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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

**If you have sold or transferred** all your Shares in China Tower Corporation Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker, licensed securities dealer or other agent through whom the sale was affected for delivery to the purchaser.

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**CHINA TOWER**   
**中国铁塔**  
**China Tower Corporation Limited**  
**中國鐵塔股份有限公司**

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

**(1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS –  
THE 2024-2026 SERVICE SUPPLY FRAMEWORK AGREEMENT WITH CTC**  
**(2) THE REMUNERATION PLAN FOR THE EXECUTIVE  
DIRECTORS FOR THE YEAR 2022**  
**AND**  
**NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2023**

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

 **SOMERLEY CAPITAL LIMITED**

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China Tower Corporation Limited will convene the EGM at 9:00 a.m. on 22 December 2023 at Room 101, Building 12, China Tower Industrial Park, No. 9 Dongran North Street, Haidian District, Beijing, PRC. The notice of EGM dated 4 December 2023 is set out on pages 42 to 43 of this circular.

Whether or not you are able to attend the EGM, you are required to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours before the time arranged (i.e. before 9:00 a.m. on 21 December 2023) for convening the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

4 December 2023

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## DEFINITIONS

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

“2021-2023 Service Supply Framework Agreement with CTC”	the service supply framework agreement dated 19 October 2020 between the Company and CTC
“2024-2026 Service Supply Framework Agreement with CTC”	the service supply framework agreement dated 27 November 2023 between the Company and CTC
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“China Telecom”	China Telecom Corporation Limited (中國電信股份有限公司), a company incorporated under the laws of the PRC and listed on the Hong Kong Stock Exchange (stock code: 728) and Shanghai Stock Exchange (stock code: 601728), which directly holds approximately 20.50% of the share capital of the Company and is a substantial shareholder of the Company as at the Latest Practicable Date
“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, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 0788)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules
“CTC”	China Telecommunications Corporation (中國電信集團有限公司), a state-owned enterprise incorporated under the laws of the PRC which is a substantial shareholder of the Company as at the Latest Practicable Date
“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

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## DEFINITIONS

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“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at 9:00 a.m. on 22 December 2023 to consider and approve (i) the 2024-2026 Service Supply Framework Agreement with CTC together with Proposed Annual Caps, and (ii) the Remuneration Plan for the Executive Directors for the year 2022 the notice of which is set out in this circular, or any adjournment thereof
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign Shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	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, formed to advise the Independent Shareholders in respect of, among others, the 2024-2026 Service Supply Framework Agreement with CTC 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 others, the 2024-2026 Service Supply Framework Agreement with CTC and the Proposed Annual Caps
“Independent Shareholders”	shareholders of the Company other than CTC and its associates
“Independent Third Party(ies)”	an entity which is independent of and not connected to the Company or its connected persons, and is not a connected person of the Company

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## DEFINITIONS

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“Latest Practicable Date”	29 November 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“PRC”	the People’s Republic of China
“Proposed Annual Caps”	the proposed annual caps of transactions contemplated under the 2024-2026 Service Supply Framework Agreement with CTC for the three years ending 31 December 2024, 2025 and 2026
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	shareholders of the Company
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“substantial shareholder”	has the meaning ascribed thereto in the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“tower”	a high-erected steel structure or a pole for hosting antennas or other equipment
“%”	per cent

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## LETTER FROM THE BOARD

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### China Tower Corporation Limited 中國鐵塔股份有限公司

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

***Executive Directors:***

Mr. Zhang Zhiyong  
Mr. Gu Xiaomin  
Mr. Gao Chunlei

***Non-executive Directors:***

Mr. Gao Tongqing  
Mr. Tang Yongbo  
Mr. Liu Guiqing  
Mr. Fang Xiaobing

***Independent non-executive Directors:***

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

***Registered Office:***

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

***Principal Place of Business  
in Hong Kong:***

Room 3401, 34/F  
China Resources Building  
26 Harbour Road  
Wanchai, Hong Kong

4 December 2023

*To the Shareholders*

Dear Sir or Madam,

**(1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS –  
THE 2024-2026 SERVICE SUPPLY FRAMEWORK AGREEMENT WITH CTC  
(2) THE REMUNERATION PLAN FOR THE EXECUTIVE  
DIRECTORS FOR THE YEAR 2022  
AND  
NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2023**

