference to a fixed cost margin); and

- the pricing for the extra battery assurance service is, in summary, determined according to the construction cost, years of depreciation, plus a cost markup calculated with reference to a fixed cost margin.

The material details of the pricing principles for the service products are set out below:

Power service

Lump-sum service for power guarantee

Terms and the settlement standard for the lump sum service for power guarantee provided by the Company shall be further agreed in the respective Provincial Company Service Agreements between the provincial branches/subsidiaries of the parties~~, of which the period shall not be more than three years and neither service mode nor price can be changed during such term.~~ and shall remain unchanged during ~~such term~~ the service period.

If elected by a tenant, the Company's branches shall negotiate with relevant branches/subsidiaries of the Telecom Shareholders in relation to the fee for the lump-sum service for power guarantee provided by the Company based on the agreed service plan and settlement standard ~~lump sum service to determine the total amount of electricity fee~~. Relevant branches/subsidiaries of the Telecom Shareholders shall pay the ~~electricity fee~~lump-sum service fee monthly according to the lump-sum service plan ~~together with the service fee for tower products~~. If a station site is activated for less than one month, the ~~electricity~~ service fee will be calculated according to the actual number of days for which such site has been activated. The branches/subsidiaries of the Company shall issue receipts and provide details of the split of electricity consumption amount of facilities at the site to the telecommunications companies.

If the electricity consumption amount can be accurately measured and recorded, parties may adopt the following calculation method for the lump-sum service fee for power guarantee:

Monthly lump-sum service fee for power guarantee = actual electricity consumption amount by relevant facilities of the telecommunications company × unit price of the lump-sum service for power guarantee for such telecommunications company.

Unit price of the lump-sum service for power guarantee = environmental factor of site × unit price for the electricity outside the site. (Among which, environmental factor is a coefficient which equals to the result of total power consumption of the communication base stations divided by the power consumption from the facilities of the Telecom Shareholders in communication base stations.)

If the above model where the electricity consumption amount can be accurately measured and recorded is adopted, the Company's branches shall split the bills of the electricity fees among telecommunications companies. The specific implementation plan shall be further negotiated by the relevant provincial branches/subsidiaries of the parties.

In principle, the lump-sum service for power guarantee with a fixed amount shall not be adopted with the exception to sites where a standalone electricity meter cannot be installed to measure the electricity consumption. Existing lump-sum service plans for power guarantee with a fixed amount implemented by provincial branches/subsidiaries of the parties shall not continue to be implemented but shall be renewed upon expiry.

Provincial branches/subsidiaries of the parties shall establish mechanisms to incentivize the relevant parties to cooperate to obtain favorable government policies in relation to discounts to electricity fees implemented by the government and the benefits from such discounts shall be shared by both parties.

Pass-through service for power guarantee

If the lump-sum service for power guarantee is not adopted, the Company's branches shall ~~split among each of the relevant branches/subsidiaries of the Telecom Shareholders according to the actual electricity consumption amount of their facilities~~ provide bills of the electricity fees and details of the split of electricity consumption amount of facilities at the site to the telecommunications companies. In particular, the electricity consumed by equipment of the telecommunication companies and environmental fees shall be borne by the relevant branches/subsidiaries on shared sites, the calculation and apportion of which shall be negotiate and agreed by the branches/subsidiaries of the Company and the Telecom Shareholders ~~the electricity fees for shared sites shall be borne by relevant tenants in proportion to the nominal power or actual electricity consumption (according to direct current meters) of their facilities~~.

If a tenant does not elect the method that the Company shall pay electricity fees on behalf of the branches/subsidiaries of the Telecom Shareholders, the relevant branches/subsidiaries of the Telecom Shareholders shall pay electricity fees directly to the relevant electricity providers or owners of the sites in accordance with their electricity consumption and obtain relevant invoices. Provincial branches/subsidiaries of the parties shall negotiate to resolve the issue in case of the absence of invoices.

Service of paying electricity fees on behalf of tenants	If elected by a tenant, the branches/subsidiaries of the Telecom Shareholders shall pay electricity fees to branches of the Company equal to the actual electricity fees paid by the Company on behalf of the branches/subsidiaries of the Telecom Shareholders and obtain the relevant receipts from the Company. The provincial branches of the Company shall determine the payment period with the Telecom Shareholders and their branches/subsidiaries after arm's length negotiations. If the Telecom Shareholders and their branches/subsidiaries pay the amount due after the payment period without reasonable cause or if the Telecom Shareholders and their branches/subsidiaries overpay any electricity bills as a result of the Company's actions, the parties shall determine the ~~service fees~~ overdue or overpay penalty with reference to factors including financing cost after arm's length negotiations, which shall be settled together with the service fees.

Gasoline or diesel power generation services
Shall be further agreed by the provincial branches/subsidiaries of the parties whether to price on a lump sum basis or on an itemised basis. The branches/subsidiaries of the Telecom Shareholders shall confirm, in respective Service Confirmation Letter, which method of pricing shall be used.

Priced on a lump sum basis	Details shall be further agreed in the respective Service Confirmation Letter to be entered into between the provincial branches/subsidiaries of the parties	
Priced on an itemised basis	Details shall be further agreed by branches/subsidiaries of the parties with reference to the following formula: Single-time service price = single-time power generation cost × (1 + cost margin)	
	Single-time power generation cost	Single-time power generation cost = base price for single-time power generation + gasoline or diesel cost for power generation per hour × power generation duration + vehicle usage fee per kilometre × number of kilometres The relevant parameters shall be determined by the provincial branches/subsidiaries of the parties with reference to the power generation prices provided by third parties.
	Cost margin	5% of the single-time power generating cost

Extra battery assurance service

Product price for one system	$= \left(\frac{\text{construction cost}}{\text{years of depreciation}}\right) \times (1 + \text{impairment rate}) \times (1 + \text{cost margin of } 10\%)$	
	If the equipment power does not exceed 1.5kW	RMB400/year (relevant parameters calculated with reference to those in the price formula for tower products)
	If the equipment power exceeds 1.5kW for one hour	To be negotiated by the branches/subsidiaries of the parties with reference to the formula above

Note: One system means the battery service for one hour provided for a set of equipment with the total power not exceeding 1.5kW. The pricing for the tower products includes the extra battery assurance service for three hours for the main equipment and ten hours for the transmission facilities. Services exceeding the aforementioned durations will be charged according to the standard pricing mentioned above.

Payment Arrangement

In terms of the services and products of which the service fee is billed monthly, the service fee payable should be calculated in accordance with the following formula, if the service term of certain month is less than one month:

Service fee payable of a certain month = (actual service days/number of days in certain month) × service fee

provided that the respective branches of the Company provide the invoices of the service fees on time, the Telecom Shareholders and their respective branches/subsidiaries confirm the invoices on time and the respective branches of the Company provide the value-added tax invoice on time, the Telecom Shareholders and their respective branches/subsidiaries shall pay the service fees incurred during the previous month before the 25th day of the current month.

Customer Service Standard

The appendices to the 2022 Service Agreements set out the updated customer service standard and implemental details of customer services to be provided by the Company to the Telecom Shareholders and their branches/subsidiaries, such as the service channel, allocation of responsibilities between the Company and each of the Telecom Shareholders in relation to the construction of relevant facilities and equipment (such as the daily maintenance service, complaint solution service, etc.), the process of making and dealing with requests and the delivery and inspection of products, etc.

The updates to the customer service standard by the 2022 Service Framework Agreements compared to the 2018 Service Framework Agreements mainly include adjustments to the construction service process, the assessment of performance, the indicators for the maintenance service standard and the maintenance service quality for selected sites.

In particular, there is an updated penalty clause attached to the maintenance service standard. This penalty clause provides that if services provided by the Company cannot meet the relevant standard in the construction stage or the maintenance stage, certain penalty rules shall apply.

- In the construction stage:

(a) if the annual demand fulfilment rate evaluated based on the effective demand (including any carry-forward demand) confirmed by both parties in demand collection forms reaches 85% in a particular city, no penalty shall be applied to the fees payable to the Company's branch in such city; if not, the penalty shall apply as follows:

Penalty = (total number of tower products which are effectively demanded and should be delivered within the year as confirmed by both parties (including carry-forward demand) × 85% - total number of tower products which are effectively demanded and have been delivered and accepted) × average base price of orders on-hire under which the relevant tower products demanded have been delivered and accepted × average days of delay for not meeting demands for delivery of tower products within the year/365 × 2

Note: the average base price of orders that are on-hire under which the relevant tower products demanded have been delivered and accepted = ∑ (number of chargeable products units of tower products under orders on-hire under which the relevant tower products demanded have been delivered and accepted within the year × base price × multiple discount coefficient) / number of orders on-hire under which the relevant tower products demanded have been delivered and accepted

(b) if the timely delivery rate of the tower products by quarter in a particular city reaches 95%, no penalty shall apply to the fees payable to the Company's branch in such city. If not, the Company shall provide the number and list of the orders that are not timely delivered. For these orders, the products service fee charged to customer shall be exempted for the period of delay.

- In the maintenance stage:

The relevant branches/subsidiaries of the Telecom Shareholders may charge a penalty and deduct from the fee payable by them to the Company with reference to selected indicators as follows:

Indicators relating to penalties on the base price: high frequency of disconnection of sites, long duration of disconnection of sites, out of battery situations in the power guarantee, high temperature failure of single base-station, usable rate of the DAS systems owned by the Company, the rate of service termination of sites.

Indicators relating to penalties the service fee: the rate of demolition of sites, the promptness of the removal and re-construction of sites.

Indicators relating to penalties on the maintenance fees: the material complaint from end customers, the rate of resolution related to maintenance of ancillary facilities of base stations, unsuccessful frequency of failure to access to relevant stations, the rate of promptness related to power generation, the ratio of service disruption duration for base stations that provide services to the high-speed rail lines, the rate of promptness processing working orders, termination of services of groups of base stations, repairing duration to disconnection of base stations, total amount of sites with multiple delays in power generation, the rate of consistency of power failure alarm, the normal operation of the power environment monitoring system in the base station, the rate of accuracy of resource data, the rate of qualification for on-site inspection of base stations, and the rate of completion of patrol inspections at the base stations.

The provincial branches/subsidiaries of the Company and each of the Telecom Shareholders may select no more than ten out of the indicators set out above in determining penalties to be applied. The penalties rules applicable to the base price and the service fee shall be implemented according to provisions under the framework agreements while the detailed rules of penalties appliable to the maintenance fees can be further agreed under the Provincial Service Agreements.

Adjustment of the Pricing Mechanism

The parties may, taking into account factors such as inflation, adjust the maintenance cost and site fee for the year with reference to the Consumer Price Index published by the national statistics authority for the preceding year. Such adjustments shall be effective from 1 January of the year during which the adjustments were made and applied retrospectively.

If the real estate market or the steel price fluctuates sharply, the parties shall further negotiate to adjust, among other things, the site fee and product price accordingly.

Whole Agreement

In case of any inconsistency between previous negotiations, agreements, and arrangements, whether orally or in writing, and the 2022 Service Framework Agreements, the latter shall prevail.

Agreements to be entered into at the subsidiary level of the parties shall be read together with the 2022 Service Framework Agreements as amended, updated, supplemented, restated or renovated. Where there is any inconsistency, the latter shall prevail.

(3) HISTORIC TRANSACTION AMOUNTS OF TRANSACTIONS CONTEMPLATED THE 2018 SERVICE FRAMEWORK AGREEMENTS AND THE PROPOSED ANNUAL CAPS

The historical transaction amounts in respect of the transactions contemplated under the 2018 Service Framework Agreements with each of the Telecom Shareholders for the relevant period and the Proposed Annual Caps are set out below:

Transactions with China Mobile Company and its subsidiaries:

Historical transaction amounts

Revenue generated by the Company

Category	For the year ended 31 December			For the nine months ended 30 September
	2019	2020	2021	2022
	(RMB in millions)			
Tower products(1)	37,189	38,177	39,071	29,451
DAS products(2)	1,433	1,812	2,175	2,107
Transmission products(3)	37	40	42	35
Service products(4)	1,171	670	830	805
Total	39,830	40,699	42,118	32,398

Advances made by the Company

Category	Maximum daily balance during the year ended 31 December			Maximum daily balance during the nine months ended 30 September
	2019	2020	2021	2022
	(RMB in millions)			
Service products(5)	5,325	3,586	3,153	2,874

Category	Balance as at 31 December			Balance as at 30 September
	2019	2020	2021	2022
	(RMB in millions)			
Service products(6)	3,126	3,131	2,120	2,812

Proposed Annual Caps

The Propose Annual Caps for the revenue to be generated by the Company from the transactions contemplated under the 2022 Service Framework Agreements with China Mobile Company and its subsidiaries for each of the five years ending 31 December 2027 are RMB44,020 million, RMB46,001 million, RMB48,071 million, RMB50,234 million, and RMB52,495 million.

The Proposed Annual Caps for the maximum daily balance of the advances to be made by the Company to China Mobile Company and its subsidiaries under the 2022 Service Framework Agreements for each of the five years ending 31 December 2027 are RMB3,143 million, RMB3,405 million, RMB3,667 million, RMB3,929 million and RMB4,190 million.

Transactions with China Unicom Corporation:

Historical transaction amounts

Revenue generated by the Company

Category	For the year ended 31 December			For the nine months ended 30 September
	2019	2020	2021	2022
	(RMB in millions)			
Tower products[(1)]	14,235	16,627	17,255	13,067
DAS products[(2)]	545	736	950	918
Transmission products[(3)]	15	16	28	23
Service products[(4)]	1,887	138	164	277
Total	16,682	17,517	18,397	14,285

Advances made by the Company

Category	Maximum daily balance during the year ended 31 December 2019	2020	2021	Maximum daily balance during the nine months ended 30 September 2022
	(RMB in millions)			
Service products[5]	1,538	1,129	1,029	1,262

Category	Balance as at 31 December 2019	2020	2021	Balance as at 30 September 2022
	(RMB in millions)			
Service products[6]	903	985	737	1,055

Proposed Annual Caps

The Propose Annual Caps for the revenue to be generated by the Company from the transactions contemplated under the 2022 Service Framework Agreements with China Unicom Corporation for each of the five years ending 31 December 2027 are RMB19,680 million, RMB21,058 million, RMB22,532 million, RMB24,109 million and RMB25,796 million.

The Proposed Annual Caps for the maximum daily balance of the advances to be made by the Company to China Unicom Corporation under the 2022 Service Framework Agreements for each of the five years ending 31 December 2027 are RMB1,429 million, RMB1,548 million, RMB1,667 million, RMB1,786 million and RMB1,905 million.

Transactions with China Telecom:

Historical transaction amounts

Revenue generated by the Company

Category	For the year ended 31 December			For the nine months ended 30 September
	2019	2020	2021	2022
		(RMB in millions)		
Tower products(1)	15,670	17,778	18,446	13,935
DAS products(2)	680	979	1,191	1,137
Transmission products(3)	20	40	41	30
Service products(4)	1,352	146	188	350
Total	17,722	18,943	19,866	15,452

Advances made by the Company

Category	Maximum daily balance during the year ended 31 December			Maximum daily balance during the nine months ended 30 September
	2019	2020	2021	2022
		(RMB in millions)		
Service products(5)	1,375	1,043	779	1,295

Category	Balance as at 31 December			Balance as at 30 September
	2019	2020	2021	2022
		(RMB in millions)		
Service products(6)	807	908	544	791

Proposed Annual Caps

The Propose Annual Caps for the revenue to be generated by the Company from the transactions contemplated under the 2022 Service Framework Agreements with China Telecom for each of the five years ending 31 December 2027 are RMB22,280 million, RMB24,508 million, RMB26,959 million, RMB29,655 million and RMB32,620 million.

The Proposed Annual Caps for the maximum daily balance of the advances to be made by the Company to China Telecom under the 2022 Service Framework Agreements for each of the five years ending 31 December 2027 are RMB1,429 million, RMB1,548 million, RMB1,667 million, RMB1,786 million and RMB1,905 million.

- *Notes:*

  (1) Representing the fees from the provision of services in relation to the tower products.

  (2) Representing the fees from the provision of services in relation to the DAS products.

  (3) Representing the fees from the provision of services in relation to the transmission products.

  (4) Representing the fees from the provision of services in relation to the service products.

  (5) Representing the maximum daily balance of the advances made by the Company during the relevant periods in relation to the services of paying electricity fees on behalf of customers.

  (6) Representing the balance of the advances made by the Company at the relevant times in relation to the services of paying electricity fees on behalf of customers.

Shareholders and potential investors of the Company are advised to note that the Proposed Annual Caps for the revenue to be generated by the Company from transactions under the 2022 Service Framework Agreements with each of the Telecom Shareholders are set purely for the purpose of complying with the monetary annual cap requirements under Rule 14A.53 of the Listing Rules on the basis and assumptions set out below in this circular. Such Proposed Annual Caps are not intended to be interpreted as guidance of the expected revenue of the Group during the relevant period or place a ceiling on the revenue of the Group and therefore hinder its development. If any of the Proposed Annual Caps is expected to be exceeded, the Company will re-comply with the relevant requirements under the Listing Rules in a timely manner.

Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

Basis for the Proposed Annual Caps for the revenue to be generated by the Company

In estimating the Proposed Annual Caps, the Directors have considered, among other things, the following key factors:

(a) the historical figures of the revenue generated by the Company from the transactions under the 2018 Service Framework Agreements with each of the Telecom Shareholders for each of the three years ended 31 December 2021 and nine months ended 30 September 2022, being:

- RMB39,830 million, RMB40,699 million, RMB42,118 million and RMB32,398 million from China Mobile Company and its subsidiaries;

- RMB16,682 million, RMB17,517 million, RMB18,397 million and RMB14,285 million from China Unicom Corporation; and

- RMB17,722 million, RMB18,943 million, RMB19,866 million and RMB15,452 million from China Telecom.

