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)

INSIDE INFORMATION

CONTINUING CONNECTED TRANSACTIONS

2022 SERVICE FRAMEWORK AGREEMENTS

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

THE 2022 SERVICE FRAMEWORK AGREEMENTS

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. Under the 2018 Service Framework Agreements, 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.

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 with 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 principal terms of the 2022 Service Framework Agreements and the amendments compared to the 2018 Service Framework Agreements are set out below in this announcement. Saved as disclosed in this announcement, other principal terms of the 2018 Service Framework Agreements remain unchanged.

As of the date of this announcement, the 2022 Service Framework Agreements have not been entered into. The Company will provide further updates in accordance with the applicable requirements under the Listing Rules upon signing the 2022 Service Framework Agreements.

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 date of this announcement 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 date of this announcement 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 date of this announcement 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 as described above 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, the Company sets out the reasons and grounds for the 2022 Service Framework Agreements to have a five-year term below in this announcement.

BOARD MEETING AND OPINION

For the reasons set out in the section headed "The EGM – Reasons and Considerations for the Proposed Voting Arrangements" below in this announcement, the following Directors have abstained from voting at the Board meeting approving the relevant 2022 Service Framework Agreements as described below:

- 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 relevant 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 relevant 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 Board (excluding the members of the Independent Board Committee, the opinion of which, after taking into account the advice from the Independent Financial Adviser, will be included in the Circular to be despatched to the Shareholders) 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.

THE EGM

The EGM will be convened to consider and, if thought fit, to approve the 2022 Service Framework Agreements with each of the Telecom Shareholders and the Proposed Annual Caps.

Pursuant to Rules 14A.03 and 14A.36 of the Listing Rules, 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. For the reasons and considerations set out in the section headed "The EGM – Reasons and Considerations for the Proposed Voting Arrangements" below in this announcement, the following Shareholders will abstain from voting at the EGM as described below:

- 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.

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.

A Circular containing, among other things, (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, 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; and (iv) a notice of the EGM, is expected to be despatched to the Shareholder on or around 15 December 2022.

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

BACKGROUND

We refer to the disclosure in relation to the 2018 Service Framework Agreements entered into between the Company and each of the Telecom Shareholders 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.

THE 2022 SERVICE FRAMEWORK AGREEMENTS

The Board announces that it 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 with 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.

As of the date of this announcement, the 2022 Service Framework Agreements have not been entered into. The Company will provide further updates in accordance with the applicable requirements under the Listing Rules upon signing the 2022 Service Framework Agreements.

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

   - 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 number of the total 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 2018 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 the announcement, 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 the 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 the 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 underlines.

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 the Company and each of the Telecom Shareholders through commercial negotiations at 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 <u>underlines</u> against the relevant terms of the 2018 Service Framework Agreements.

- *Tower products*

The pricing for the tower products under the 2022 Services 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 $= \left(\Sigma \dfrac{\text{standard construction cost}}{\text{years of depreciation}} \times (1+\text{impairment rate}) + \text{maintenance cost}\right) \times (1 + \text{cost margin})$

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.	
	Years of depreciation	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 colocation 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 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 selfbuilt 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 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 x 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) x geographical co-efficient x (1+ impairment rate) + maintenance cost] x (1 + cost margin) = [(RMB183,433/10 x 1.0 + RMB5,915/6 + RMB48,278/6) x 1.0 x (1+2%) + RMB3,400] x (1+10%) = RMB34,455

- Power access fee per year = construction cost/years of depreciation x (1+cost margin) = RMB21,000/10 x (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 x (1-37.4%) + (RMB11,000 + RMB2,205) x (1-45%) = RMB28,831.6

- Product price per year for Tenant B = RMB34,455 x (1-32.4%) + (RMB11,000 + RMB2,205) x (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 x (1-47.4%) + (RMB11,000 + RMB2,205) x (1-55%) = RMB24,065.6

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

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

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:
  - ~~30%~~32.4% off the base price if shared by 2 tenants, ~~40%~~42.4% off the base price if shared by 3 tenants
  - 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:
  - ~~40%~~42.4% off the base price
  - 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) x discount rate x (1 + impairment rate) + maintenance cost] x (1 + cost margin) = [(RMB183,433/10 + RMB5,915/6 + RMB48,278/6) x 0.82 x (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 Services 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	$= (\Sigma \frac{\text{standard construction cost}}{\text{years of depreciation}} \times (1+\text{impairment rate}) + \text{maintenance cost}) \times (1+\text{cost margin})$ = 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 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%
	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.