#### **INTRODUCTION**

We refer to (i) the announcement of the Company dated 19 October 2020 in relation to, among other things, the continuing connected transactions under the 2021-2023 Service Supply Framework Agreement with CTC, and the announcement of the Company dated 27 November 2023 in relation to, among other things, the continuing connected transactions under the 2024-2026 Service Supply Framework Agreement with CTC, and (ii) the circular of the Company dated 15 December 2022 and the poll results announcement of the Company of the third extraordinary general meeting of 2022 dated 30 December 2022 in relation to, among other things, the adoption of the Interim Administrative Measures on the Remuneration of the Management of China Tower Corporation Limited.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide the Shareholders with information regarding the business to be approved at the EGM, including, among other things, particulars of: (i) the continuing connected transactions under the 2024-2026 Service Supply Framework Agreement with CTC and the Proposed Annual Caps; (ii) the letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (iii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; (iv) the Remuneration Plan for the Executive Directors of the Company for the year 2022; and (v) the notice of the EGM.

### (1) THE 2024-2026 SERVICE SUPPLY FRAMEWORK AGREEMENT WITH CTC

As the 2021-2023 Service Supply Framework Agreement with CTC will expire on 31 December 2023, the Company and CTC entered into the 2024-2026 Service Supply Framework Agreement with CTC on 27 November 2023 to renew the 2021-2023 Service Supply Framework Agreement with CTC, pursuant to which CTC and/or its associates will provide construction, design, supervision, outsourcing maintenance, intermediary, supply chain, training services and other services to the Group. The associates of CTC shall enter into separate agreements with the Company or its relevant provincial/municipal branches, which shall set out specific terms and conditions including but not limited to payment arrangement, pursuant to the principles and conditions provided in the 2024-2026 Service Supply Framework Agreement with CTC.

#### **Principal Terms**

##### *Services Provided*

The services provided by CTC and/or its associates under the 2024-2026 Service Supply Framework Agreement with CTC include:

- **construction service:** construction of individual projects, including but not limited to, construction and transformation of new and existing shelters of wireless base stations, height extension holders for antennas, base station ancillaries, distributed antenna systems, tunnel distribution systems and relevant ancillaries on the construction site or integration services;
- **design service:** consultancy, plan, survey, design, detection and optimization and review services for proposed construction or transformation projects, including but not limited to, technical consulting, network planning, feasibility study, plan design, project design, assistance in materials procurement, project acceptance, tower testing, lightning devices testing, environment testing and network optimization for individual construction projects;
- **supervision service:** supervision of individual construction projects, including but not limited to, reviewing the construction organization designs and technical plans, the progress plans of the constructions, and the technical measures for ensuring quality, safety and civilized construction provided by contractors, verifying the

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## LETTER FROM THE BOARD

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qualification of third parties (such as contractors) and their staff and the technical equipment they use in the constructions, inspecting the quality certification documents (such as test reports) for materials, devices and accessories entering the site, and providing on-site supervision of the quantity and quality of materials provided, supervising quality and safety of projects during construction phase and examining the completion and settlement of projects;

- **outsourcing maintenance service:** maintenance and repairment of telecommunications towers and base stations infrastructure ancillary facilities, including but not limited to, on-site maintenance of the telecommunications towers, base stations and other ancillary facilities (including but not limited to the environmental facilities, batteries, air conditioners, power distribution boxes) and DAS, and gasoline or diesel power generation services;
- **intermediary service:** including tender/procurement agent services, i.e. services in relation to tender/procurement as instructed or authorised by the Group in accordance with relevant laws and regulations, including but not limited to, designing, amending and adjusting the tender/procurement plans, preparing and amending tender/procurement documents that comply with relevant laws and standards, issuing tender/procurement announcements, issuing tender/procurement documents, organizing meetings to explain and answer questions related to tender/procurement documents, collecting tender/answer documents, organizing bid openings in accordance with relevant regulations of the PRC, reviewing bids in due procedure, assisting the Group in determining the winning bidder, participating in commercial negotiations, meetings and discussions with the bidding parties on behalf of the Group, assisting in assessing the bidding, participating in the preparation, amendment and negotiation of relevant contractual documents, conducting or assisting the Group in conducting the whole application and registration procedures during the bidding processes;
- **supply chain service:** supply chain services for individual construction projects, including but not limited to services relating to all aspects of supply chain, such as warehouse hosting, logistics and distribution, reverse logistics, logistics solutions consulting, terminal equipment sales, import and export agency, waste materials auction, product quality inspection and product repairment and maintenance;
- **training service:** various technical, management and practical trainings, and third-party certification services for occupation or skill; and/or
- **other services:** including advertising, market development, vehicle services, conference services, travel services, catering services, equipment rental services, labor services, technical support, consulting services, agency services, research and development, information and communication technology services etc. (including construction and installation supporting services, system integration services, software development and operation and maintenance services).