(b) the expected growth of the revenue to be generated from each of the Telecom Shareholders under the 2022 Service Framework Agreements for the five years ending 31 December 2027 taking into account the historical transaction amounts above and the following factors and assumptions:

(i) the current scale of the revenue generated by the Company from each of the Telecom Shareholders under the 2018 Service Framework Agreements;

(ii) the number of existing orders of products and services with and the intentions of renewal indicated by each of the Telecom Shareholders and their branches/subsidiaries;

(iii) intention for new orders of products and services indicated by each of the Telecom Shareholders and their branches/subsidiaries in various regions in the PRC during their negotiation with the Company;

(iv) the expected increase in the total number of the tower sites of the Company in the five years from 2023 to 2027 driven by the existing and future opportunities arising from the construction of 5G networks, which could lead to an increasing number of tenants; and

(v) the continuing and expected launching of innovative and cost-effective DAS products and related solutions as the 5G network further extends to indoor areas, which is expected to lead to a continuing increase in the revenue to be generated from the service in relation to the DAS products.

Basis for the Proposed Annual Caps for the advances to be made by the Company

In estimating the Proposed Annual Caps, the Directors have considered, among other things, the following key factors:

(a) the maximum daily balance of the advances made by the Company in the transactions under the 2018 Service Framework Agreements with each of the Telecom Shareholders for the three years ended 31 December 2021 and nine months ended 30 September 2022 as disclosed above and especially the highest maximum daily balance.

(b) the expected increase in the unit price of electricity; and

(c) the expected increase in the electricity consumptions by each of the Telecom Shareholders and their branches/subsidiaries as a result of the increase in their demands for the services under the 2022 Service Framework Agreements for the five years ending 31 December 2027 due to the development of their 5G business. Specifically, the Company expects that the amounts of advances to each of the Telecom Shareholders and their branches/subsidiaries will increase relatively quickly in 2023 and 2024 due to an expected continuing expansion and construction of 5G networks and increase relatively slowly in 2025 to 2027 as a result of the expected slow-down of such expansion and construction.

(4) REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The transactions contemplated under the 2022 Service Framework Agreements are the core strategic transactions for the businesses of the Company. As the demands for the relevant in the PRC market are mainly derived from the Telecom Shareholders and their branches/subsidiaries, who are also the major participants in the telecommunications market in China, it is inevitable that the Company would need to maintain the business relationship with such parties. In addition, as the Telecom Shareholders have substantial and stable demands for these transactions, fair business cooperation with them helps the Company to secure stable revenue and cash flows and maintain a leading industry position.

Meanwhile, given numerous quantities, nationwide distribution and relatively low revenue from each single unit of the relevant product of the Company, substantial demands from the Telecom Shareholders help the Company to improve the utilization rate of assets of which the construction was completed. Moreover, the Company normally needs to obtain bank borrowings and other financing for acquiring and/or constructing towers and the relevant assets. Securing long-term users of towers and the relevant assets in order to recover the financing cost is in line with the interests of the Company.

In addition, the Amendments are expected to further enhance the Company's competitiveness. Leveraging the extensive geographical coverage of its tower sites, the scale effect of its operation and its cost advantage, the Company is able to provide more competitive and attractive prices of services and quality services to its customers. This helps the Company to retain more orders from customers and increase the level of sharing of tower sites which in turn helps strengthen the market-leading position of the Company. To achieve this goal, the customer service standard is improved and certain discounts are increased as a result of commercial negotiation between the Company and each of the Telecom Shareholders.

Furthermore, the Amendments better accommodate to the provincial differences. The adjustments to the geographical coefficients of the standard construction cost of self-built towers and the product discounts of acquired towers for certain provinces better reflect the different circumstances of different provinces. The Company expects that such adjustments will help the Company implement the relevant agreements and conduct the business more smoothly.

Also, it is crucial for the Company to reach agreements with each of the Telecom Shareholders within the prescribed timeframe according to the applicable laws and requirements under the Listing Rules for as long a term as it can negotiate. Since the transactions under the 2022 Service Framework Agreements are the core strategic transactions for the business of the Company, it is crucial for the Company to make sure that agreements are reached within the prescribed timeframe and therefore it can continue securing stable revenue and cash flow generated from the towers and related assets from the Telecom Shareholders.

The Board (excluding the members of the Independent Board Committee, the opinion of which, after taking into account the advice from the Independent Financial Adviser, is included in the section headed "Letter from the Independent Board Committee" on pages 53 to 54 in this circular) is of the view that the 2022 Service Framework Agreements with each of the Telecom Shareholders and the transactions contemplated under the relevant 2022 Service Framework Agreements are entered into in the ordinary and usual course of business of the Company, on normal commercial terms and the terms as well as the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(5) INTERNAL CONTROL MEASURES ON CONTINUING CONNECTED TRANSACTIONS

To safeguard the interests of the Shareholders as a whole, the Company has put in place internal approval and monitoring procedures relating to the connected transactions, which include the following:

- The Company has formulated the Manual of Risk and Internal Control Management, among other internal rules and regulations, to maintain a long-term sustainable and healthy development of the Company. Specifically, for the transactions contemplated under the 2022 Service Framework Agreements, the Company will adopt a tracking and analyzing method to monitor the revenue and profit of the provincial branches/subsidiaries of the Company on a monthly basis through monthly report submitted by the provincial branches/subsidiaries and monthly financial analysis. If the Company identifies any abnormal fluctuation in the revenue and profit of a certain geographical area, the Company shall further analyze the cause. The finance department of the Company is responsible for collecting and analyzing relevant data on a quarterly basis and report to the connected transaction committee and the Board on a semi-annual basis);

- the Company has established the connected transaction committee, comprising of all independent non-executive Directors, two executive Directors and one non-executive Director none of whom holds any position with any of the Telecom Shareholders or their associates. The connected transaction committee will consider the connected transactions requiring approval from the Board and Shareholders' general meeting, and provide their opinion to the Board;

- the independent non-executive Directors and auditors will conduct annual reviews of the non-exempt continuing connected transactions and provide annual confirmations in accordance with the Listing Rules (as applicable) that the non-exempt continuing connected transactions are conducted in accordance with the terms of the relevant agreements, in the ordinary and usual course of business of the Group, on normal commercial terms, on terms that are fair and reasonable and in the interests of the Shareholders as a whole and in accordance with the pricing policy;

- the Company's audit department will monitor and assess the effectiveness and adequacy of the overall formulation and execution of internal control policies of the Company (including those in relation to the continuing connected transactions), and will make recommendation and report to the audit committee of the Company annually; and

- For the advances made by the Company in relation to the power service, the Company has adopted internal guidelines which provide that the finance department shall collect and analyze relevant data and report to the Connected Transaction Committee and the Board on a semi-annual basis so that if the value of the maximum daily balance is expected to exceed certain thresholds, the Connected Transaction Committee and the Board shall commence the necessary additional assessment and approval procedures and ensure that the Company will comply with the applicable requirements under Chapter 14 and Chapter 14A of the Listing Rules.

To ensure that individual transactions are conducted in accordance with the 2022 Service Framework Agreements, on normal commercial terms and in accordance with the pricing policies, the Company has specifically put in place the following internal control procedures:

- before a Provincial Company Service Agreement is entered into by a branch of the Company based on the template contained in the 2022 Service Framework Agreements, such branch will submit the draft Provincial Company Service

Agreement to the Company's headquarters for review. The relevant business department(s) will review the draft Provincial Company Service Agreement as to, among other things, whether it is in compliance with the 2022 Service Framework Agreements;

- internal regulation procedures to administrate orders, billings and payments and accounting procedures under the 2022 Service Framework Agreements with each of the Telecom Shareholders which cover various stages of order management including order taking, order approval and order implementation. This helps ensure that the individual transactions contemplated under the 2022 Service Framework Agreements are conducted in accordance with the 2022 Service Framework Agreement and are on normal commercial terms;

- establishment of a centralized and unified IT support system, to provide a unified system platform for the above order management, billing and accounting processes to achieve an centralized billing. Through the unified system, the Company maintains supervision of the compliance by each individual agreement entered into under the 2022 Service Framework Agreements with the pricing policy under such framework agreements; and

- establishment of a special business unit at the headquarters which analyzes and supervises the implementation of the 2022 Service Framework Agreements by the Company's branches and the internal control procedures above and reports to the Company's management regularly.

(6) INFORMATION OF THE PARTIES

Information of the Company

The Company, as the world's largest telecommunications tower infrastructure service provider, is primarily engaged in tower business, DAS business, trans-section site application and information business, and energy business.

Information of the Telecom Shareholders

China Mobile Company is a company incorporated under the laws of the PRC, which is indirectly and ultimately controlled by China Mobile Communications Group Co., Ltd. (中國移動通信集團有限公司). Its controlling shareholder, China Mobile Limited (中國移動有限公司), is listed on both the Hong Kong Stock Exchange (stock code: 941) and Shanghai Stock Exchange (stock code: 600941). The business of China Mobile Company primarily consists of mobile voice and data business, fixed broadband and other information and communications services.

China Unicom Corporation is a company incorporated under the laws of the PRC, which is ultimately controlled by China United Network Communications Group Company Limited (中國聯合網絡通信集團有限公司). Its controlling shareholders, China Unicom (Hong Kong) Limited (中國聯合網絡通信(香港)股份有限公司) and China United Network Communications Limited (中國聯合網路通信股份有限公司), are listed on the Hong Kong Stock Exchange (stock code: 762) and the Shanghai Stock Exchange (stock code: 600050), respectively. China Unicom Corporation are principally engaged in telecommunications and related businesses in the PRC, including providing fixed-lined telephone, mobile, broadband and Internet-based services across the PRC.

China Telecom is a company incorporated under the laws of the PRC and listed on the Hong Kong Stock Exchange (stock code: 728) and Shanghai Stock Exchange (stock code: 601728). China Telecom is a non-wholly owned subsidiary of China Telecommunications Corporation (中國電信集團有限公司). The principal business of China Telecom is the provision of fundamental telecommunications businesses including comprehensive wireline telecommunications services, mobile telecommunications services, value-added services such as Internet access services, information services and other related services.

(7) LISTING RULES IMPLICATIONS

China Mobile Company is a substantial shareholder of the Company directly holding approximately 27.93% of the share capital of the Company as at the Latest Practicable Date and is therefore a connected person of the Company under the Listing Rules.

China Unicom Corporation is a substantial shareholder of the Company directly holding approximately 20.65% of the share capital of the Company as at the Latest Practicable Date and is therefore a connected person of the Company under the Listing Rules.

China Telecom is a substantial shareholder of the Company directly holding approximately 20.50% of the share capital of the Company as at the Latest Practicable Date and is therefore a connected person of the Company under the Listing Rules.

Accordingly, transactions contemplated under the 2022 Service Framework Agreements between the Company and each of the Telecom Shareholders will constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as set out in Rule 14.07 of the Listing Rules) with respect to the Proposed Annual Caps for the revenue to be generated by the Company from the transactions contemplated under the 2022 Service Framework Agreements with each of the Telecom Shareholders is more than 5%, such transactions with each of the Telecom Shareholders are subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as part of the services products under the 2022 Service Framework Agreements, if the relevant Telecom Shareholders and/or their branches/subsidiaries elect so, the Company may pay electricity fees incurred by the Telecom Shareholders and/or their branches/subsidiaries to the relevant electricity providers and/or owners of the sites and afterwards be reimbursed by the relevant Telecom Shareholders and/or their branches/subsidiaries. Such payments of electricity fees by the Company constitute financial assistances provided by the Company to each of the Telecom Shareholders which are transactions subject to the requirements of both Chapter 14A and Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as set out in Rule 14.07 of the Listing Rules) with respect to the Proposed Annual Caps for the maximum daily balance of advances to be made by the Company to each of the Telecom Shareholders and their respective branches/subsidiaries under the respective 2022 Service Framework Agreements is expected to be less than 5%, technically such transactions are subject to reporting, annual review and announcement requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules. However, given such transactions are connected to other transactions of revenue nature with each of the Telecom Shareholders under the same agreements which are subject to shareholders' approval requirements as described above, the Company voluntarily puts such transactions for the Independent Shareholders' consideration and approval at the EGM.

Implications under Rule 14A.52 of the Listing Rules

As required by Rule 14A.52 of the Listing Rules (*Note*), the Company sets out below the reasons and grounds for the 2022 Service Framework Agreements to have a five-year term:

- the five-year term of the 2022 Service Framework Agreements is a natural extension of that of the 2018 Service Framework Agreements and in line with the Company's previous practice. During the terms of the 2018 Service Framework Agreements, the Company keeps a continuous and steady operation and provides quality services to its customers and the Company's financial performance remained a steady overall growth, which forms the basis for the Company to create value for all Shareholders;

- since the transactions under the 2022 Service Framework Agreements are the core strategic transactions for the business of the Company, it is crucial for the Company to secure stable revenue and cash flow generated from the relevant product and services for as long a term as it can negotiate;

- the Company usually has to obtain financing for the acquisition and/or construction of the towers and related assets. It is in the Company's benefit to secure long-term users of the towers and related assets to recover the financing cost;

Note: Rule 14A.52 of the Listing Rules provides that the period for the agreement for continuing connected transactions must be fixed and reflect normal commercial terms or better and must not exceed three years except in special circumstances where the nature of the transaction requires a longer period.

- the long-term approach of the service arrangements in respect of the relevant products is in line with the general practice of the industry and comparable contractual arrangements by international tower companies. Such companies usually have long-term arrangements with durations from five years to 15 years; and

- the Independent Financial Adviser (the opinion of which has been included in this circular) is of the view that the five-year term for the 2022 Service Framework Agreements is normal business practice for agreement of this type in accordance with Rule 14A.52 of the Listing Rules as comparable contractual arrangements by international tower companies usually have long-term arrangements from five years to 15 years. For details, please refer to the section headed "Letter from the Independent Financial Adviser" set out on pages 55 to 91 of this circular.

2. PROPOSED ADOPTION OF THE MEASURES ON PAYROLL MANAGEMENT OF CHINA TOWER CORPORATION LIMITED

In order to establish and optimize the Company's payroll determination and normal increment mechanism and promote the highquality development of the Company, the Company has formulated the Measures on Payroll Management of China Tower Corporation Limited according to relevant regulations and policies of the PRC, the Articles of Association and actual conditions of the Company. A full text of the measures is set out in Appendix II to this circular.

The Measures on Payroll Management of China Tower Corporation Limited are prepared in Chinese. In case of any discrepancy between the English version and the Chinese version, the Chinese version shall prevail. The proposed adoption of the Measures on Payroll Management of China Tower Corporation Limited is subject to Shareholders' approval at the EGM by way of an ordinary resolution.

3. PROPOSED ADOPTION OF THE INTERIM ADMINISTRATIVE MEASURES ON THE REMUNERATION OF THE MANAGEMENT OF CHINA TOWER CORPORATION LIMITED

In order to establish and optimize the incentive and discipline mechanism of the Company's management, promote the high-quality development of the Company, the Company has formulated the Interim Administrative Measures on the Remuneration of the Management of China Tower Corporation Limited according to relevant regulations and policies of the PRC, the Articles of Association and actual conditions of the Company. A full text of the measures is set out in Appendix III to this circular.

The Interim Administrative Measures on the Remuneration of the Management of China Tower Corporation Limited are prepared in Chinese. In case of any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.

The proposed adoption of the Interim Administrative Measures on the Remuneration of the Management of China Tower Corporation Limited is subject to Shareholders' approval at the EGM by way of an ordinary resolution.

4. PROPOSED ADOPTION OF THE INTERIM MEASURES ON THE OPERATING PERFORMANCE APPRAISAL OF THE MANAGEMENT OF CHINA TOWER CORPORATION LIMITED

In order to improve the incentive and discipline mechanism of the Company's management, and promote the high-quality and sustainable development of the Company, the Company has formulated the Interim Measures on the Operating Performance Appraisal of the Management of China Tower Corporation Limited according to relevant regulations and policies of the States, the Articles of Association and actual conditions of the Company. A full text of the measures is set out in Appendix IV to this circular.

The Interim Measures on the Operating Performance Appraisal of the Management of China Tower Corporation Limited are prepared in Chinese. In case of any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.

The proposed adoption of the Interim Measures on the Operating Performance Appraisal of the Management of China Tower Corporation Limited is subject to Shareholders' approval at the EGM by way of an ordinary resolution.

5. RECOMMENDATION

(1) Continuing Connected Transactions – 2022 Service Framework Agreements

The Independent Board Committee, comprising all of the independent non-executive Directors of the Company, namely Mr. Zhang Guohou, Mr. Dong Chunbo, Mr. Hu Zhanghong and Mr. Sin Hendrick, has been formed to advise the Independent Shareholders in respect of the 2022 Service Framework Agreements with each of the Telecom Shareholders and the Proposed Annual Caps. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 53 to 54 of this circular.

The Company has appointed Somerley Capital Limited to advise the Independent Board Committee and the Independent Shareholders in respect of the 2022 Service Framework Agreements with each of the Telecom Shareholders and the Proposed Annual Caps. A letter from Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 55 to 91 of this circular.

Mr. Gao Tongqing, a non-executive Director, has abstained from voting on the Board resolution for considering and approving the 2022 Service Framework Agreements between the Company and China Mobile Company and the transactions contemplated under the 2022 Service Framework Agreements with China Mobile Company (including the Proposed Annual Caps) due to his current positions in China Mobile Company and/or its associates.

Mr. Liu Guiqing, a non-executive Director, has abstained from voting on the Board resolution for considering and approving the 2022 Service Framework Agreements between the Company and China Telecom and the transactions contemplated under the 2022 Service Framework Agreements with China Telecom (including the Proposed Annual Caps) due to his current positions in China Telecom and/or its associates.

Save for the above, to the best knowledge, information and belief of the Directors after having made all reasonable enquiries, no other Director has a material interest in the 2022 Service Framework Agreements with the Telecom Shareholders and the transactions contemplated under the 2022 Service Framework Agreements that will be required to abstain from voting on the relevant resolutions at the Board meeting.

The connected transaction committee established by the Company has considered and approved the 2022 Service Framework Agreements with the Telecom Shareholders and the transactions contemplated under the 2022 Service Framework Agreements and has agreed to submit the 2022 Service Framework Agreements with the Telecom Shareholders and the transactions contemplated under the 2022 Service Framework Agreements to the Board for review and approval.