<u>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.</u>

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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.

<u>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.</u>

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 x (1 + impairment rate) + maintenance cost] x (1 + cost margin) = [RMB7.5/7 (1+2%) + RMB0.05] x (1+15%) = RMB1.3143 • The product price per year = base price x area covered + site fee = RMB1.3143/m^2 x 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 subsidiaries)

Product price (on an itemised basis) $= \dfrac{\text{actual construction cost}}{\text{number of the Telecom Shareholder and their respective subsidiaries connected}} \times (1\text{+cost margin})$

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

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~~ service fee monthly. 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.

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 telecommunications 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 pay any electricity bills that are unreasonable as a result of the Company's actions, the parties shall determine the ~~service fees~~ overdue 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

$$\text{Product price for one system} = \left(\frac{\text{construction cost}}{\text{years of depreciation}}\right) \times (1 + \text{impairment rate}) \times (1 + \text{cost margin})$$

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 of 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 by provisions under the framework agreements while the detailed rules of penalties appliable to the maintenance fees can be further agreed under the Provincial Company 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.

HISTORIC TRANSACTION AMOUNTS OF TRANSACTIONS CONTEMPLATED THE 2018 SERVICE FRAMEWORK AGREEMENTS AND 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:

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

Category	Balance as at 31 December			Balance as at 30 September
	2019	2020	2021	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 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.

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.

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 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 billion 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 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.

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 announcement. 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 from 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 each of 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 fees; 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.

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 the 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 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 independent non-executive Directors who are members of the Independent Board Committee, the opinion of which, after taking into account the advice from the Independent Financial Adviser, will be included in the Circular to be despatched to the Shareholders) 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.

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 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.

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.

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 date of this announcement 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 date of this announcement 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 date of this announcement 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; and

- 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 view of the Independent Financial Adviser as required by Rule 14A.52 of the Listing Rules will be disclosed in the Circular.

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.

BOARD MEETING AND OPINION

For the reasons set out in the section headed "The EGM – Reasons and Considerations for the Proposed Voting Arrangements" below in this announcement, the following Directors will abstain from voting at the Board meeting approving the relevant 2022 Service Framework Agreements as described below:

- 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 relevant 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 relevant 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 deliberated the 2022 Service Framework Agreements with the Telecom Shareholders and the transactions contemplated under the 2022 Service Framework Agreements and has proposed to the Board for approval of 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, will be included in the Circular to be despatched to the Shareholders) 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.

THE EGM

The EGM will be convened to consider and, if thought fit, to approve the 2022 Service Framework Agreements with each of the Telecom Shareholders and the Proposed Annual Caps.

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.

A Circular containing, among other things, (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, 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; and (iv) a notice of the EGM, is expected to be despatched to the Shareholder on or around 15 December 2022.

Proposed Voting Arrangements at the EGM

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;

- 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

- China Telecom will abstain from voting on the resolution in respect of the 2022 Service Framework Agreements between it and the Company.

Reasons and Considerations for the Proposed Voting Arrangements

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 of the Company 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.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the meanings set out below:

"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 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 of the date of this announcement

"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 date of this announcement
"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 date of this announcement
"Circular"	a circular to be despatched to the Shareholders in relation to, among other things, the 2022 Service Framework Agreements with each of the Telecom Shareholders and the continuing connected transactions contemplated under the 2022 Service Framework Agreements
"Commercial Pricing Agreements"	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 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 to consider and approve the 2022 Service Framework Agreements with each of the Telecom Shareholders and the Proposed Annual Caps, the notice of which will be set out in the Circular, or any adjournment of the extraordinary general meeting

"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
"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
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"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

"Shareholder(s)"	shareholders of the Company
"subsidiary(ies)"	has the meaning ascribed in the Listing Rules
"substantial shareholder"	has the meaning ascribed in the Listing Rules
"Telecom Shareholders"	China Mobile Company, China Unicom Corporation and China Telecom
"%"	per cent

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

Beijing, China, 14 December 2022

FORWARD-LOOKING STATEMENTS

Certain statements contained in this announcement 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.

As at the date of this announcement, 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*