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## LETTER FROM THE BOARD

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CTC and/or its associates have provided some of such “other services” as mentioned above to the Group in the ordinary and usual course of business and on normal commercial terms since 2020, including advertising and market development services, conference services and travel services, with a total transaction amount of less than RMB6 million for each of the years/period ended 31 December 2020, 2021 and 2022, and 30 September 2023. As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules for such services with CTC and/or its associates was less than 0.1%, any connected transactions or continuing connected transactions in relation to such services were *de minimis* transactions exempt under Rule 14A.76(1)(a) of the Listing Rules and were exempt from the annual reporting, announcement and shareholders’ approval requirements of the Listing Rules. However, considering that the possible expansion in cooperation with CTC and/or its associates and increase in demand for services included in “other services” in the future, the Company and CTC agreed to include “other services” in the 2024-2026 Service Supply Framework Agreement with CTC to cover all possible related transactions required by the Company for its daily operation.

Save for the adding of “other services” as mentioned above, other terms and conditions of the 2024-2026 Service Supply Framework Agreement with CTC shall remain the same as the 2021-2023 Service Supply Framework Agreement with CTC.

### ***Service Period***

The 2024-2026 Service Supply Framework Agreement with CTC has a term of three years taking effect on 1 January 2024 and expiring on 31 December 2026.

### **Pricing Policy**

The prices for services under the 2024-2026 Service Supply Framework Agreement with CTC shall be determined by the contracting parties in accordance with the requirements of applicable laws and regulations of the PRC and the relevant administrative rules of the Group.

Transaction terms, such as services fees, payment method and miscellaneous expenses will be determined in accordance with relevant market price. The market price refers to the prevailing price charged by the Independent Third Parties in the ordinary course of business for the provision of the same or similar services, which is obtained by way of open bidding method. Since the market in which the relevant services are provided is a fully competitive market, open bidding procedures can ensure that the Company obtains relatively transparent prices to the extent possible, and the Company would determine the market price by comparing the quotations proposed by the service providers participating in bidding, which is in line with the market practice.

If there is no market price, in order to make sure the prices of services offered are fair and reasonable, the parties shall (i) refer to historical prices related to the services, or (ii) collect the industry market price of similar services with reference to the highest acceptable bidding price for similar services purchased by other companies, which is publicly disclosed on the open bidding and procurement websites.

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## LETTER FROM THE BOARD

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If there is no market price, historical price or industry market price of similar services, the price shall be determined based on average profit margin plus the actual costs before agreeing on the pricing. Such costs include costs of raw materials, accessories, depreciation, labor, energy, management cost, financial fees and payable taxes and fees. It is widely accepted in the business world to use average profit margin plus the actual costs to determine the prices for goods and services. For this purpose, “average profit margin” is to be fairly determined by negotiations between the parties in accordance with the internal policies of the Group. When determining the “average profit margin” for any transaction under the 2024-2026 Service Supply Framework Agreement with CTC, to the extent practicable, the management of the Group shall take into account the average profit margin for the last three years of at least two Independent Third Parties who provide similar and comparable transactions, with reference to the relevant industry profit margin published by the Ministry of Industry and Information Technology of the PRC. The Directors believe such prices determined using such margins will be fair and reasonable where there is no market price.

For the transactions contemplated under the 2024-2026 Service Supply Framework Agreement with CTC, there are various kinds of services to be provided. Such services are not unique to the telecommunications industry. Instead, they are very common and in need for different sections of the economy. For such reason, there are abundant alternative providers available on the market and the Group can always gather the information on market price by using the open bidding method. As at the Latest Practicable Date, the Group has been using the open bidding method, which is applicable to all kinds of services under the 2024-2026 Service Supply Framework Agreement with CTC, in procuring the relevant services under substantially all the individual agreements entered into by the associates of CTC and the Company’s provincial/municipal branches, and has never encountered a situation where there is no market price.

To the best knowledge of the Directors, there is no government prescribed price or specific industry indicator to its referenced market price for the transactions contemplated under the 2024-2026 Service Supply Framework Agreement with CTC, and the Group has never known or used any government prescribed price or specific industry indicator for price determination regarding the relevant transactions before. If there will be any government prescribed price or specific industry indicator available in the future, the Group will involve such information in its price determination process.