The Board (excluding the members of the Independent Board Committee, the opinion of which, after taking into account the advice from the Independent Financial Adviser, is included in the section headed "Letter from the Independent Board Committee" in this circular) is of the view that the 2022 Service Framework Agreements with each of the Telecom Shareholders and the transactions contemplated under the relevant 2022 Service Framework Agreements are entered into in the ordinary and usual course of business of the Company, on normal commercial terms and the terms as well as the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board recommends the Shareholders to vote in favor of the ordinary resolutions at the EGM in respect of the continuing connected transactions contemplated under the 2022 Service Framework Agreements with each of the Telecom Shareholders.

(2) Others

Accordingly, the Board recommends the Shareholders to vote in favor of the ordinary resolutions at the EGM in respect of the proposed adoption of the Measures on Payroll Management of China Tower Corporation Limited, the proposed adoption of the Interim Administrative Measures on the Remuneration of the Management of China Tower Corporation Limited and the proposed adoption of the Interim Measures on the Operating Performance Appraisal of the Management of China Tower Corporation Limited.

6. THE EGM

The notice of EGM is set out on pages 107 to 109 of this circular. The appropriate form of proxy is enclosed herewith.

An Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Zhang Guohou, Mr. Dong Chunbo, Mr. Hu Zhanghong and Mr. Sin Hendrick, has been formed to advise the Independent Shareholders in respect of the 2022 Service Framework Agreements with each of the Telecom Shareholders. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2022 Service Framework Agreements with each of the Telecom Shareholders and the Proposed Annual Caps.

Whether or not a Shareholder intends to attend the EGM in person, he must complete the enclosed form of proxy as soon as possible and must lodge the completed form of proxy with the registered office of the Company (for holders of Domestic Shares) or Computershare Hong Kong Investor Services Limited (for holders of H Shares) not less than 24 hours before the time arranged (i.e. before 10:00 a.m. on Thursday, 29 December 2022) for convening the EGM in order to be valid. The registered office address of the Company is Room 101, LG1 to 3/F, Building 14, North District, Yard No. 9, Dongran North Street, Haidian District, Beijing, PRC, postal code: 100195; Telephone: (8610) 6870 8806; Fax: (8610) 6870 8802. The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; Telephone: (852) 2862 8555; Fax: (852) 2865 0990. After completion and return of the Form of Proxy, a Shareholder may still attend the EGM and vote in person if he wishes to do so.

The H share register of members of the Company is to be closed, for the purpose of determining the entitlement of H share shareholders of the Company to attend the EGM, from Friday, 23 December 2022 to Friday, 30 December 2022 (both days inclusive), during which period no transfer of H shares of the Company will be registered. In order to attend the EGM, all share transfers, accompanied by the relevant share certificates, must be lodged for registration with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 22 December 2022. Holders of H share of the Company who are registered with Computershare Hong Kong Investor Services Limited on Friday, 30 December 2022 are entitled to attend the EGM.

Proposed Voting Arrangements at the EGM in Relation to the Relevant Resolutions on the 2022 Service Framework Agreements

For the reasons and considerations set out below, the following Shareholders will abstain from voting on the relevant resolutions at the EGM:

- China Mobile Company will abstain from voting on the resolution in respect of the 2022 Service Framework Agreements between it and the Company and the relevant Proposed Annual Caps;
- China Unicom Corporation will abstain from voting on the resolution in respect of the 2022 Service Framework Agreements between the it and the Company and the relevant Proposed Annual Caps; and
- China Telecom will abstain from voting on the resolution in respect of the 2022 Service Framework Agreements between it and the Company and the relevant Proposed Annual Caps.

Reasons and Considerations for the Proposed Voting Arrangements in Relation to the Relevant Resolutions on the 2022 Service Framework Agreements

Implications under the Listing Rules

Rules 14A.03 and 14A.36 of the Listing Rules provide that any shareholder with a material interest in the relevant continuing connected transactions is required to abstain from voting on the relevant resolutions at the EGM.

Rule 2.16 of the Listing Rules provides:

"For the purpose of determining whether a shareholder has a material interest, relevant factors include:

(1) whether the shareholder is a party to the transaction or arrangement or a close associate of such a party; and

(2) whether the transaction or arrangement confers upon the shareholder or his close associate a benefit (whether economic or otherwise) not available to the other shareholders of the issuer.

There is no benchmark for materiality of an interest nor may it necessarily be defined in monetary or financial terms. The materiality of an interest is to be determined on a case by case basis, having regard to all the particular circumstances of the transaction concerned.

Note: The references to 'close associate' shall be changed to 'associate' where the transaction or arrangement is a connected transaction under Chapter 14A."

Taking into account the factors under Rule 2.16(1) above, as each of the Telecom Shareholders has a material interest in the 2022 Service Framework Agreements on the basis that such Shareholder is a party to the relevant agreements to which the Company is also a party, such Telecom Shareholder shall abstain from voting on the resolution approving such agreements at the EGM.

To the best knowledge and belief of the Company after reasonable enquiry with the Telecom Shareholders, as none of the Telecom Shareholder is an associate of the other Telecom Shareholders, such Telecom Shareholder should not be required to abstain from voting for being an associate of another Telecom Shareholder.

Taking into account the factors under Rule 2.16(2) above, none of the Telecom Shareholders has a benefit in the 2022 Service Framework Agreements to which it is not a party which are not available to other Shareholders. The Company believes that it will also be prejudicial to require a Telecom Shareholder to abstain from voting on agreements to which it is not a party. The reasons are as follows:

(a) None of the 2022 Service Framework Agreements are inter-conditional with each other.

(b) The Telecom Shareholders are independent of each other with independent decision-making processes.

- As advised by the PRC legal advisor of the Company, Article 216(4) of the PRC Companies Law provides that "enterprises controlled by the state do not have a connection relationship simply because their shares are controlled by the state." Therefore, the Telecom Shareholders do not have "a connection relationship" with each other under the PRC laws solely because they are all state-owned enterprises.

- The Telecom Shareholders are or are members of groups which have members listed on the Hong Kong Stock Exchange and/or Shanghai Stock Exchange and they are all subject to corporate governance rules of these stock exchanges in relation to related party transactions/material transactions. The Company understands from the Telecom Shareholders that each of them and/or the listed members in their groups (as the case may be) also needs to obtain approvals of the 2022 Service Framework Agreements from their respective board of directors and/or shareholders according to relevant requirements under their respective articles of association, applicable laws and/or listing rules.

- The compositions of the board of directors of the Telecom Shareholders (including those of the listed members in their groups, as the case may be) are different from each other's and their shareholder bases are not the same either. Voting by these boards of directors and shareholders (as the case may be) will be independent from those of each other and from those of the Company.

- The Telecom Shareholders in fact compete with each other in most areas of their businesses.

(c) **No side letters or acting-in-concert arrangements among the Telecom Shareholders.** To the best knowledge and belief of the Company after making reasonable enquiries with each of the Telecom Shareholders, the Company confirms that there have been no side letters or acting-in-concert arrangements among the Telecom Shareholders on the voting arrangements in relation to the transactions contemplated under the 2022 Service Framework Agreements.

(d) **Negotiation at arm's length.** The negotiation between the Company and each of the Telecom Shareholders has been conducted on arm's length basis.

(e) **The fact that the 2022 Service Framework Agreements are substantially the same with each of the Telecom Shareholders does not justify requiring a non-party Telecom Shareholders to abstain from voting.**

There are valid and commercial reasons why the 2022 Service Framework Agreements are substantially the same with each of the Telecom Shareholders, which are:

- The type of the services provided by the Company to each of the Telecom Shareholders is substantially the same;

- As the Telecom Shareholders had been constructing and operating towers and indoor distribution antenna systems for a long time before the establishment of the Company, they understand the cost structure of the relevant services and the pricing of the relevant services is relatively transparent between the parties. The Company believes that it would be commercially impracticable to give one Telecom Shareholder a preferential treatment in these 2022 Service Framework Agreement which is not available to the other two; and

- It is also administratively more convenient and more beneficial for the Company to have agreements on substantially the same terms with each of the Telecom Shareholders.

Implication under the Articles of Association

Article 79 in the Articles of Association provides that "when a connected transaction is considered at a general meeting, the connected shareholder shall abstain from voting". As advised by the PRC legal advisor of the Company, the proposed voting arrangements set above do not contradict Article 79 because the "connected shareholder" in that context means a shareholder related to that connected transaction, not any other Shareholder who is a connected person of the Company.

7. VOTES TO BE TAKEN BY POLL

In accordance with the Listing Rules, any votes of Shareholders at the EGM will be taken by poll.

8. ADDITIONAL INFORMATION IN RELATION TO ORDINARY RESOLUTION ON THE 2022 SERVICE FRAMEWORK AGREEMENTS

Your attention is drawn to the letter from the Independent Financial Adviser which contains its advice in relation to the 2022 Service Framework Agreements and the transactions contemplated thereunder as well as the Proposed Annual Caps to the Independent Board Committee and the Independent Shareholders, the letter from the Independent Board Committee which sets out its recommendation to the Independent Shareholders and the additional information set out on pages 53 to 54 in this circular.

9. FORWARD-LOOKING STATEMENTS

Certain statements contained in this circular may be viewed as "forward-looking statements". Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of the Company to be materially different from any future performance, financial condition or results of operations implied by such forward looking statements. In addition, we do not intend to update these forward-looking statements. Neither the Company nor the directors, employees or agents of the Company assume any liabilities in the event that any of the forward-looking statements does not materialise or turns out to be incorrect.

Yours faithfully,
On behalf of the Board
China Tower Corporation Limited
Zhang Zhiyong
Chairman

CHINA TOWER
中国铁塔

CHINA TOWER CORPORATION LIMITED
中國鐵塔股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0788)

15 December 2022

CONTINUING CONNECTED TRANSACTIONS
2022 SERVICE FRAMEWORK AGREEMENTS

We refer to the circular (the "**Circular**") dated 15 December 2022 issued by the Company to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

On 14 December 2022, the Board announces that it has approved the Company on 13 December 2022 to enter into the 2022 Service Framework Agreements with each of the Telecom Shareholders for a term of five years from 1 January 2023 to 31 December 2027 while reflecting certain amendments compared to the 2018 Service Framework Agreements, subject to the Independent Shareholders' approval at the EGM as well as necessary approvals to be obtained by the Telecom Shareholders and/or listed members of their respective groups from their respective board of directors and/or shareholders (as the case may be) in accordance with relevant requirements under their respective articles of association, applicable laws and/or listing rules.

The Independent Board Committee was formed in order to make a recommendation to the Independent Shareholders as to, in its view, whether the terms of 2022 Service Framework Agreements with each of the Telecom Shareholders and the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, and whether the transactions contemplated under such agreements are in the interests of the Company and the Shareholders as a whole.

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of 2022 Service Framework Agreements with each of the Telecom Shareholders and the Proposed Annual Caps.

The terms of and the reasons for entering into the 2022 Service Framework Agreements with each of the Telecom Shareholders and the Proposed Annual Caps are set out in the Letter from the Board on pages 6 to 52 of the Circular.

As your Independent Board Committee, we have discussed with the management of the Company the reasons for entering into the transactions under the 2022 Service Framework Agreements with each of the Telecom Shareholders and the basis upon which their terms as well as the Proposed Annual Caps have been determined.

We have also considered the key factors taken into account by the Independent Financial Adviser in arriving at its opinion regarding the transactions under the 2022 Service Framework Agreements with each of the Telecom Shareholders as well as the Proposed Annual Caps, as set out in the letter from Somerley Capital Limited on pages 55 to 91 of the Circular, which we urge you to read carefully.

The Independent Board Committee, after taking into account, among other things, the advice of the Independent Financial Adviser, concurs with the views of the Independent Financial Adviser and considers that the terms of the 2022 Service Framework Agreements with each of the Telecom Shareholders as well as the Proposed Annual Caps are on normal commercial terms or better and in the ordinary and usual course of business of the Group, are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the ordinary resolutions to be proposed at the EGM to approve 2022 Service Framework Agreements with each of the Telecom Shareholders and the transactions contemplated under such agreements (including the Proposed Annual Caps), as detailed in the notice of the EGM set out at the end of the Circular.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. Zhang Guohou **Mr. Dong Chunbo** **Mr. Hu Zhanghong** **Mr. Sin Hendrick**

The following is the text of a letter of advice from Somerley Capital Limited prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the 2022 Service Framework Agreements.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

15 December 2022

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs or Madam,

CONTINUING CONNECTED TRANSACTIONS
2022 SERVICE FRAMEWORK AGREEMENTS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the 2022 Service Framework Agreements with each of the Telecom Shareholders and the Proposed Annual Caps (together, the "**Transactions**"). Details of the aforesaid transactions are set out in the letter from the Board contained in the circular of the Company (the "**Circular**") to its shareholders dated 15 December 2022, of which this letter form part. Unless otherwise defined, terms used in this letter shall have the same meanings as those defined in the Circular.

As disclosed in the letter from the Board in the Circular, the Company will enter into the 2022 Service Framework Agreements with each of the Telecom Shareholders for a term of five years from 1 January 2023 to 31 December 2027 while reflecting certain amendments compared to the 2018 Service Framework Agreements.

As at the Latest Practicable Date, China Mobile Company is a substantial shareholder of the Company directly holding approximately 27.93% of the share capital of the Company and is therefore a connected person of the Company under the Listing Rules. China Unicom Corporation is a substantial shareholder of the Company directly holding approximately 20.65% of the share capital of the Company and is therefore a connected person of the Company under the Listing Rules. China Telecom is a substantial shareholder of the Company directly holding approximately 20.50% of the share capital of the Company and is therefore a connected person of the Company under the Listing Rules.

Accordingly, the transactions contemplated under the 2022 Service Framework Agreements between the Company and each of the Telecom Shareholders will constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as set out in Rule 14.07 of the Listing Rules) with respect to the Proposed Annual Caps for the revenue to be generated by the Company from the transactions contemplated under the 2022 Service Framework Agreements with each of the Telecom Shareholders is, on an annual basis, expected to be more than 5%, such transactions with each of the Telecom Shareholders are subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as part of the services products under the 2022 Service Framework Agreements, if the relevant Telecom Shareholders and/or their branches/subsidiaries elect so, the Company may pay electricity fees incurred by the Telecom Shareholders and/or their branches/subsidiaries to the relevant electricity providers and/or owners of the sites and afterwards be reimbursed by the relevant Telecom Shareholders and/or their branches/subsidiaries. Such payments of electricity fees by the Company constitute financial assistances provided by the Company to each of the Telecom Shareholders which are transactions subject to the requirements of both Chapter 14A and Chapter 14 of the Listing Rules.

An Independent Board Committee comprising all of the independent non-executive Directors of the Company, namely Mr. Zhang Guohou, Mr. Dong Chunbo, Mr. Hu Zhanghong and Mr. Sin Hendrick, has been formed to advise the Independent Shareholders as to whether the terms of the Transactions are on normal commercial terms, in the ordinary and usual course of business of the Company and are fair and reasonable and in the interests of the Company and its shareholders as a whole. Somerley Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated or connected with the Company, the Telecom Shareholders or their respective core connected persons or associates and, accordingly, are considered eligible to give independent advice on the Transactions. In the two years prior to this appointment, we did not have other engagement with the Company or its associates except for having been the independent financial adviser to the Company relating to the proposed revision of annual caps for the 2021-2023 service supply framework agreement with China Telecommunications Corporation. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Telecom Shareholders or their respective core connected persons or associates.

In formulating our advice and recommendation, we have reviewed information on the Company, including but not limited to, the 2022 Service Framework Agreements, the annual reports of the Company for each of the years ended 31 December 2020 ("**FY2020**") (the "**2020 Annual Report**"), years ended 31 December 2021 ("**FY2021**") (the "**2021 Annual Report**"), interim report of the Company for the period ended 30 June 2022 (the "**2022 Interim Report**"), the Company's initial public offering prospectus dated 25 July 2018 ("**Prospectus**") and other information contained in the Circular.

In addition, we have relied on the information and facts supplied, and the opinions expressed by the Directors and management of the Company (collectively, the "**Management**"), which we have assumed to be true, accurate and complete in all material aspects at the time they were made and will remain true, accurate and complete in all material aspects up to the date of the EGM. We have also sought and received confirmation from the Group that no material facts have been omitted from the information supplied by them and that their opinions expressed to us are not misleading in any material respect. We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, nor to doubt the truth or accuracy of the information provided to us. We have, however, not conducted any independent investigation into the businesses and affairs of the Group, or the Telecom Shareholders nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Transactions, we have considered the following principal factors and reasons:

1. Information on the parties

The Group

The Company is incorporated in the People's Republic of China with limited liability, the H Shares of which have been listed on the Main Board of the Hong Kong Stock Exchange since 8 August 2018. The Group is principally engaged in the following businesses: constructing and operating telecommunications towers, provision of telecommunications tower site space and provision of maintenance services and power services (together, the "**Tower Business**"); provision of indoor distributed antenna systems ("**DAS Business**"), other trans-sector site application and information services ("**Smart Tower Business**") and energy business ("**Energy Operation Business**"). The Company's headquarter is in Beijing, the PRC, with 31 provincial branches operating across mainland China.

According to the 2021 Annual Report, the Group reported an operating revenue of approximately RMB86.6 billion, representing a year-on-year increase of approximately 6.8% as compared to approximately RMB81.1 billion in FY2020. We note that the operating revenue generated from the Tower Business represented approximately 87.6% and 90.5% of total operating revenue for FY2021 and FY2020 respectively and reported a year-on-year increase of approximately 2.8% for FY2020 and 3.4% for FY2021 as compared to the prior year. For the six months interim period ended 30 June 2022 ("**1H2022**"), operating revenue increased by approximately 6.6% as compared with the same period in 2021. Revenue generated from the Tower Business increased to approximately RMB38.6 billion, representing a year-on-year increase of approximately 2.3%, and amounted to approximately 84.9% of total operating revenue for 1H2022.

We understand from the Management that the Group's revenue has been historically largely attributable to revenue generated from the Telecom Shareholders and their respective parent companies, namely China Mobile Communications Group Co., Ltd., China United Network Communications Group Company Limited and China Telecommunications Corporation. As disclosed in the 2020 Annual Report, the 2021 Annual Report and the 2022 Interim Report, the Group's revenue generated from the Telecom Shareholders and their parent companies represented approximately 97.3%, 95.4%, 93.4% and 91.6% of the Group's revenue for each of year ended 31 December 2019 ("**FY2019**"), FY2020, and FY2021 and for 1H2022 respectively.

Based on the 2020 Annual Report and the 2021 Annual Report, the Group's total operating expenses showed an increase by approximately 6.0% for FY2020 and 6.5% for FY2021, and the operating profit margin also increased from approximately 14.8% in FY2020 to approximately 15.1% in FY2021. According to the 2021 Annual Report, profit attributable to owners of the Company grew by approximately 14.0% to approximately RMB7,329 million, which was mainly attributable to the higher operating revenue and the higher operating profit margin for the year. For 1H2022, profit attributable to owners of the Company increased by approximately 22.2% as compared to the corresponding period in FY2021, which was also attributable to higher operating revenue and profit reported for the period.

As disclosed in the 2022 Interim Report, the Group managed 2.049 million tower sites, representing a net increase of 11,000 sites compared to the end of 2021. During the first half of 2022, the Group gained 42,000 new telecommunications service provider ("**TSP**") tenants, bringing the total number to 3.302 million. With regard to the DAS business, the Group had covered buildings with a cumulative area of 5,970 million square meters, up by 35.4% from the same period in 2021, while the high-speed railway tunnels and subway coverage totalled a cumulative length of 18,276 kilometers, an increase of 26.6% over the same period in 2021.

The Telecom Shareholders

China Mobile Company is a company incorporated under the laws of the PRC, which is indirectly and ultimately controlled by China Mobile Communications Group Co., Ltd. (中國移動通信集團有限公司). Its controlling shareholder, China Mobile Limited (中國移動有限公司), is listed on both the Hong Kong Stock Exchange (stock code: 941) and Shanghai Stock Exchange (stock code: 600941) The business of China Mobile Company primarily consists of mobile voice and data business, fixed broadband and other information and communications services.

China Unicom Corporation is a company incorporated under the laws of the PRC, which is ultimately controlled by China United Network Communications Group Company Limited (中國聯合網絡通信集團有限公司). Its controlling shareholders, China Unicom (Hong Kong) Limited (中國聯合網絡通信(香港)股份有限公司) and China United Network Communications Limited (中國聯合網路通信股份有限公司), are listed on the Hong Kong Stock Exchange (stock code: 762) and the Shanghai Stock Exchange (stock code: 600050). China Unicom Corporation are principally engaged in telecommunications and related businesses in the PRC, including providing fixed-lined telephone, mobile, broadband and Internet-based services across the PRC.

China Telecom is a company incorporated under the laws of the PRC and listed on the Hong Kong Stock Exchange (stock code: 728) and Shanghai Stock Exchange (stock code: 601728). China Telecom is a non-wholly owned subsidiary of China Telecommunications Corporation (中國電信集團有限公司). The principal business of China Telecom is the provision of fundamental telecommunications businesses including comprehensive wireline telecommunications services, mobile telecommunications services, value-added services such as Internet access services, information services and other related services.

2. Background and reasons for the 2022 Service Framework Agreements

On 15 July 2014, the Company was established under the name "China Communications Facilities Services Corporation Limited" (中國通信設施服務股份有限公司). The Telecom Shareholders were the three promoters of the Company through a promoters' agreement (the "**Establishment Agreement**"). The Company adopted its current name "China Tower Corporation Limited" (中國鐵塔股份有限公司) on 2 September, 2014. As discussed in the paragraphs above, H Shares of the Company have been listed on the Main Board of the Hong Kong Stock Exchange since 8 August 2018.

On 8 July 2016, the Company entered into the initial 2018 Commercial Pricing Agreement(s) with each of the Telecom Shareholders, which set out the pricing for products and services provided by the Company to the Telecom Shareholders and their branches/subsidiaries and replaced any previous arrangements on the relevant products and services and their pricing.

To prepare for the listing of the Company's H Shares, on 31 January and 1 February 2018, in preparation of listing, the Company entered into the 2018 Supplemental Agreement(s) to the 2018 Commercial Pricing Agreement(s) with each of the China Mobile Company and China Unicom Corporation and China Telecom respectively to adjust certain pricing terms to the services provided under the Service Agreements. The Company entered into the respective Service Agreement with China Mobile Company on 26 April 2018, China Unicom Corporation on 20 April 2018 and China Telecom on 28 April 2018 to restate the content of services of the products provided by the Company to the Telecom Shareholders and their branches/subsidiaries, the customer service standard and, where applicable, the relevant agreements in respect of the assessment of the maintenance quality and other related arrangements.

As disclosed in the letter from the Board in the Circular, the 2018 Service Framework Agreements will expire on 31 December 2022. The Board has approved the Company to enter into two 2022 Service Framework Agreements with each of the Telecom Shareholders (six in total) for a term of five years from 1 January 2023 to 31 December 2027 while reflecting certain amendments compared to the 2018 Service Framework Agreements, subject to the Independent Shareholders' approval at the EGM as well as necessary approvals to be obtained by the Telecom Shareholders and/or listed members of their respective groups from their respective board of directors and/or shareholders (as the case may be) in accordance with relevant requirements under their respective articles of association, applicable laws and/or listing rules.

Specifically, the two 2022 Service Framework Agreements with each of the Telecom Shareholders consist of:

- One 2022 Commercial Pricing Agreement; and
- One 2022 Service Agreement.

We have reviewed, discussed and were given to understand that the services provided under the 2022 Service Framework Agreements, including pricing mechanisms used, has been in place since the Establishment Agreement and such services form part of the Group's ordinary and usual course of business. As disclosed in the letter from the Board of the Circular, the transactions contemplated under the 2022 Service Framework Agreements are the core strategic transactions for the businesses of the Company. As the demands for the relevant in the PRC market are mainly derived from the Telecom Shareholders and their branches/subsidiaries, who are the major participants in the telecommunications market in China, it is inevitable that the Company would need to maintain the business relationship with such parties. In addition, as the Telecom Shareholders are the only customers of the Group for the services provided under the 2022 Service Framework Agreements up to the Latest Practicable Date with substantial and stable demands for these transactions, fair business cooperation with them helps the Company to secure stable revenue and cash flows and maintain a leading industry position.

We note from disclosures in the Prospectus that, the Group's business relies on a limited number of customers and as such it generates substantially all of its operating revenue from the Telecom Shareholders and/or their respective subsidiaries. As the Telecom Shareholders are key players in the industry in the PRC and its demands for the Group's services relating to the relevant products and related services has been and are expected to continue to be significant and given the cohesive historical business cooperation between the Group and the Telecom Shareholders, the 2022 Service Framework Agreements would therefore have the benefit of providing the Company with means to secure stable revenue, operational cash flows and maintain a leading industry position.

As disclosed in the letter from the Board of the Circular, the 2022 Service Framework Agreements are also entered into to make adjustments to certain terms of the 2018 Service Framework Agreements. It was disclosed that the Amendments are the result of the commercial negotiations between the Company with each of the Telecom Shareholders on arm's length basis taking into account factors such as costs of the Company in providing the relevant services under the 2022 Service Framework Agreements, different circumstances of different provinces (such as geographical conditions), the potential increase in the demands of the Company's services by each of the Telecom Shareholders and the development of the competition landscape of telecommunication tower infrastructure industry in China in recent years.

Based on disclosures made in the letter from the Board in the Circular, the Amendments made by the 2022 Service Framework Agreements compared to the 2018 Service Framework Agreements are:

1. **Adjustments to the pricing terms of the relevant products**

   - granting a discount of 2.4% to the base price (excluding the maintenance cost) of the tower products to the existing orders entered into before 1 January 2023 (excluding the orders which are not renewed upon their expiry on 31 December 2022);

   - self-built towers:

     - adjustments to the terms of the backup-power guarantee;

     - adjustments to the pricing terms of the maintenance cost and the site fee to take into account more market-driven factors as well as relevant government policies in relation to real properties;

     - elaborating the application of the co-location discounts under the "joint contribution and shared benefits" model (「網絡共建共享」模式);

     - adjustments to the co-location discounts on the base price as follows:

    - if shared by two tenants, the co-location discounts for the anchor tenant and the other tenant are adjusted from 35% to 37.4% and from 30% to 32.4%, respectively; and

    - if shared by three tenants, the co-location discounts for the anchor tenant(s) and other tenant(s) are adjusted from 45% to 47.4% and from 40% to 42.4%, respectively;

  - decreases of the geographical coefficients of the standard construction cost for certain provinces;

- acquired towers:

  - aligning the pricing of the maintenance fee with those of self-built towers;

  - same adjustments to the co-location discounts on the base price as to those to self-built towers as described above;

  - decreases of product discounts for certain provinces;

  - continuing to apply the co-location discounts for the existing sharing party(ies) and original property owner(s) to acquired towers;

  - adjustment to the base price for the existing sharing party(ies) from 30% to 27.6% and adjustments to the co-location discounts on the base price for the original owner as follows:

    - if shared by two tenants, adjusted from 30% to 32.4%;

    - if shared by three tenants, adjusted from 40% to 42.4%;

    while clarifying that the orders from the existing sharing party(ies) and the original property owner(s) on which the co-location discounts apply will no longer enjoy other discounts;

- DAS products:

  - elaborating the application of the co-location discounts under the "joint contribution and shared benefits" model; and

- Service products:

  - further elaborating the pricing terms and implementation details of the power service.

2. **Individual agreements:** the parties shall request and procure their respective branches/subsidiaries to sign individual Provincial Company Service Agreements (the updated template of which is contained in the 2022 Commercial Pricing Agreements) which set out more detailed terms according to the specific circumstances of the relevant provinces subject to the principles in the 2022 Service Framework Agreements. The updated template of the Provincial Company Service Agreement made certain adjustments to the previous template mainly including but not limited to:

   - granting exemption for rental compensation in relation to tower products for a tenant's early termination of all products or change of the type of shelters on a shared site provided that the number of such sites in aggregate in a calendar year does not exceed 2% of the number of the total shared sites actually in use by the subsidiaries of the telecommunications companies' parent companies in China; and

   - providing that a tenant is not required to compensate the Company for an early termination of the service for all same type of products exclusively in use by such tenant for ten years or more on a site.

3. **Adjustment to the customer service standard and the Company's obligations**: certain adjustments are made to the customer service standard and the Company's obligations contained in the 2018 Service Framework Agreements, which are mainly in relation to amended indicators in relation to maintenance services and rules in relation to penalties to be imposed on the Company. The Company will also be responsible for major renovation and updates to its products and equipment under the 2022 Service Framework Agreements. The adjusted customer service standard will take effect from 1 January 2023 on both existing orders before and new orders on or after such date.

Saved as disclosed in the Circular, other principal terms of the 2018 Service Framework Agreements remain unchanged.

We have reviewed the adjustments and noted that the key updates are in relation to the pricing and co-location discounts associated. We understand the need for the Company to update its pricing and co-location discounts offered because, in addition to the discussion above and as discussed in the section headed "1. Information on the parties – The Group" above, we noted that over 90% of the Group's revenue has been generated from the Telecom Shareholders and their parent companies historically for each of the three years ended 31 December 2021 and for 1H2022 respectively and therefore, the transactions contemplated under the 2022 Service Framework Agreements constitute not only a substantial but also an indispensable part of the Group's income source and therefore the Company needs to offer sufficient incentives to the Telecom Shareholders to retain their businesses and to arouse their interests to also develop/diversify new business opportunities in locations where the Company will build/develop its products. For example, the Company may want to focus its business resources in developing new telecommunication towers in remote areas in the PRC and by providing the Telecom Shareholders with additional discounts in these geographical locations, it would also incentivise customers, i.e. the Telecom Shareholders to also develop businesses in the same geographical locations. We also note that under the 2022 Service Agreement, the discount applied to the base price for existing sharing party(ies) for acquired towers was reduced by approximately 2.4%. We consider this to be commercially reasonable in terms of resource allocation of the Group such to encourage more tenants to purchase products/services relating to the self-built towers.

In addition, as discussed above, given the fact that the Telecom Shareholders are essentially the major PRC telecommunications players and their presence in the market, demands for relevant products and related services in the PRC market would also logically be mainly derived from the Telecom Shareholders and their branches/subsidiaries and therefore, the Company's ongoing business relationship with the Telecom Shareholders is considered to be unavoidable and inevitable.

Considering all the above factors and in particular, should there be other independent third party(ies) in the market requiring such products and services under the 2022 Service Framework Agreements in the future in addition to the Telecom Shareholders, the Group confirms that it will offer terms, including pricing terms to such independent third party(ies) that are no less favourable to the Group when compared with those of the Telecom Shareholders, we consider that the entering into of the 2022 Service Framework Agreements with each of the Telecom Shareholders with the Amendments is in the ordinary and usual course of business of the Company, fair and reasonable and in the interests of the Company and the Independent Shareholders.

3. Terms of the 2022 Service Framework Agreements

3.1 Products and Services

Pursuant to the terms of the 2022 Service Framework Agreements, the relevant products and related services provided by the Company to each of the Telecom Shareholders and their respective branches/subsidiaries mainly include:

(a) **service in relation to tower products:** the Company, to serve the needs for the space required for hosting telecommunications equipment of each of the Telecom Shareholders and their respective branches/subsidiaries, provides, constructs and maintains the tower products, including towers, shelters, and ancillary facilities, together with the provision of other services in connection with the above;

(b) **service in relation to DAS products:** the Company provides, constructs or maintains the DAS products together with the provision of other services in connection with the above, including the whole DAS, shelters and accessory facilities based on the needs of the Telecom Shareholders and their respective branches/subsidiaries for telecommunications signal feed-in and indoor extensive coverage together with the provision of other services in connection with the above;

(c) **service in relation to transmission products:** the Company provides and constructs ducts, pole lines, optical fiber, public manholes in front of sites and exits and routes to sites together with other services in connection with the above for the Telecom Shareholders and their respective branches/subsidiaries; and

(d) **service in relation to service products:** the Company provides power supply and generation services to the Telecom Shareholders and their respective branches/subsidiaries/in connection with the tower products and DAS products, which include power service, gasoline or diesel power generation service and extra battery assurance service.

3.2 Duration of Agreements and Service Period

The 2022 Service Framework Agreements will be entered into by the Company with each of the Telecom Shareholders upon the approval of their respective shareholders and take effect from 1 January 2023.

The term of the 2022 Service Framework Agreements will be five years from 1 January 2023 to 31 December 2027. The service period of each service is five years. Prior to the expiry of the 2022 Service Framework Agreements on 31 December 2027, the parties shall negotiate to determine matters in relation to the pricing.

The adjusted pricing terms under the 2022 Service Framework Agreements will take effect from 1 January 2023 on both existing orders to which the Company has already provided services and new orders to be placed on or after such date. The provincial branches/subsidiaries of the parties shall enter into "Product and Service Confirmation Letter" or "Product and Service Confirmation Letter (in batches)" to reflect such adjustments.

3.3 Cooperation in Review and Information Disclosure

The parties to the 2022 Service Framework Agreements agree to cooperate with each other regarding the review and approval procedures and information disclosure required by applicable laws and regulations, regulatory rules, corporate governance documents taking into account market conditions, factors affecting the pricing of relevant products and the cooperation of the parties.

3.4 Pricing Policy

The pricing policy under the 2022 Service Framework Agreements is determined after arm's length negotiations between the Company and each of the Telecom Shareholders during the ordinary and usual course of business of the Company with reference to the construction cost, maintenance cost, site fee, management cost, operating cost, labor cost and appropriate profit margins, as applicable, of each of the relevant services.

We have discussed and understood from the Management that respective provincial branches of the Company shall enter into provincial service agreements (the "**Provincial Service Agreements**") with the Telecom Shareholders and their respective branches/subsidiaries depending on their actual requirements. The Provincial Service Agreements set out more specific terms and conditions based in the principles and terms of the 2022 Service Framework Agreements.

Based on the disclosures made in the Prospectus, we understand that there was no generally adopted pricing mechanism in the telecommunications tower infrastructure industry in China before the establishment of the Company. We have also discussed and understand from the Company that given the specific industry nature of the Company, i.e. the Group being the single largest industry player in the telecommunications infrastructure market, there are also no government regulated prices for the relevant products and related services. Based on our research from public domain, we have noted other entities engaged in similar business in the PRC as the Company, however, given these market peers are not publicly listed and hence there are only limited information available, we are unable to ascertain any products/services pricing information for comparison purposes.

As disclosed in the Circular and based on our understanding from the Management, the key principles considered by the Company in determining the pricing policies for each of the relevant products and related services, namely services relating to the tower products ("**Tower Products**"), DAS products ("**DAS Products**"), transmission products ("**Transmission**

Products"), and services products ("**Service Products**"), are generally based on the cost incurred by the Group relevant to the provision of the relevant products and related services, plus a cost markup calculated with reference to a fixed cost margin.

As discussed in the paragraphs above, the Group is the largest telecommunication tower business provider in the PRC taking up over 90.0% of the market share and due to such unique market position of the Group, no peers of comparable business scale and size could be identified in the PRC. Furthermore, we were also unable to obtain, through our desktop research on a best effort basis, pricing information of small market peers in the PRC in the public domain. Against such backdrop, we have also enquired the Company and understand that on international peers with similar business models, it has considered peers in India to be most relevant mainly because of the fact that both the PRC and India are developing countries and telecommunication tower companies are similarly held by, among other shareholders, telecommunication services providers. We have assessed and concur with the basis and as such, on a best effort basis we have researched and noted from public domain that one comparable company that is listed and is engaged in the telecommunication tower business with sufficient disclosed information with similar businesses model in India ("**Market Peer**"), has also entered into similar arrangements with its customers based on a similar pricing basis. We consider this Market Peer to be exhaustive in absence of any other available information. Based on prospectus information published by the Market Peer, the entity would also provide tower sites to its customers and provide relevant required services. Fees charged by the Market Peer would take into account of factors, including, base rental rate, which depends on the nature of the site provided and additional charges depending on active infrastructure installed on the site, and costs incurred associated with such tower sites such as electricity and fuel charges for the operation of the sites, and maintenance fees associated with products provided. As such, we consider using costs associated with the relevant products and related services as the basis for formulating the pricing mechanism for the 2022 Service Framework Agreements to be not uncommon in the market.