As mentioned above, under the 2024-2026 Service Supply Framework Agreement with CTC, there are various kinds of services to be provided. According to laws and regulations of PRC, for many of such services, it is required that the providers shall possess certain qualifications and/or have certain conditions for rendering them. Besides, the Company has internal measures in place to ensure that its service providers have the necessary qualifications and conditions. Such services are not unique to the telecommunications industry. Instead, they are very common and in need for different sections of the economy. For such reason, there are abundant alternative providers available on the market. Other Independent Third Parties also have similar qualifications and conditions necessary to render such services. The service

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## LETTER FROM THE BOARD

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providers (including CTC and/or its associates, other telecommunications service providers and Independent Third Parties) shall possess the corresponding qualifications or certificates issued by governments, industries or independent third-party certification bodies depending on different services provided.

The Group shall determine the specific method for providing the relevant services under the 2024-2026 Service Supply Framework Agreement with CTC through bidding or other procurement processes. CTC and/or its associates which participate in the bidding shall have the qualifications and conditions not inferior to those of the Independent Third Parties, and shall participate in the bidding or other procurement processes on equal terms with the Independent Third Parties. In such case, both parties shall determine the pricing in accordance with the final prices agreed in the bidding or other procurement processes.

The services provided under the 2024-2026 Service Supply Framework Agreement with CTC are not exclusive and are available for procurement from numerous service providers in the competitive markets. Independent Third Parties have also been providing the same services provided under the 2024-2026 Service Supply Framework Agreement with CTC. Therefore, the Company is able to find the alternative service providers if any service provider fails to offer such services.

### Historical Figures and Proposed Annual Caps

The historical figures under the 2021-2023 Service Supply Framework Agreement with CTC and the Proposed Annual Caps are set out below:

<b>Historical Figures</b>			<b>Proposed Annual Caps</b>		
<b>For the years ended</b>		<b>For the nine months ended</b>	<b>For the years ending 31 December</b>		
<b>31 December</b>	<b>30 September</b>	<b>ended</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
<b>2021</b>	<b>2022</b>	<b>2023*</b>			
<i>(RMB in millions)</i>					
4,603	4,174	4,296	6,300	6,600	6,900

\* *Unaudited*

*Note:* The annual caps for transactions under the 2021-2023 Service Supply Framework Agreement with CTC for the three years ended/ending 31 December 2021, 2022 and 2023 were RMB5,638 million, RMB6,169 million and RMB6,705 million, respectively. The historical figures under the 2021-2023 Service Supply Framework Agreement with CTC for the years ended 31 December 2021 and 2022 were below their corresponding annual caps and the transaction amount for the year ending 31 December 2023 is not expected to exceed its corresponding annual cap.

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## LETTER FROM THE BOARD

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### Basis of the Proposed Annual Caps

In determining the Proposed Annual Caps, the Company has considered, among other things, the following key factors:

- historical transaction amounts set out above, especially the highest historical transaction amount. The historical figures for the two years ended 31 December 2021 and 2022 were relatively low mainly resulted from the impact of the COVID-19 pandemic, while the historical figure for the nine months ended 30 September 2023 increased due to the recovery of market demand from the COVID-19 pandemic;
- in 2022, there was decrease in the service fees of certain services including outsourcing maintenance service, e.g., maintenance and repairment of telecommunications towers and base stations infrastructure ancillary facilities, that the Group was able to obtain through bidding processes due to the adjustment of standards of certain services as requested by some clients of the Group out of consideration for cost control as a result of the impact of the COVID-19 pandemic, which resulted in the decrease in the historical transaction amounts as set out above. The transaction amount for the outsourcing maintenance service provided by CTC and/or its associates to the Group in 2022 decreased by 5.6% compared to that in 2021. However, with the decreasing impact of the COVID-19 pandemic, the Company expects that there will be no such substantial decrease in the service fees under the 2024-2026 Service Supply Framework Agreement with CTC in the future; instead, such service fees are expected to remain stable in general;
- the increasing demand of the Group for outsourcing maintenance services due to the increase of the number of towers and other products in operation as well as the prospect of 5G's future development;
- based on the historical trend that the number of tower sites of the Group increased by 17 thousand from 2,038 thousand tower sites in 2021 to 2,055 thousand tower sites in 2022, and the area of buildings, length of subways and length of high-speed railway tunnels covered by the Group's DAS Business in 2022 also reported increases of approximately 48.1%, 20.0% and 17.2% respectively as compared to those in 2021, it is expected that demand of the Company for design, construction and supervision services tends to increase stably in accordance with the current business and construction plan of the Company; and
- market condition, availability and the reasonable price range expected for construction, design, supervision, outsourcing maintenance, intermediary, supply chain and training services provided by CTC and/or its associates.