As part of our due diligence exercise, we have also examined other independent information by reviewing the letter issued by the auditors of the Company (the "**Auditors**"), to the Board and note that the Auditors had performed procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) and with reference to Practice Note 740 (Revised) and confirmed that they had performed, among others, sample checks on the continuing connected transactions entered into between the Group and the Telecom Shareholders pursuant to the 2018 Service Framework Agreements and had not found that the continuing connected transactions were not, in all material respects, in accordance with the pricing policies as stated in the relevant agreements.

We have also separately enquired the Company and the Company has advised us that, should there be other independent third party(ies) in the market requiring such products and services under the 2022 Service Framework Agreements in the future in addition to the Telecom Shareholders, the Group confirms that it will offer terms, including pricing terms to such independent third party(ies) that are no less favourable to the Group when compared with those of the Telecom Shareholders.

The pricing policies in respect of each of the relevant products and related services under the 2022 Service Framework Agreements are discussed as follows:

A. *Tower products*

As stated in the letter from the Board in the Circular, the product price for Tower Products is the aggregation of the base price (involving the construction cost and maintenance cost), site fee and power access fee (as applicable) after applying certain fixed co-location discounts, which vary based on the number of tenants and whether a tenant is an anchor tenant or not. The pricing formula for the services relating to Tower Products are set out below:

$$\text{Product price} = \begin{array}{c} \text{base price} \times (1 - \text{co-location discount rate 1}) \\ + (\text{site fee} + \text{power access fee (as applicable)}) \\ \times (1 - \text{co-location discount rate 2}) \end{array}$$

We noted from the 2021 Annual Report that the Group's Tower Business primarily comprise the following key components include:

(i) provision of site space – the Group provides tower site space for installation of their telecommunications equipment;

(ii) maintenance services – the maintenance services include providing shelters or cabinets, and ancillary equipment capacity for meeting operating requirements of customers' telecommunications equipment, monitoring equipment operations, routine inspection, device breakdown handling, property upkeep, working environment protection and operation analysis. Through the maintenance services, the Group assists its customers to maintain continuous functioning of their equipment; and

(iii) power services – the Group provides power access, batteries or back up power generation to the customers' telecommunications equipment. Utility electricity can be provided to the Group's customers through the power access. In the event of a disruption in utility electricity, the Group provides backup power assurance from batteries. In addition, the Group generates power using gasoline or diesel generators for customers' telecommunications equipment in case that both utility electricity is disrupted and the Group's batteries are exhausted.

As such, in view of the above and the pricing for Tower Products being based on a cost-plus-margin approach, the formula is considered having included the necessary costs involved, including the construction cost and maintenance cost which form part of the base price, the site fee and power access fee, for the provision of services in relation to the Tower Products.

Base price for shelf-build towers

The base price for self-build towers is calculated based on the costs of a certain tower product (including the standard construction costs for the product which vary based on certain factors (e.g., type of products and the geographical locations), years of depreciation, and the annual maintenance cost as agreed in each case), plus a cost markup calculated with reference to a fixed cost margin ("**Cost Margin**").

We have further discussed with the Management and are given to understand that the standard construction cost under the formula is an estimated construction cost based on historical actual cost(s) incurred by the Group for the construction components of a tower and the relevant facilities. We have also noted that the Company includes an input for the years of depreciation and the impairment rate in the formula. We have reviewed the assumed depreciation years for towers, shelters, integrated cabinet and ancillary facilities and the assumed impairment rate of 2%. In this regard, we noted that the same depreciation years are being used for such tower related components under the accounting policies of the Group and based on our discussion with the Management, the impairment rate of approximately 2% is with reference to historical data on costs covering relocation, overhaul and damages estimated. We have also enquired and was provided by the Company with historical records and based on the information provided, we noted the historical impairment rate for such tower related components was also around 2%. In this respect, we consider the use of depreciation and impairment rate to be not unreasonable. The maintenance cost under the formula is the cost for outsourcing maintenance, repair and consumable materials, and is an actual figure determined through public tender process.

The Cost Margin is 10% for Tower Products. As discussed in the section headed "2. Background and reasons for the 2022 Service Framework Agreements" above, the Group is the largest provider of Tower Products in the PRC without peers of comparable business scale and size and the Telecom Shareholders have been and are currently the only customers for the services provided under the 2022 Service Framework Agreements. As such, no comparison of independent third parties transactions is considered feasible for pricing analysis. In accessing the fairness and reasonableness of the Cost Margin for the Tower Products, we have considered factors as followings:

(i) as discussed above, whilst there is no comparable independent third party transactions relating to Tower Products available for comparison purposes, we have alternatively reviewed and made reference to a company in the telecommunication infrastructure industry namely China Communications Services Corporation Limited (stock code: 552) ("**CCSC**"), which is principally engaged in the provision of, among others, telecommunications infrastructure services, business process outsourcing services and applications, content and other services mainly in the PRC to customers including the Telecom Shareholders. We noted from the published information that CCSC reported a gross profit margin for each the last three financial years of approximately 11.66% for 2019, approximately 11.20% for 2020 and approximately 11.03% for 2021 respectively. In this respect, we consider the 10% Cost Margin for Tower Products, though being slightly lower than, but close to the latest gross margin of CCSC; and

(ii) the Cost Margin of 10% for Tower Products has been adopted since the listing of the Company and we have also separately enquired the Company and the Company has advised us that, should there be other independent third party(ies) in the market requiring such products and services under the 2022 Service Framework Agreements in the future in addition to the Telecom Shareholders, the Group confirms that it will offer terms, including pricing terms to such independent third party(ies) that are no less favourable to the Group when compared with those of the Telecom Shareholders.

Based on the above, we consider the Cost Margin of 10% for Tower Products not unjustifiable.

Base price for acquired towers

Similar to the base price for self-build towers, the base price for acquired towers is calculated based on the costs of a certain tower product (including the standard construction costs for the product which vary based on certain factors (e.g. type of products and the geographical locations), years of depreciation, and the annual maintenance cost as agreed in each case), plus the Cost Margin, except that a discount rate (shown below) has also been incorporated for the purpose of adjusting the value of the tower to reflect the appraised value of such tower at the time of acquisition. We have discussed and understand from the Management that the appraised value is the valuation of the tower and/or tower components at the time of acquisition from the Telecom Shareholders before the Group's listing on the Hong Kong Stock Exchange. Based on this, we consider such adjustment to be fair and reasonable.

$$\text{Discount rate} = \sum \frac{\sum \text{appraised value / years of depreciation of the acquired tower}}{(\sum \text{standard construction cost of self-built towers of the sub-category / years of depreciation of self-built towers} \times \text{percentage of similar products of acquired towers}) \times \text{number of acquired towers}}$$

Site fee and power access fee

As disclosed in the letter from the Board in the Circular, the site fee will be charged on a lump sum or on an itemised basis which should include the site rents, one-time slotting fees and coordination cost, and is to be determined taking into account the specific circumstances of the relevant geographical area, the price of properties in the area and relevant government policies. A lump-sum pricing model should be adopted for the site fee in principle if and when it is appropriate. Based on our discussions with the Management, the site fees are negotiated between the Company and the individual Telecom Shareholders (or their respective subsidiaries).

Construction cost of power access for self-built towers is priced on a lump sum or priced on an itemized basis and is an estimated construction cost based on historical actual cost(s) incurred by the Group. We have also noted the Company included an input for the years of depreciation in the formula for calculating the power access fee. In this respect, we have enquired and understand from the Company that the assumed 10 years for the purpose of depreciation is also adopted under the accounting policies of the Group. As such, we consider the assumed depreciation input is not unreasonable. We further note, a 5% premium is applied in the calculation process for the power access fee. We understand the concept is similar to that of a Cost Margin only that the equivalent of Cost Margin for power access fee is determined to be 5%. We have also separately enquired the Company and the Company has advised us that, should there be other independent third party(ies) in the market requiring such products and services under the 2022 Service Framework Agreements in the future in addition to the Telecom Shareholders, the Group confirms that it will offer terms, including pricing terms to such independent third party(ies) that are no less favourable to the Group when compared with those of the Telecom Shareholders.

No power access fee shall be charged separately for acquired towers as, according to the Management, the power access facilities were not constructed by the Group but by the Telecom Shareholders prior to the Group's acquisition of those towers. However, as disclosed in the letter from the Board in the Circular, the power grid switching expenses which incur during adding new product unit or new tenant shall be calculated according to the power access pricing formula for self-built towers and paid separately by the new tenant.

Co-location discount rate

Similar to the arrangements under the 2018 Service Framework Agreement, we note that co-location discount ranged between 32.4% and 50% for non-anchor tenant and 37.4% and 55% for anchor tenant and is offered for services relating to the Tower Products under the 2022 Service Framework Agreements which were, according to the Company, determined with reference to estimated cost saving of the Group as a result of co-location as well as the potential higher returns on capital investment made and furthermore, we have reviewed the historical operational data provided by the Company and were also confirmed by the Company that the increase in co-location discount rates are expected to attract more tenants per tower to achieve higher tower tenancy ratios and higher cost saving which will in turn increase the gross margin per tower which is beneficial to the Group in the long run. In addition, we understand such discount rates are determined based on arm's length negotiations between the Company and the Telecom Shareholders and the main consideration was to encourage the Telecom Shareholders as customers, to co-locate at the Group's tower sites or new sites to be built. As also disclosed in the Prospectus, co-location would enhance the Group's profitability given additional tenants would increase its revenue source whilst the capital expenditure involved is largely the same. In this regard, we have reviewed and noted from public documents published by the Market Peer that a similar "tenancy discount" is offered to its customers and as such, we consider the use of co-location discount to be not uncommon in the market.

B. DAS Products

As stated in the letter from the Board in the Circular, the product price for DAS Products is the aggregation of the base price and site fee after applying certain fixed co-location discounts which vary based on the number of tenants. The pricing formula for services relating to the DAS Products is set out below:

$$\text{Product price} = \text{(base price} \times \text{area covered + site fee)} \times \text{(1} - \text{co-location discount rate)}$$

Similar to the pricing model for services relating to Tower Products, basis for the determination of the major plugins (including depreciation years, impairment rate, maintenance cost, site fee and co-location discount) adopted in the formula for calculating the product price for services relating to DAS Products are similar to those as discussed under the pricing model for Tower Products above, except for construction cost for DAS Products used in calculating the base price being mainly subject to area intended to be covered. Please refer to the section headed "A. Tower Products" above for the discussion of depreciation years, impairment rate, maintenance cost, site fee and co-location discounts.

As stated in the letter from the Board in the Circular, for services relating to DAS Products for commercial building, the base price is arrived at based on, among others, the construction cost of distribution antenna systems on a 'per-square meter' basis which is assumed at RMB16.24 per square meter. We further understand from the Company that such assumed standard unit construction cost was arrived at based on historical actual costs incurred by the Group for the purpose of constructing such unit. However, according to the terms of the 2022 Service Framework Agreements, if (i) the actual construction cost of the DAS Products is more than ±15% ("**15% Buffer**") from the assumed standard construction cost of RMB16.24 per square meter; or (ii) for DAS Products for large venues structures, subway tunnels (including subway platforms) and railway tunnels, the actual construction cost shall instead be applied in the pricing formula. We have discussed and understand from the Management that the ±15% buffer was built in mainly to protect the Group and the customer respective from any unexpected substantial fluctuation in overall construction cost. We have also been provided with historical information and noted that historically speaking, construction cost of DAS Products were priced according to the pricing mechanism set. In this regard, we have discussed with the Management and understand that, the Group provides DAS to the Telecom Shareholders for connecting their telecommunication equipment, helping them receive and send indoor mobile telecommunication network signals, and to enable mobile telecommunication network signals covering buildings, large venues and tunnels (i.e. subway, high-speed railways and highways), in which, unlike Tower Products where transmission area is unified, area to be covered may vary substantially from project to project. As such, such pricing formula taking into account the plug-in of area covered in certain circumstances is considered reasonable.

The Cost Margin for services relating to DAS Products is 15%. Similar to that for Tower Products as described in the section above, in reviewing the fairness and reasonableness of the adoption of Cost Margin of 15%, we have considered factors including that (i) as discussed above, whilst there is no comparable independent third party transactions relating to DAS Products available for comparison purposes. However, the Cost Margin of 15% for DAS Products is higher than the recent gross profit margins of CCSC which is a company also engaged in the telecommunication infrastructure industry in the PRC as discussed in the section headed "A. Tower Products" above; and (ii) the Cost Margin of 15% for DAS Products has been adopted since the listing of the Company and we have also separately enquired the Company and the Company has advised us that, should there be other independent third party(ies) in the market requiring such products and services under the 2022 Service Framework Agreements in the future in addition to the Telecom Shareholders, the Group confirms that it will offer terms, including pricing terms to such independent third party(ies) that are no less favourable to the Group when compared with those of the Telecom Shareholders. Based on the above, we consider the Cost Margin of 15% for DAS Products not unjustifiable.

C. Transmission Products

As stated in the letter from the Board in the Circular, the product price for a certain user for transmission products constructed per the request and on behalf of the Telecom Shareholders and their subsidiaries is calculated based on the construction costs of such transmission product divided by the number of users, plus the Cost Margin of 5%; and the product price for transmission products constructed and owned by the Company is mainly based on construction costs of such transmission product, the maintenance cost and the Cost Margin of 15%, after applying certain fixed co-location discounts.

We understand that for provision of services for transmission products constructed by the Group per request and on behalf of the Telecom Shareholders and their subsidiaries, the construction cost adopted in the formula shall be based on the actual construction cost which include but not limited to, the expenses for materials, construction, design, supervision and compensations during the process, among which, the compensations including but not limited to, compensations for coordination, road, bridge/river-crossing, road-crossing, farmland and forest-crossing, etc.. The Group charged the Cost Margin of 5%. We have also separately enquired the Company and the Company has advised us that, should there be other independent third party(ies) in the market requiring such products and services under the 2022 Service Framework Agreements in the future in addition to the Telecom Shareholders, the Group confirms that it will offer terms, including pricing terms to such independent third party(ies) that are no less favourable to the Group when compared with those of the Telecom Shareholders.

For provision of services for transmission products constructed and owned by the Company, a formula similar to the pricing formula of Tower Products based on cost-plus-margin approach is adopted:

$$\text{Product price} = \begin{array}{c}[(\sum(\text{Construction cost / years of depreciation}) \times \\ (1 + \text{impairment rate}) + \text{maintenance cost}) \times \\ (1 + \text{cost margin})] \times (1 - \text{co-location discount rate})\end{array}$$

Similar to the pricing model for services relating to Tower Products and DAS Products, basis for the determination of the major plugins (including depreciation years, impairment rate, maintenance cost, site fee and co-location discount) adopted in the above formula for calculating the product price for those transmission products are similar to those as discussed under the pricing model for Tower Products above. Please refer to the section headed "A. Tower Products" above for the discussion of depreciation years, impairment rate, maintenance cost, site fee and co-location discounts.

The Cost Margin for services relating to such transmission products is 15%. In this regard, we have considered factors including that (i) as discussed above, whilst there is no comparable independent third party transactions relating to services relating to such transmission products available for comparison purposes. However, the Cost Margin of 15% for services relating to such transmission products is higher than the recent gross profit margins of CCSC which is a company also engaged in the telecommunication infrastructure industry in the PRC as discussed in the section headed "A. Tower Products" above; and (ii) the Cost Margin of 15% for services relating to such transmission products has been adopted since the listing of the Company and we have also separately enquired the Company and the Company has advised us that, should there be other independent third party(ies) in the market requiring such products and services under the 2022 Service Framework Agreements in the future in addition to the Telecom Shareholders, the Group confirms that it will offer terms, including pricing terms to such independent third party(ies) that are no less favourable to the Group when compared with those of the Telecom Shareholders. Based on the above, we consider the Cost Margin of 15% services relating to such transmission products not unjustifiable.

D. Service Products

As stated in the letter from the Board in the Circular, products provided under the service products category include power service, gasoline or diesel power generation and extra battery assurance service.

Power service

Based on disclosures made, there are three specific service types under the power service category.

(i) Lump sum service for power guarantee

As specified in the letter from the Board in the Circular, the Company's branches shall negotiate with relevant branches/subsidiaries of the Telecom Shareholders in relation to the fee for the lump sum service for power guarantee provided by the Company based on agreed service plan and settlement standard.

If the electricity consumption amount can be accurately measured and recorded, parties may adopt the following calculation method for the lump sum service fee for power guarantee: monthly lump sum service fee for power guarantee = actual electricity consumption amount by facilities of the telecommunications companies × unit price of the lump sum service for power guarantee for such telecommunications company. Unit price of the lump sum service for power guarantee = local environmental factor × unit price for the electricity outside the site. As disclosed in the letter from the Board in the Circular, the environmental factor is a coefficient which equals to the result of total power consumption of the communication base stations divided by the power consumption from the facilities of the Telecom Shareholders in communication base stations. We also understand from the Company that the unit price for the electricity outside the site simply means it is the unit price charged by electricity providers in the relevant city/province of where the said tower is located. The Company's branches shall split the bills of the electricity fees among the Company and telecommunications company according to the actual electricity consumption amount. In principle, the lump sum service for power guarantee without a fixed amount shall not be adopted, with the exception to sites where a standalone electricity meter cannot be installed to measure the electricity consumption. Existing lump sum service plans for power guarantee without a fixed amount implemented by provincial branches/subsidiaries of the parties shall continue to be implemented but shall be renewed upon expiry.

We have discussed and understand from the Company that the unit price for the lump sum service for power guarantee provided is a forecasted rate based on historical electricity usage and unit prices, whereas actual electricity consumption is based on the actual consumption amount as it on the meter(s). We consider such inputs to the formula for monthly lump sums service fee for power guarantee to be not unreasonable.

(ii) Pass-through service for power guarantee

As specified in the letter from the Board in the Circular, under this option, the Company's branches shall provide the bills of the electricity fees and details of split of electricity consumption amount of facilities at the site to the telecommunications companies. In particular, the electricity consumed by equipment of the telecommunication companies and environmental fees shall be borne by the relevant branches/subsidiaries on shared sites, the calculation and apportion of which shall be negotiated and agreed by the branches/subsidiaries of the Company and the Telecom Shareholders.

We consider the above to be justifiable as the tenants would be paying actual amounts incurred either directly or indirectly through the Company to the electricity providers.

(iii) Service of paying electricity fees on behalf of tenants

As specified in the letter from the Board in the Circular, under this option, the branches/subsidiaries of the Telecom Shareholders shall pay electricity fees to branches of the Company equal to the actual electricity fees paid by the Company on behalf of the branches/subsidiaries of the Telecom Shareholders and obtain the relevant receipts from the Company. The provincial branches of the Company shall determine the payment period with the Telecom Shareholders and their branches/subsidiaries after arm's length negotiations. If the Telecom Shareholders and their branches/subsidiaries pay the amount due after the payment period without reasonable cause or if the Telecom Shareholders and their branches/subsidiaries unreasonably pay the electronic bills due to reasons from Company, the parties shall determine the service fees with reference to factors including financing cost after arm's length negotiations.

We consider the above to be justifiable as the tenants would essentially be reimbursing the Company for dollar amounts paid for actual electricity used by the tenants.

As disclosed in the letter from the Board in the Circular, the options under "(ii) Pass-through service for power guarantee" and "(iii) Service of paying electricity fees on behalf of tenants" involve possible payments of electricity fees by the Company on behalf of the Telecom Shareholders which constitutes financial assistances provided by the Company to each of the Telecom Shareholders which are transactions subject to both requirements under Chapter 14A and 14 of the Listing Rules. Based on our review of the terms to the services as described above and our understanding from the Management, given the fact the Company will be repaid of the amounts paid on behalf of the Telecom Shareholders and will be entitled to compensation if it is not repaid within a reasonable amount of time, we consider such arrangement to also be not unjustifiable.

Gasoline or diesel power generation services

Based on disclosures made, services provided under this category shall be further agreed by the provincial branches/subsidiaries of the parties whether to price on a lump sum basis or on an itemised basis. The branches/subsidiaries of the Telecom Shareholders shall confirm, in respective Service Confirmation Letter, which method of pricing shall be used. We understand the pricing basis for gasoline or diesel power generation services under the lump sum pricing basis and itemized pricing basis are with reference to a similar pricing principle, being the product of power generation cost and taking into account of the relevant cost margin.

We have discussed and based on understanding ascertained from the Management, the power generation cost is a base price attributable to cost of providing such service and is a forecast value based on historical actual values incurred. We understand the base price attributable is determined with reference to historical costs associated, including, but not limited to gasoline/diesel commodity price. We have also separately enquired the Company and the Company has advised us that, should there be other independent third party(ies) in the market requiring such products and services under the 2022 Service Framework Agreements in the future in addition to the Telecom Shareholders, the Group confirms that it will offer terms, including pricing terms to such independent third party(ies) that are no less favourable to the Group when compared with those of the Telecom Shareholders.

In this respect, we consider the pricing terms under this category of services to also be not unreasonable.

Extra battery assurance service

Based on disclosures made, the product price for one system is based on the formula:

$$= \left(\frac{\text{construction cost}}{\text{years of depreciation}} \right) \times (1 + \text{impairment rate}) \times (1 + \text{cost margin of } 10\%)$$

We have discussed and understand from the Management that the basis for this pricing is also under a "cost plus cost margin" concept, which is similar to the other services provided under the 2022 Service Framework Agreements.

We understand the construction cost includes costs associated with maintenance cost and inputs to the formula are largely similar to those as discussed under the pricing model for Tower Products above. Please refer to the section headed "A. Tower Products" above for the discussion of construction cost, depreciation years, maintenance cost etc. We have also separately enquired the Company and the Company has advised us that, should there be other independent third party(ies) in the market requiring such products and services under the 2022 Service Framework Agreements in the future in addition to the Telecom Shareholders, the Group confirms that it will offer terms, including pricing terms to such independent third party(ies) that are no less favourable to the Group when compared with those of the Telecom Shareholders.

We noted that pricing is also further categorised into equipment powers exceeding or under 1.5kW. We have enquired and understand from the management that regardless of the power relating to the service, the prices, including but not limited to the RMB400/year in the scenario of the equipment power not exceeding 1.5kW, are all determined with reference to the formula outlined above.

As such, we consider pricing terms under this category of services to also be not unreasonable.

4. The Proposed Annual Caps

The historical transaction amounts and the Proposed Annual Caps in respect of the transactions contemplated under the 2018 Service Framework Agreements with each of the Telecom Shareholders for the relevant period are set out below:

4.1 Historical transaction amounts and Proposed Annual Caps

*(i) Transactions with China Mobile Company and its subsidiaries ("**China Mobile Group**")*

Historical amounts

Revenue generated by the Company

Category	For the year ended 31 December			For the nine months ended 30 September
	2019	2020	2021	2022
		(RMB in millions)		
Tower Products	37,189	38,177	39,071	29,451
DAS Products	1,433	1,812	2,175	2,107
Transmission Products	37	40	42	35
Service Products	1,171	670	830	805
Total	39,830	40,699	42,118	32,398

Advances made by the Company

(a) Maximum daily balance of advances made

Category	For the year ended 31 December			For the nine months ended 30 September
	2019	2020	2021	2022
		(RMB in millions)		
Service Products	5,325	3,586	3,153	2,874

(b) Balance of advances made

Category	For the year ended 31 December			For the nine months ended 30 September
	2019	2020	2021	2022
	(RMB in millions)			
Service Products	3,126	3,131	2,120	2,812

Proposed Annual Caps

The Propose Annual Caps for the revenue to be generated by the Company from China Mobile Company and its subsidiaries from the transactions contemplated under the 2022 Service Framework Agreements for each of the five years ending 31 December 2027 are RMB44,020 million, RMB46,001 million, RMB48,071 million, RMB50,234 million, and RMB52,495 million respectively.

The Proposed Annual Caps for the maximum daily balance of the advances to be made by the Company to China Mobile Company and its subsidiaries from the transactions contemplated under the 2022 Service Framework Agreements for each of the five years ending 31 December 2027 are RMB3,143 million, RMB3,405 million, RMB3,667 million, RMB3,929 million and RMB4,190 million.

(ii) Transactions with China Unicom Corporation

Historical amounts

Revenue generated by the Company

Category	For the year ended 31 December			For the nine months ended 30 September
	2019	2020	2021	2022
	(RMB in millions)			
Tower Products	14,235	16,627	17,255	13,067
DAS Products	545	736	950	918
Transmission Products	15	16	28	23
Service Products	1,887	138	164	277
Total	16,682	17,517	18,397	14,285

Advances made by the Company

(a) Maximum daily balance of advances made

Category	For the year ended 31 December			For the nine months ended 30 September
	2019	2020	2021	2022
		(RMB in millions)		
Service Products	1,538	1,129	1,029	1,262

(b) Balance of advances made

Category	For the year ended 31 December			For the nine months ended 30 September
	2019	2020	2021	2022
		(RMB in millions)		
Service Products	903	985	737	1,055

Proposed Annual Caps

The Propose Annual Caps for the revenue to be generated by the Company from China Unicom Corporation from the transactions contemplated under the 2022 Service Framework Agreements for each of the five years ending 31 December 2027 are RMB19,680 million, RMB21,058 million, RMB22,532 million, RMB24,109 million and RMB25,796 million respectively.

The Proposed Annual Caps for the maximum daily balance of the advances to be made by the Company to China Unicom Corporation from the transactions contemplated under the 2022 Service Framework Agreements for each of the five years ending 31 December 2027 are RMB1,429 million, RMB1,548 million, RMB1,667 million, RMB1,786 million and RMB1,905 million.

(iii) Transactions with China Telecom:

Historical amounts

Revenue generated by the Company

Category	For the year ended 31 December			For the nine months ended 30 September
	2019	2020	2021	2022
	(RMB in millions)			
Tower Products	15,670	17,778	18,446	13,935
DAS Products	680	979	1,191	1,137
Transmission Products	20	40	41	30
Service Products	1,352	146	188	350
Total	17,722	18,943	19,866	15,452

Advances made by the Company

(a) Maximum daily balance of advances made

Category	For the year ended 31 December			For the nine months ended 30 September
	2019	2020	2021	2022
	(RMB in millions)			
Service Products	1,375	1,043	779	1,295

(b) Balance of advances made

Category	For the year ended 31 December			For the nine months ended 30 September
	2019	2020	2021	2022
	(RMB in millions)			
Service Products	807	908	544	791

Proposed Annual Caps

The Proposed Annual Caps for the revenue to be generated by the Company from China Telecom from the transactions contemplated under the 2022 Service Framework Agreements for each of the five years ending 31 December 2027 are RMB22,280 million, RMB24,508 million, RMB26,959 million, RMB29,655 million and RMB32,620 million respectively.

The Proposed Annual Caps for the maximum daily balance of the advances to be made by the Company to China Telecom from the transactions contemplated under the 2022 Service Framework Agreements for each of the five years ending 31 December 2027 are RMB1,429 million, RMB1,548 million, RMB1,667 million, RMB1,786 million and RMB1,905 million.

4.2 Basis for the Proposed Annual Caps for the revenue to be generated by the Company

As disclosed in the letter from the Board in the Circular, in estimating the Proposed Annual Caps, the Directors have considered, among other things, the following key factors:

(a) the historical figures of the revenue generated by the Company from the transactions under the 2018 Service Framework Agreements with each of the Telecom Shareholders for each of the three years ended 31 December 2021 and nine months ended 30 September 2022, being:

- RMB39,830 million, RMB40,699 million, RMB42,118 million and RMB32,398 million from China Mobile Company and its subsidiaries;
- RMB16,682 million, RMB17,517 million, RMB18,397 million and RMB14,285 million from China Unicom Corporation; and
- RMB17,722 million, RMB18,943 million, RMB19,866 million and RMB15,452 million from China Telecom.

(b) the expected growth of the revenue to be generated from each of the Telecom Shareholders under the 2022 Service Framework Agreements for the five years ending 31 December 2027 taking into account the historical transaction amounts above and the following factors and assumptions:

(i) the current scale of the revenue generated by the Company from each of the Telecom Shareholders under the 2022 Service Framework Agreements;

(ii) the number of existing orders of products and services with and the intentions of renewal indicated by each of the Telecom Shareholders and their branches/subsidiaries;

(iii) intention for new orders of products and services indicated by each of the Telecom Shareholders and their branches/subsidiaries in various regions in the PRC during their negotiation with the Company;

(iv) the expected increase in the total number of the tower sites of the Company in the five years from 2023 to 2027 driven by the existing and future opportunities arising from the construction of 5G networks, leading to an increasing number of tenants; and

(v) the continuing and expected launching of innovative and cost-effective DAS products and related solutions as the 5G network further extends to indoor areas, which is expected to lead to a continuing increase in the revenue to be generated from the service in relation to the DAS products.

Proposed Annual Caps for transactions with China Mobile Group

In ascertaining the fairness and reasonableness of the Proposed Annual Caps for transactions with China Mobile Group, we have firstly discussed and understand from the Management and noted that the primary factor of concern is the available historical information whilst factoring in possible buffer from additional business opportunities.

In this respect, we have reviewed and noted that the actual revenue derived from China Mobile Group for each of the five years ending 31 December 2018, 2019, 2020, 2021 and 2022 (with the figure for year ending 31 December 2022 being an annualised estimate based on the actual figure as disclosed in the letter from the Board in the Circular) were approximately RMB39.83 billion for 2019, RMB40.70 billion for 2020, RMB42.12 billion for 2021 and RMB43.20 billion for 2022 respectively, with the annual growth rate ranged from 2.18% to 3.49%. Accordingly, the Annual Cap for 2023 represents only a minimal increase of around 1.91% as compared to the annualised transaction amount for 2022 which is considered not excessive. Further, we note that a roughly 4.50% annual growth are assumed in the Annual Caps for each of 2024 to 2027. Given the maximum historical annual growth rate amounted to around 3.49% and that the transactions are indeed revenue-generating in nature where reasonable flexibility should be allowed to avoid hindering the Group's possible revenue growth, we consider the assumed 4.50% annual growth for arriving at the Annual Caps for each of 2024 to 2027 not excessive.

Proposed Annual Caps for transactions with China Unicom Corporation

In ascertaining the fairness and reasonableness of the Proposed Annual Caps for transactions with China Unicom Corporation, we have reviewed and noted that the actual revenue derived from China Unicom Corporation for each of the five years ending 31 December 2022 (with the figure for year ending 31 December 2022 being an annualised estimate based on the actual figure as disclosed in the letter from the Board in the Circular) were approximately RMB16.68 billion for 2019, RMB17.52 billion for 2020, RMB18.40 billion for 2021 and RMB19.05 billion for 2022 respectively, with the annual growth rate ranged from 3.52% to 5.84%. Accordingly, the Annual Cap for 2023 represents only a small increase of around 3.32% as compared to the annualised transaction amount for 2022 which is indeed below the low-end of the aforesaid range of historical annual growth rate for the past five years and therefore, is considered prudent. Further, we note that a roughly 7.0% annual growth are assumed in the Annual Caps for each of 2024 to 2027. Given the maximum historical annual growth rate amounted to around 5.84% and that the transactions are indeed revenue-generating in nature where reasonable flexibility should be allowed to avoid hindering the Group's possible revenue growth, we consider the assumed 7.00% annual growth for arriving at the Annual Caps for each of 2024 to 2027 not excessive.

Proposed Annual Caps for transactions with China Telecom

In ascertaining the fairness and reasonableness of the Proposed Annual Caps for transactions with China Telecom, we have reviewed and noted that the actual revenue derived from China Telecom for each of the five years ending 31 December 2022 (with the figure for year ending 31 December 2022 being an annualised estimate based on the actual figure as disclosed in the letter from the Board in the Circular) were approximately RMB17.72 billion for 2019, RMB18.94 billion for 2020, RMB19.87 billion for 2021 and RMB20.60 billion for 2022 respectively, with the annual growth rate ranged from approximately 3.67% to 10.47% and the average annual growth rate of around 6.49%. Accordingly, the Annual Cap for 2023 represents a moderate increase of around 8.16% as compared to the annualised transaction amount for 2022 which is indeed close to the aforesaid average historical annual growth rate for the past five years and therefore, considered not excessive. Further, we note that a roughly 10.0% annual growth are assumed in the Annual Caps for each of 2024 to 2027. Given the maximum historical annual growth rate amounted to around 10.47% and that the transactions are indeed revenue-generating in nature where reasonable flexibility should be allowed to avoid hindering the Group's possible revenue growth, we consider the assumed 10.00% annual growth for arriving at the Annual Caps for each of 2024 to 2027 not excessive.

Having considered all the above, we are of the view that the Proposed Annual Caps for the revenue to be generated by the Company from each of the Telecom Shareholders from the transactions contemplated under the 2022 Service Framework Agreements for each of the five years ending 31 December 2027 are fair and reasonable.

4.3 Basis for the Proposed Annual Caps for the advances to be made by the Company

As disclosed in the letter from the Board in the Circular, in estimating the proposed annual caps, the Directors have considered, among other things, the following key factors:

(a) the maximum daily balance of the advances made by the Company in the transactions under the 2022 Service Framework Agreements with each of the Telecom Shareholders for the three years ended 31 December 2021 and eleven months ended 30 November 2022 as disclosed above and especially the highest maximum daily balance;

(b) the expected increase in the unit price of electricity; and

(c) the expected increase in the electricity consumptions by each of the Telecom Shareholders and their branches/subsidiaries as a result of the increase in their demands for the services under the 2022 Service Framework Agreements for the five years ending 31 December 2027 due to the development of their 5G business. Specifically, the Company expects that the amounts of advances to each of the Telecom Shareholders and their branches/subsidiaries will increase relatively quickly in 2023 and 2024 due to an expected continuing expansion and construction of 5G networks and increase relatively slowly in 2025 to 2027 as a result of the expected slow-down of such expansion and construction.

We have discussed and understand from the Company that in considering the Proposed Annual Caps relating to the advances to be made by the Company for year ending 31 December 2023, the Group has primarily considered a growth rate of around 16.50% which was determined with reference to the annual growth in actual aggregated payments made on behalf of the Telecom Shareholders between 2020 and 2021 as disclosed in the annual report. We consider such growth rate adopted, to be prudent.

We also understand that in determining the Proposed Annual Caps attributable to each individual Telecom Shareholders for 2023 to 2027, it has considered the historical maximum daily balance of advances made attributable to the individual Telecom Shareholder as a percentage (the "**Reference Proportion**") to the total maximum daily balance of advances in the year ended 31 December 2020, 2021 and for the nine months ended 30 September 2022 (collectively, the "**Reference Period**").

We have discussed with the Management and concur that it is fair for the growth rate to be derived from the latest full financial year (i.e. 31 December 2021) to be factored in for the purpose of estimating the growth rate for the Proposed Annual Cap for year ending 31 December 2023 because it is seen as the most representative of the latest market conditions, e.g., electricity prices. We also understand that the growth rate estimated is then applied onto the average aggregated maximum daily balance of advances made to the Telecom Shareholders for the Reference Period and such aggregated forecasted maximum daily balance of advances for 2023 was then allocated to each of the China Mobile Group, China Unicom Corporation, China Telecom based on the Reference Proportion to arrive at the respective Annual Cap for 2023 for each of the Telecom Shareholders. We consider that the aforesaid approach, which is mainly based on historical data relating to the advances and the Reference Proportion, is not unreasonable.