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## LETTER FROM THE BOARD

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The Proposed Annual Caps were calculated based on an annual growth rate of the expected transaction amount of the relevant services under the 2024-2026 Service Supply Framework Agreement with CTC of approximately 5.00%, 4.75% and 4.50% each year from 2024 to 2026 based on the following:

- (i) the estimate on transaction amount of relevant services between the Group and CTC and/or its associates in 2023, taking consideration of the historical transaction amounts, especially the transaction amount of the relevant services for the nine months ended 30 September 2023, and the projects with existing cooperation intentions;
- (ii) the compound annual growth rate of the historical transaction amounts of the relevant services from 2019 to 2023, excluding the impact of the COVID-19 pandemic, is approximately 5.00%; and
- (iii) for a transaction with a relatively large scale, the growth typically slows down as the transaction scale keeps increasing.

### **Reasons for and Benefits of Entering into the 2024-2026 Service Supply Framework Agreement with CTC**

The Company is in need of the services under the 2024-2026 Service Supply Framework Agreement with CTC in order to carry out its business activities continuously. The Group adopts methods such as bidding process to select relevant service providers in a fair and open manner during its ordinary and usual course of business. The Group is able to carry out transactions with connected persons including CTC and/or its associates, or with Independent Third Parties based on a consistent standard. CTC and/or its associates may become relevant service providers of the Group if they meet the standards of the Group in those procedures which are the same as those for Independent Third Parties. The services under the 2024-2026 Service Supply Framework Agreement with CTC are not exclusive. Besides, due to the long-term cooperation between the Group and CTC and/or its associates, CTC and/or its associates have a deep understanding of the business requirements of the Group, which contributes to high-quality services provided by CTC and/or its associates to the Group.

The Board (excluding the members of the Independent Board Committee, the opinion of which, after taking into account the advice from the Independent Financial Adviser, is included in the section headed “Letter from the Independent Board Committee” on pages 18 to 19 of this circular) is of the view that the 2024-2026 Service Supply Framework Agreement with CTC and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of the Group and are on normal commercial terms or better, and the terms, as well as the Proposed Annual Caps, are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

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## LETTER FROM THE BOARD

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### INTERNAL CONTROL MEASURES ON CONTINUING CONNECTED TRANSACTIONS

To safeguard the interests of the Shareholders as a whole, including the minority Shareholders, 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;
- the pricing of the connected transactions should be no less favorable to the Company than the prices provided by the Independent Third Parties or provided to the Independent Third Parties in respect of similar products or services. If there is no market prices or the pricing is restricted, the written agreements shall set out the standard for the cost and profit of the relevant transactions;
- the Company has established the connected transaction committee, comprising an independent non-executive Director as the chairman, and all other independent non-executive Directors, two executive Directors and one non-executive Director as members. The connected transaction committee will consider the connected transactions requiring approval from the Board and/or the shareholders' general meeting, and provide opinion thereof to the Board;
- the independent non-executive Directors and auditors of the Company will conduct annual reviews of the non-exempt continuing connected transactions and provide annual confirmations in accordance with the Listing Rules (as applicable) that the non-exempt continuing connected transactions are conducted in accordance with the terms of the relevant agreements, in the ordinary and usual course of business of the Group, on normal commercial terms, on terms that are fair and reasonable and in the interests of the Shareholders as a whole and in accordance with the pricing policy and/or do not exceed the proposed applicable annual caps;
- we have formulated internal guidelines according to the Listing Rules, which provide approval procedures for connected transactions including:
  - the finance departments of our provincial branches shall review the transaction amounts of relevant continuing connected transactions quarterly;
  - in respect of the connected transactions not governed by the existing framework agreements (if any), our provincial branches shall communicate with the headquarters in advance and provide necessary documents to facilitate related decision-making and disclosure process;

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## LETTER FROM THE BOARD

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- the Company shall collect the transaction amount information monthly and conduct analysis of the data quarterly to manage the connected transactions; and
- additional approvals are required for transactions exceeding the proposed annual caps (if applicable); and
- With regard to the procurement of materials and services of the Group from suppliers which are connected persons of the Company under the Listing Rules, as part of the daily supervision and management measures, the finance, legal management and commercial cooperation departments and other relevant management departments of the Company will review the proposed terms of the specific agreements under the connected transactions and conduct thorough discussion thereon to ensure the connected transactions, including the pricing policy, will be on normal commercial terms, developed and performed according to the provisions of the relevant framework agreements and in the interests of the Company and the Shareholders as a whole.