We note that in estimating the Proposed Annual Cap for each of the four years ending 31 December 2027, the Company has also firstly estimated the aggregated maximum daily balance of advances for each of the four years ending 31 December 2027 by adopting an average growth rate of around 7.60% taking into account mainly the assumed growth rates for arriving at the Proposed Annual Caps for the revenue to be generated by the Company from each of the Telecom Shareholders for 2024 to 2027 (which are approximately 4.50%, 7.00% and 10.00% for China Mobile Group, China Unicom Corporation and China Telecom respectively as discussed in section headed "4.2 Basis for the Proposed Annual Caps for the revenue to be generated by the Company" above, with a simple average of around 7.17%) because the proposed revenue growth in this case is considered corelated to the potential demand for advances, that is, the more the tower and other related services demanded by the Telecom Shareholders would likely lead to a higher demand of electricity and therefore, the higher demand of advances by them. For reasons outlined under the section headed "4.2 Basis for the Proposed Annual Caps for the revenue to be generated by the Company", we consider the growth rates used to estimate the Proposed Annual Caps for the revenue to be generated by the Company to also be justifiable and the fact that the transactions are indeed revenue-generating in nature where reasonable flexibility should be allowed to avoid hindering the Group's possible revenue growth, hence, the growth rate used for the estimation of Proposed Annual Caps for the advances to be made by the Company to be also not without basis. On the similar basis as discussed in the above paragraph, such aggregated forecasted amount of advances for each of 2024 to 2027 were then allocated to each of the China Mobile Group, China Unicom Corporation, China Telecom based on the Reference Proportion to arrive at the respective Annual Cap for each of 2024 to 2027 for each of the Telecom Shareholders.

Having considered all the above, we are of the view that the Proposed Annual Caps for the maximum daily balance of the advances to be made by the Company to each of the Telecom Shareholders from the transactions contemplated under the 2022 Service Framework Agreements for each of the five years ending 31 December 2027 are fair and reasonable.

5. Implications under Rule 14A.52 of the Listing Rules

As stated in the letter from the Board of the Circular, Rule 14A.52 of the Listing Rules provides that the period for the agreement for continuing connected transactions must be fixed and reflect normal commercial terms or better and must not exceed three years except in special circumstances where the nature of the transaction requires a longer period. The Company believes that it is appropriate for the 2022 Service Framework Agreements to have a five-year term on the following basis:

The Company believes that it is appropriate for the 2022 Service Framework Agreements to have a five-year term on the following basis:

- since the transactions under the 2022 Service Framework Agreements are the core strategic transactions for the business of the Company, it is crucial for the Company to secure stable revenue and cash flow generated from the relevant product and services for as long a term as it can negotiate;

- the Company usually has to obtain financing for the acquisition and/or construction of the towers and related assets. It is in the Company's benefit to secure long-term users of the towers and related assets to recover the financing cost;

- the long-term approach of the service arrangements in respect of the relevant products is in line with the general practice of the industry and comparable contractual arrangements by international tower companies. Such companies usually have long-term arrangements with durations from five years to 15 years;

- the five-year term of the 2022 Service Framework Agreements is a natural extension of that of the 2018 Service Framework Agreements and in line with the Company's previous practice; and

- the Hong Kong Stock Exchange has allowed the 2018 Service Framework Agreements to have a five-year term.

In view of the fact that:

(1) On a best effort basis, we note from the public domain the information on the Market Peer that leases for tower sites of the Market Peer are for an initial of a term of between 5-10 years with multiple five year renewal periods and the associated service agreements relevant to the products supplied are also with a term ranging between 5 and 15 years. As such, the five-year term of the 2022 Service Framework Agreements is considered in line with the market practice;

(2) Given the Transactions are all revenue in nature for the Group and the fact that the Telecom Shareholders are the key players in the telecommunications industry in the PRC and their demands for the Group's services relating to the relevant products and related services has been and is expected to continue to be significant and stable and be a key revenue source for the Group, therefore it would be beneficial to the Group to impose a shorter term and/or fix an annual cap which will limit the business development and growth potentials of the Company;

(3) Further to the above, it would be considered impracticable and extremely difficult to set annual caps given the difficulties associated with high frequency of the transactions with fluctuating market prices and the relatively long term of the 2022 Service Framework Agreements as it would involve making assumptions on the future performance of the Company over a long period. In addition, the services provided to the Telecom Shareholders are primarily driven by the business development of the Telecom Shareholders based on the society's growing demand for telecommunication services and are therefore not under the control of the Company; and

(4) The relevant products and related services provided to the Telecom Shareholders are the core strategic transactions for the businesses of the Company. If the monetary cap is subject to the approval of the Shareholders of the Company during the term of the 2022 Service Framework Agreement, the uncertainty of Shareholders' approval would give rise to greater uncertainty as to whether the 2022 Service Framework Agreements will be functional within their whole terms.

In view of all the above, we concur that it would be unduly burdensome and would add unnecessary administration costs for the Group for the entering into of the Service Framework Agreements and the transactions contemplated under if it was subject to strict compliance with the requirements under Rule 14A.52.

6. Internal procedures

To safeguard the interests of the Shareholders as a whole, the Company has put in place internal approval and monitoring procedures relating to the connected transactions, which include the following:

- the Company has formulated the Manual of Risk and Internal Control Management, among other internal rules and regulations, to maintain a long-term sustainable and healthy development of the Company. Specifically, for the transactions contemplated under the 2022 Service Framework Agreements, the Company will adopt a tracking and analyzing method to monitor the revenue and profit of the provincial branches/subsidiaries of the Company on a monthly basis through monthly report submitted by the provincial branches/subsidiaries and monthly financial analysis. If the Company identifies any abnormal fluctuation in the revenue and profit of a certain geographical area, the Company shall further analyze the cause. The finance department of the Company is responsible for collecting and analyzing relevant data on a quarterly basis and report to the connected transaction committee and the Board on a semi-annual basis);

- the Company has established the connected transaction committee, comprising of all independent non-executive Directors, two executive Directors and one non-executive Director none of whom holds any position with any of the Telecom Shareholders or their associates. The connected transaction committee will consider the connected transactions requiring approval from the Board and shareholders' general meeting, and provide their opinion to the Board;

- the independent non-executive Directors and the auditors of the Company will conduct annual reviews of the non-exempt continuing connected transactions and provide annual confirmations in accordance with the Listing Rules (as applicable) that the non-exempt continuing connected transactions are conducted in accordance with the terms of the relevant agreements, in the ordinary and usual course of business of the Group, on normal commercial terms, on terms that are fair and reasonable and in the interests of the Shareholders as a whole and in accordance with the pricing policy;

- the Company's audit department will monitor and assess the effectiveness and adequacy of the overall formulation and execution of internal control policies of the Company (including those in relation to the continuing connected transactions), and will make recommendation and report to the audit committee of the Company annually; and

- for the advances made by the Company in relation to the power service, the Company has adopted internal guidelines which provide that the finance department shall collect and analyse relevant data and report to the Connected Transaction Committee and the Board on a semi-annual basis so that if the value of the maximum daily balance is expected to exceed certain thresholds, the Connected Transaction Committee and the Board shall commence the necessary additional assessment and approval procedures and ensure that the Company will comply with the applicable requirements under Chapter 14 and Chapter 14A of the Listing Rules.

To ensure that the individual transactions are conducted within the 2022 Service Framework Agreements, on normal commercial terms and in accordance with the pricing policies, the Company has specifically put in place the following internal implementation procedures:

- internal regulation procedures to administrate orders, billings and payments and accounting procedures under the 2022 Service Framework Agreements with each of the Telecom Shareholders which cover various stages of order management including order taking, order approval and order implementation. This helps ensure that the individual transactions contemplated under the 2022 Service Framework Agreements are conducted in accordance with the 2022 Service Framework Agreement and are on normal commercial terms;

- establishment of a centralized and unified IT support system, to provide a unified system platform for the above order management, billing and accounting processes with the aim to achieve centralized billing. Through the unified system, the Company maintains supervision of the compliance by each individual agreement entered into under the 2022 Service Framework Agreements with the pricing policy; and

- establishment of a special business unit at the headquarters which analyzes and supervises the implementation of the 2022 Service Framework Agreements by the Company's branches and the internal control procedures above and reports to the Company's management regularly.

We have enquired the Company and was provided with samples of historical individual agreements relating to the Telecom Shareholders for products/services provided under the existing 2018 Service Framework Agreement and relevant internal approval records. We have discussed the historical agreements mentioned with the relevant personnel from the special business unit at the headquarters of the Company and based on our discussion, we are confirmed and noted that the internal control procedures were adhered and executed prior to entering into such relevant agreements. Coupled with our examination of the letter issued by the Auditors as discussed in the section above headed "3.4 Pricing Policy", we considered that the above measures to be reasonable in ensuring that each individual transactions are conducted within the framework agreements.

OPINION AND RECOMMENDATION

Having considered the principal factors and reasons set out above, we are of the view that the 2022 Service Framework Agreements with the Telecom Shareholders are conducted on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and the terms of the 2022 Service Framework Agreements and their Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee and the Independent Shareholders, and the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the ordinary resolutions to be proposed at the EGM to approve 2022 Service Framework Agreements with each of the Telecom Shareholders and the transactions contemplated under such agreements (including the Proposed Annual Caps), as detailed in the notice of the EGM set out at the end of the Circular.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Lyan Tam
Director

Ms. Lyan Tam is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Somerley to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has over 19 years of experience in corporate finance industry.

1. STATEMENT OF RESPONSIBILITY

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS AND ASSETS

(i) Mr. Gao Tongqing, a Director of the Company, and Mr. Liu Wei, a Supervisor of the Company, currently hold positions in China Mobile Company and/or its associates.

(ii) Mr. Li Zhangting, a Supervisor of the Company, currently holds positions in China Unicom Corporation and/or its associates.

(iii) Mr. Liu Guiqing, a Director of the Company, and Ms. Han Fang, a Supervisor of the Company, currently hold positions in China Telecom and/or its associates.

(iv) Mr. Fang Xiaobing, a Director of the Company, and Ms. Li Tienan, a Supervisor of the Company, currently hold positions in China Reform Holdings Corporation Ltd. and/or its associates.

(v) Save as disclosed above, as at the Latest Practicable Date, none of the Directors or Supervisors was materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group, apart from their service contracts.

(vi) As at the Latest Practicable Date, none of the Directors or Supervisors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

3. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at the Latest Practicable Date, save as stated below, none of the Directors, Supervisors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the Part XV of the SFO) which are (1) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she is taken or deemed to have under such provisions of SFO), or (2) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (3) required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange.

Name of the Directors, Supervisors and chief executive	Nature of interest	Class of shares	Number of shares held(1)(2)	Percentage of shares in the relevant class of shares of the Company	Percentage of shares in the total shares in issue of the Company
Gu Xiaomin	Beneficiary of a trust	H shares	465,000 (L)	0.00%	0.00%
Gao Chunlei	Beneficiary of a trust	H shares	465,000 (L)	0.00%	0.00%

Notes:

(1) (L) – Long position

(2) These represent the number of the restricted shares (the "**Restricted Shares**") under "China Tower Corporation Limited First Phase Restricted Share Incentive Scheme" (the "**Restricted Share Incentive Scheme**") which were granted to the above-mentioned persons by the Company.

In May 2019, Mr. Gu Xiaomin and Mr. Gao Chunlei both accepted 1,550,000 Restricted Shares, respectively, granted by the Company in April 2019 under the initial grant of the Restricted Share Incentive Scheme (the "**Initial Grant**"). In addition, the spouse of Mr. Li Zhangting, a Supervisor of the Company, held 550,000 Restricted Shares granted by the Company under the Initial Grant of the Restricted Share Incentive Scheme.

The Restricted Shares granted under the Initial Grant failed to be unlocked for the first and the second unlocking periods. The interests of relevant participants in such Restricted Shares have been bought out by the trustee at the grant price in accordance with the terms of the Restricted Share Incentive Scheme and the laws and regulations, including the interests of 70% of the Restricted Shares granted to each of Mr. Gu Xiaomin, Mr. Gao Chunlei and the spouse of Mr. Li Zhangting. As at the Latest Practicable Date, Mr. Gu Xiaomin, Mr. Gao Chunlei and the spouse of Mr. Li Zhangting held 465,000, 465,000 and 165,000 Restricted Shares, respectively. For details, please refer to the interim report 2022 of the Company dated 23 August 2022.

As at the Latest Practicable Date, save as stated above, none of the Directors or Supervisors was a director or employee of a company which has any interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or Supervisors has any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors and Supervisors or their respective close associates was interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. QUALIFICATIONS AND CONSENT

The following are the qualifications of the expert who has been named or given its opinions or advice contained or referred to in this circular:

Name	Qualification
Somerley Capital Limited	Licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Somerley Capital Limited issued a letter dated 15 December 2022 for the purpose of incorporation in this circular, in connection with its advice to the Independent Board Committee and the Independent Shareholders in relation to its opinion and recommendation to the 2022 Service Framework Agreements and the transactions under such agreements (including the Proposed Annual Caps) and its view of the five-year term of the 2022 Service Framework Agreements.

As at the Latest Practicable Date, Somerley Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, statements and/or references to its name in the form and context in which it appears. Such letter and statements from and/or references of Somerley Capital Limited are given as at the date of this circular for incorporation herein.

As at the Latest Practicable Date, Somerley Capital Limited was not beneficially interested in the share capital of any member of the Group or did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and did not have any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. GENERAL

(a) The Company Secretary of the Company is Ms. Leung Suet Wing.

(b) The registered office the Company is Room 101, LG1 to 3/F, Building 14, North District, Yard No. 9, Dongran North Street, Haidian District, Beijing, PRC.

(c) The H share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Hong Kong Stock Exchange at (https://www.hkexnews.hk) and the website of the Company (https://www.china-tower.com) during the period of 14 days from the date of this circular:

(a) the 2022 Commercial Pricing Agreement with China Mobile Company;

(b) the 2022 Service Agreement with China Mobile Company;

(c) the 2022 Commercial Pricing Agreement with China Unicom Corporation;

(d) the 2022 Service Agreement with China Unicom Corporation;

(e) the 2022 Commercial Pricing Agreement with China Telecom;

(f) the 2022 Service Agreement with China Telecom;

(g) the letter from the Independent Board Committee containing its recommendations to the Independent Shareholders;

(h) the letter from Somerley Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders;

(i) the written consent letter referred to in the section headed "Qualifications and Consent" of this Appendix to this circular; and

(j) this circular.

THE MEASURES ON PAYROLL MANAGEMENT OF CHINA TOWER CORPORATION LIMITED

Chapter I General Provisions

Article 1 In order to establish and optimize the payroll determination and normal increment mechanism of China Tower Corporation Limited (hereinafter referred to as the Company) and promote the high-quality development of the Company, these Measures are formulated according to relevant regulations and policies of the State, the Articles of Association of China Tower Corporation Limited and the actual conditions of the Company.

Article 2 These Measures are applicable to all entities in the scope of consolidated financial statements of the Company, including, the headquarters of the Company and its holding subsidiaries, as well as branches and infrastructure projects of the Company, among others.

Article 3 Payroll referred to in these Measures represents the total remuneration directly paid to all the employees of the Company for their services in an accounting year, including salaries, bonuses, allowances, subsidies, overtime pay and other emoluments paid in special circumstances.

Article 4 Employees referred to in these Measures represent persons who have employment relationship with and receive remuneration (including living subsidies) for their services directly from the Company or entities of different levels under the Company, including existing employees and departed employees for whom the employment relationship is still retained and excluding retired employees and dispatched workers.

Article 5 The payroll management shall follow the principles set out below:

(i) Adhering to the reform direction of marketization. The Company shall let the market play a decisive role in resource allocation and gradually realize the target of the payroll of employees being in line with the market rate.

(ii) Adhering the performance-oriented principle. Based on the requirements of putting quality first and placing priority on performance, the determination and increment of the salaries of employees shall be linked with the corporate financial performance and productivity, effectively creating a mechanism where the salaries of employees can be adjusted, thus providing both incentives and restraints to employees and properly mobilizing the initiative and enthusiasm of employees to improve their performance.

(iii) Adhering to management by category. Based on the development phase of different entities under the Company and with reference to their business characteristics, the Company shall implement differentiated payroll budget management and determination mechanisms and direct them to implement the Company's strategies and high-quality development missions.

Chapter II Payroll Determination Mechanism

Article 6 The Company has developed a coordinated payroll determination mechanism comprising the linkage between remuneration and results, productivity benchmarking adjustment and payroll level adjustment and control and reasonably prepared annual payroll budget based on the settlement amount of payroll in the previous year and the estimation on the financial performance and productivity for the year and with reference to the labour market rate and other factors. In particular, the linkage between remuneration and results means that the payroll of employees is linked with the total profit and shall be determined within a scope not exceeding the growth rate of the total profit.

Article 7 If the Company's performance or productivity becomes incomparable as a result of the impact of industrial policy adjustments, force majeure or other factors, due consideration should be given to, among others, drop in profitability due to policy-related factors, and the specific amount shall be subject to the determination of the general shareholders' meeting or the board of directors as authorized by the general shareholders' meeting.

Chapter III Management Procedures

Article 8 The Company's payroll management procedures including, among others, budget making, budget implementation, budget adjustment and settlement evaluation, thus realizing whole process closed-loop management.

Article 9 If there is any material change in the basis of preparation of budget as a result of any of the following circumstances in the process of budget implementation, application may be submitted for adjusting the payroll budget:

(i) Material adjustments in the macroeconomic policies of the State;

(ii) Material changes in the market condition;

(iii) Division, merger or other major asset restructuring acts of the Company; and

(iv) Other special circumstances.

Chapter IV Internal Allocation Management

Article 10 The Company shall establish a flexible and efficient marketized operational mechanism and consolidate the role of "remuneration increases when performance improves, and remuneration decreases when performance drops" as the guiding principle to continuously improve the vitality and competitiveness of the Company.

Article 11 The Company shall standardize its employee benefits and security management and strictly comply with the requirements of the policies of the State in relation to social insurance, housing provident fund, corporate annuity, welfare payment and others.

Chapter V Supervision and Inspection

Article 12 The Company shall enhance supervision and early warning and to track and monitor the payroll payment and other key indicators of the Company and entities of different levels under the Company.

Article 13 The Company shall regularly disclose information in relation to payroll to the public every year and accept the supervision of the public.

THE INTERIM ADMINISTRATIVE MEASURES ON THE REMUNERATION OF THE MANAGEMENT OF CHINA TOWER CORPORATION LIMITED

Chapter I General Provisions

Article 1 In order to establish and optimize the incentive and discipline mechanism for the management of China Tower Corporation Limited (hereinafter referred to as the Company), promote the high-quality development of the Company, these Measures are formulated according to relevant regulations and policies of the State, the Articles of Association of China Tower Corporation Limited and the actual conditions of the Company.

Article 2 The Company's management referred to in these Measures includes executive directors, deputy general managers, chief accountant and other senior management appointed by the board of directors.

Article 3 The management of remuneration for the Company's management shall follow the following principles:

(i) To maintain the orientation of improving the modern enterprise system, promote the reform and development of enterprises, standardize corporate governance, strengthen the sense of responsibility of the Company's management and further unleash the vitality of enterprise development.

(ii) To pursue the combination of incentives and disciplines, establish a remuneration mechanism that is closely linked to the results of the performance appraisal, and matches the undertaking of the risks and responsibilities, and fully leverage the important role of remuneration management in stimulating the enthusiasm of the Company's management.

Chapter II Composition and Determination of Remuneration

Article 4 Composition of remuneration

The remuneration of the Company's management consists of three parts: basic annual salary, performance-based annual salary and tenure incentive. Among them, the basic annual salary and the performance-based annual salary constitute the annual remuneration.

$$W_{\text{remuneration}} = W_{\text{basic salary}} + W_{\text{performance-based salary}} + W_{\text{tenure incentive}}$$

Article 5 Basic annual salary

The basic annual salary represents the annual basic income of the Company's management, which is reviewed annually in principle and paid on a monthly basis. The basic annual salary of the deputy general managers, chief accountant and other senior management in the Company's management is determined based on a certain proportion of the basic annual salary of the chairman of the board of directors and general manager by taking into account factors such as the job role, responsibilities and risks assumed.

Article 6 Performance-based annual salary

The performance-based annual salary represents the income that is linked to the results of the annual performance appraisal of the Company's management, which is determined based on the basic annual salary and the results of the annual performance appraisal.

$W_{\text{performance-based salary}} = W_{\text{basic salary}} \times P \times T$

Whereas, P refers to the annual appraisal coefficient, which is determined according to the score of the annual performance appraisal, and T refers to the performance-based annual salary adjustment coefficient, which is specifically determined by the general shareholders' meeting or the board of directors authorized by the general shareholders' meeting in accordance to the actual conditions of the Company.

Article 7 Tenure incentive

The tenure incentive income of the Company's management refers to the remuneration income that is linked to the results of tenure performance appraisal of the Company's management, which is determined at no more than 30% of the total annual remuneration during the term of office based on the results of the tenure performance appraisal. The tenure for performance appraisal of the Company's management shall be three years.

Chapter III Benefits

Article 8 The Company's management shall participate in basic social insurance schemes such as basic pension insurance and basic medical insurance and make contribution to the housing provident fund in accordance with the relevant provisions of the State.

Article 9 The Company shall establish enterprise annuity, supplementary medical insurance and other benefit schemes for its management in accordance with the relevant provisions of the State.

Chapter IV Remuneration Management

Article 10 If the Company's management hold part-time positions in its wholly-owned companies, holding companies or invested companies, or in any entities other than the Company, they shall not receive any form of remuneration such as wages, bonuses and allowances from any companies (entities) in which they hold part-time positions.

Article 11 Except for government allowances, academician allowances and other monetary income that satisfy with the relevant provisions of the State, the Company shall not distribute incentives and in-kind rewards given to the Company or the Company's management by local governments at all levels or relevant departments to the Company's management.

Article 12 In the event of change of positions of the Company's management, their annual remuneration and tenure incentive shall be calculated separately according to the service term of the different positions. After their retirement, the Company's management shall not continue to receive any remuneration from the Company or companies contributed by the Company, except for the performance-based annual salary accrued based on the actual number of working months in the current year and the tenure incentive accrued based on the actual number of working months in the current period.

THE INTERIM MEASURES ON THE OPERATING PERFORMANCE APPRAISAL OF THE MANAGEMENT OF CHINA TOWER CORPORATION LIMITED

Chapter I General Provisions

Article 1 In order to establish and improve the incentive and discipline mechanism of the Company's management, and promote the high-quality and sustainable development of the Company, these Measures are formulated according to relevant regulations and policies of the State and the actual conditions of China Tower Corporation Limited (hereinafter referred to as the Company).

Article 2 The Company's management subject to these Measures refers to the members of the Company's management team, including the chairman of the board of directors, general manager and other management members.

Article 3 The performance appraisal of the Company's management shall follow the following principles:

(i) Observing the regulatory requirements on state-owned assets. With the principle of "Best in Quality; Priority in Efficiency", serving the national strategy, and the innovation-driven approach, the Company focuses on speeding up the structural adjustment and transformation and upgrading in the principal businesses, and promotes the high-quality and sustainable development of the Company.

(ii) Implementing the Company's development strategy. With the goal of developing into an enterprise centered around sharing, service, innovation, technology and value creation, based on the Company's development plan, its position as a "world-class integrated information and communications infrastructure service provider and a highly competitive information and new energy applications provider" and by further implementing the "One Core and Two Wings" strategy, the Company continuously improves its resource sharing capabilities and innovation development capabilities, making China Tower stronger, better and bigger.

(iii) Coordinating short-term goals and long-term growth. Through a combination of annual appraisal and tenure appraisal, result-oriented appraisal and process appraisal, the Company establishes a performance appraisal system with a firm foothold in the present and an outlook to the future, constantly optimizes resource allocation and ramps up the weak links in its growth, enabling the Company to march towards a world-class enterprise.

(iv) Pursuing the close combination of incentive and control. To be directed by positive guidance, the Company establishes an incentive and control mechanism that is linked to business performance and matches the undertaking of risks and responsibilities, in a bid to fully stimulate the vitality and enthusiasm of the management, effectively prevent and defuse major risks, and facilitate the Company to achieve its business growth with higher quality, better efficiency and better structure.

Article 4 The annual performance appraisal and tenure performance appraisal shall be conducted by signing a letter of performance responsibility between the board of directors or its authorized representative and the Company's management.

Chapter II Indicator Setting and Target Management

Article 5 In accordance with the basic principles of performance appraisal, the appraisal indicators shall take into account economic, political and social responsibilities of the enterprise, highlight quality and efficiency, guide high-quality development of the enterprise, highlight serving national strategies, guide the enterprise to adhere to its responsibilities and missions, serve the overall development of the State, highlight innovation-driven development, guide the enterprise to adhere to independent innovation, highlight deepening reform, guide the enterprise to take supply-side structural reform as the main line, focus on the principal business and strengthen industry, and streamline business structure and improve development quality and efficiency.

Article 6 The appraisal indicators for the chief management members shall include quality and efficiency indicators, serving national strategy indicators, innovation-driven development and supply-side structural reform indicators. In principle, the number of annual performance appraisal indicators shall not exceed five, and the number of tenure performance appraisal indicators shall not exceed four. For the deputy management members, separate appraisal indicators shall be set for their respective areas of responsibility in addition to the appraisal indicators for the chief management members. If there are any regulatory requirements in respect of the appraisal of management performance otherwise imposed the regulatory authorities, such requirements shall prevail.

Article 7 The appraisal target scores shall be set according to requirements in line with the speed of national economic development and matching the functional positioning of state-owned capital and the Company's development strategic plans, and shall be determined in principle on the basis of the benchmark value, which shall be determined based on the accomplishment of the appraisal indicators in the past three years and with reference to comparable indicators of the industry.

Article 8 The annual appraisal target value shall be connected with the Company's annual budget target, and the tenure appraisal target value shall be connected with the Company's strategic plans.

Article 9 The target value of the annual financial performance indicator is closely related with the appraisal score, and if the target value reaches a record high, the appraisee will receive full scores after completion; if the target value is lower than the benchmark value, the addition of scores will be limited after completion.

If after being compared to international and industrial comparables, the target value is in a leading position in the industry, the appraisee will not be subject to the limitation of the benchmark value and the scores will be normally calculated after completion.

Chapter III Implementation of Appraisal

Article 10 The measures on the performance appraisal of the management of the Company shall be subject to the consideration of the general shareholders' meeting and implemented by the board of directors as authorized by the general shareholders' meeting.

Article 11 The appraisal period for annual performance appraisal shall be one calendar year and the appraisal period for tenure performance appraisal shall be three years.

Article 12 The contents of a letter of performance responsibility shall be as follows:

(i) name of the entity and position and names of the relevant management members;

(ii) contents and indicators of the appraisal;

(iii) appraisal and the relevant awards and punishments;

(iv) change, revocation and termination of the letter of responsibility; and

(v) other matters required to be agreed on.

Article 13 At the beginning of the appraisal, the general shareholders' meeting shall authorize the board of directors to sign a letter of performance responsibility with the chairman of the board of directors, who shall enter into letters of performance responsibility with the general manager and other management members.

Article 14 During the appraisal period, major matters that occurs during the appraisal period and have impacts on the results of operations shall be reported to the board of directors in a timely manner.

Article 15 At the end of the appraisal period, a report shall be prepared on the accomplishment of the performance targets based on the audited financial final account figures and the board of directors shall consider and determine the results of the annual and tenure performance appraisal of the management of the Company.

Chapter IV Appraisal Awards and Punishments

Article 16 Annual and tenure performance appraisal results are classified into four grades: A, B, C and D. If the net profit indicators drop significantly year-on-year, the performance of the appraisee shall not be classified as A grade unless the net profit is otherwise impacted by major policy adjustments and other factors; if the indicators on serving the strategies of the State are not satisfactory, the performance of the appraisee shall not be classified as A grade; if the quality and efficiency indicator score is below the benchmark score, the performance of the appraisee shall not be classified as C grade.

Article 17 The board of directors have been authorized to provide awards to or impose punishments on the management of the Company, based on the annual and tenure performance appraisal grades. The performance appraisal results shall be taken as the key basis for the determination of the remuneration of the management of the Company and as the material basis for position adjustment.

Article 18 In the event of occurrence of any of the following circumstances, corresponding scores shall be deducted according to specific circumstances; in the event of illegal operation and investment resulting in loss of state-owned assets or other serious adverse consequences, the relevant persons shall be held liable for the loss in accordance with the relevant requirements; in the event of suspected violations of disciplines or laws, the relevant case shall be referred to the relevant discipline inspection agencies for investigation and handling according to law.

(i) misrepresentation or concealment of financial position in violation of the relevant laws, regulations and rules such as the Accounting Law of the People's Republic of China and the Accounting Standards for Business Enterprises;

(ii) occurrence of serious or above production safety accidents and cybersecurity incidents, major or above ecological incidents, major quality accidents, major violation of disciplines and legal dispute cases, aimless investment in deviation from principal activities or vicious competition due to the violation of the laws and regulations and rules of the State by the management of the Company, resulting in material adverse impacts or loss of state-owned assets; and

(iii) breach of laws and regulations in relation to energy conservation and environmental protection or occurrence of other score deduction events specified in relevant regulatory requirements.

Chapter V Supplementary Provisions

Article 19 During the appraisal period, in the event of any of the following circumstances, subject to the consideration of the board of directors, the relevant contents of the letter of performance responsibility may be altered in accordance with the actual specific conditions.

(i) Material changes in the operating environment or asset and capital verification, corporate restructuring and reorganization or changes in the key management members of the Company occur.

(ii) The results of operations are materially impacted due to adjustments to the policies of the State, changes in the market regulatory policies or matters specific to the Company.

Article 20 The Company encourages exploration and innovation and inspires and protects entrepreneurship. For the implementation of major technological innovation and development of prospective and strategic industries that have material impacts on the results of operation of the Company, based on the principle of "three distinctions" and the relevant requirements, no negative opinions shall be given on the appraisal.

Article 21 These measures shall be implemented after being considered and approved by the general shareholders' meeting.

CHINA TOWER CORPORATION LIMITED
中國鐵塔股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0788)

NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING OF 2022

NOTICE IS HEREBY GIVEN that the third extraordinary general meeting of China Tower Corporation Limited (the "**Company**") of 2022 (the "**EGM**") will be held at 10:00 a.m. on Friday, 30 December 2022 at Room 101, Building 12, China Tower Industrial Park, No. 9 Dongran North Street, Haidian District, Beijing, PRC, to consider and, if thought fit, approving the following:

ORDINARY RESOLUTIONS

1. **THAT** the 2022 Commercial Pricing Agreement and 2022 Service Agreement with China Mobile Company and the continuing connected transactions contemplated under such agreements together with the relevant Proposed Annual Caps, be and are hereby reviewed and approved and any director of the Company or his/her delegated persons is hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in their opinion as may be necessary, desirable or expedient to implement and/or give effect to the terms of such continuing connected transactions.

2. **THAT** the 2022 Commercial Pricing Agreement and 2022 Service Agreement with China Unicom Corporation and the continuing connected transactions contemplated under such agreements together with the relevant Proposed Annual Caps, be and are hereby reviewed and approved and any director of the Company or his/her delegated persons is hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in their opinion as may be necessary, desirable or expedient to implement and/or give effect to the terms of such continuing connected transactions.

3. **THAT** the 2022 Commercial Pricing Agreement and 2022 Service Agreement with China Telecom and the continuing connected transactions contemplated under such agreements together with the relevant Proposed Annual Caps, be and are hereby reviewed and approved and any director of the Company or his/her delegated persons is hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in their opinion as may be necessary, desirable or expedient to implement and/or give effect to the terms of such continuing connected transactions.

4. **THAT** the adoption of the Measures on Payroll Management of China Tower Corporation Limited be and is hereby considered and approved.

5. **THAT** the adoption of the Interim Administrative Measures on the Remuneration of the Management of China Tower Corporation Limited be and is hereby considered and approved.

6. **THAT** the adoption of the Interim Measures on the Operating Performance Appraisal of the Management of China Tower Corporation Limited be and is hereby considered and approved.

By Order of the Board
China Tower Corporation Limited
Leung Suet Wing
Company Secretary

Hong Kong, 15 December 2022

Notes:

1. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the circular of the EGM of the Company dated 15 December 2022.

2. The H share register of members of the Company will be closed, for the purpose of determining the entitlement of H share shareholders of the Company to attend the EGM, from Friday, 23 December 2022 to Friday, 30 December 2022 (both days inclusive), during which period no transfer of H shares of the Company will be registered. In order to attend the EGM, all share transfers, accompanied by the relevant share certificates, must be lodged for registration with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 22 December 2022. Holders of H share of the Company who are registered with Computershare Hong Kong Investor Services Limited on Friday, 30 December 2022 are entitled to attend the EGM.

3. Each shareholder of the Company (the "**Shareholder(s)**") entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on his/her/its behalf at the EGM. A proxy needs not be a Shareholder.

4. **The health of Shareholders, staff and stakeholders is of paramount importance to the Company. In light of the Novel Coronavirus ("COVID-19") outbreak, the Company encourages that the Shareholders to consider appointing the Chairman of the meeting as his/her proxy to vote on the relevant resolutions at the EGM, instead of attending the EGM in person. The Company will comply with applicable laws and regulations, and will implement the appropriate precautionary measures at the EGM to protect attending Shareholders, staff and stakeholders from the risk of infection. The Directors (including the Chairman of the Board) may attend the EGM remotely through video or telephone conference facilities if needed. The Chairman of the Board and Chairmen of the Board committees will be available either in person or through video or telephone conference facilities to answer questions from Shareholders at the EGM. Depending on the evolvement of the COVID-19 outbreak, the Company may adjust or reschedule the EGM in accordance with the applicable laws and regulations.**

5. To be valid, the form of proxy together with the power of attorney or other authorization document (if any) signed by the authorized person or notarially certified power of attorney must be completed and delivered to the registered office of the Company for holders of domestic shares of the Company or to the Computershare Hong Kong Investor Services Limited for holders of H shares of the Company no later than 24 hours before the designated time (i.e. before 10:00 a.m. on Thursday, 29 December 2022) for the holding of the EGM. The address of the registered office of the Company is Room 101, LG1 to 3/F, Building 14, North District, Yard No. 9, Dongran North Street, Haidian District, Beijing, PRC; telephone: (8610) 6870 8806. The address of

Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; telephone: (852) 2862 8555. Completion and return of a form of proxy will not preclude a Shareholder from attending in person and voting at the EGM if he/she/it so wishes.

6. Shareholders attending the EGM in person or by proxy shall present their identity certification. If the attending Shareholder is a corporation, its legal representative or person authorized by the board or other decision making authority shall present a copy of the relevant resolution of its board or other decision making authority in order to attend the EGM.

7. The resolutions to be proposed at the EGM will be voted by poll.

8. The EGM is expected to last for half a day. Shareholders (in person or by proxy) attending the EGM shall be responsible for their own transport and accommodation expenses.

9. China Mobile Company will abstain from voting in respect of resolution 1; China Unicom Corporation will abstain from voting in respect of resolution 2; and China Telecom will abstain from voting in respect of resolution 3.

As at the date of this notice, the board of the Company comprises:

Executive directors	:	*Zhang Zhiyong (Chairman of the Board), Gu Xiaomin (General Manager) and Gao Chunlei*
Non-executive directors	:	*Gao Tongqing, Liu Guiqing and Fang Xiaobing*
Independent non-executive directors	:	*Zhang Guohou, Dong Chunbo, Hu Zhanghong and Sin Hendrick*