### 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-sector site application and information business, and energy business.

#### Information of CTC

CTC is a state-owned enterprise established under the laws of the PRC. Its principal business is integrated information services including mobile communications, Internet access and application, wireline communications, satellite communications and ICT integration.

### LISTING RULES IMPLICATIONS

China Telecom is a substantial shareholder of the Company directly holding approximately 20.50% of the share capital of the Company. CTC controls China Telecom and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2024-2026 Service Supply Framework Agreement with CTC will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules for the Proposed Annual Caps exceeds 5%, the transactions contemplated under the 2024-2026 Service Supply Framework Agreement with CTC are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.



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## LETTER FROM THE BOARD

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Details of the 2024-2026 Service Supply Framework Agreement with CTC will be disclosed in the Company's next published annual report and accounts, as required under Rules 14A.71 and 14A.72 of the Listing Rules.

### (2) THE REMUNERATION PLAN FOR THE EXECUTIVE DIRECTORS OF THE COMPANY FOR THE YEAR 2022

According to the remuneration administrative measures considered and approved by the third extraordinary general meeting of the Company of 2022 held on 30 December 2022, the Board has considered and approved the Remuneration Plan for the Executive Directors of the Company for the year 2022, and will propose the same to the Shareholders for approval by way of an ordinary resolution at the EGM.

The Remuneration Plan for the Executive Directors of the Company for the year 2022 has been formulated as follows:

#### I. Applicable Scope of the Payment Plan

This plan is applicable to all the executive Directors, being Mr. Zhang Zhiyong (Chairman of the Board), Mr. Gu Xiaomin (General Manager) and Mr. Gao Chunlei.

#### II. Remuneration Plan for the year 2022

**Basic annual salary:** reviewed annually and paid on a monthly basis.

**Performance-based annual salary:** the performance-based annual salary represents the income that is linked to the results of the annual performance appraisal of the executive Directors, which is determined based on the basic annual salary and the results of the annual performance appraisal.

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

Whereas, P refers to the annual appraisal and evaluation coefficient, which is determined to be 2.0 according to the completion of the annual performance appraisal in 2022, and T refers to the performance-based annual salary adjustment coefficient, which will be specifically determined by the Board authorized by the general shareholders' meeting in combination with the actual conditions of the Company in accordance with the provisions of the remuneration administrative measures.

The relevant approved remuneration will be disclosed in the annual report in accordance with the requirements of the Listing Rules and other relevant laws and regulations.



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## LETTER FROM THE BOARD

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### RECOMMENDATION

**(1) Renewal of Continuing Connected Transactions – the 2024-2026 Service Supply Framework Agreement with CTC**

The 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, among others, the 2024-2026 Service Supply Framework Agreement with CTC and the Proposed Annual Caps. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 18 to 19 of this circular.

The Company has appointed Somerley Capital Limited to advise the Independent Board Committee and the Independent Shareholders in respect of, among others, the 2024-2026 Service Supply Framework Agreement with CTC and the Proposed Annual Caps. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 37 of this circular.

Mr. Liu Guiqing, a non-executive Director, has abstained from voting on the Board resolution for considering and approving the 2024-2026 Service Supply Framework Agreement with CTC, and the transactions contemplated thereunder, including the Proposed Annual Caps, due to his administrative positions in CTC 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 material interest in the 2024-2026 Service Supply Framework Agreement with CTC and the transactions contemplated thereunder that will be required to abstain from voting on the relevant resolution 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, is included in the section headed “Letter from the Independent Board Committee” on pages 18 to 19 of this circular) is of the view that the 2024-2026 Service Supply Framework Agreement with CTC and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of the Group and are on normal commercial terms or better, and the terms, as well as the Proposed Annual Caps, are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

Accordingly, the Board recommends the Shareholders to vote in favor of the ordinary resolution at the EGM in respect of the continuing connected transactions contemplated under the 2024-2026 Service Supply Framework Agreement with CTC and the Proposed Annual Caps.

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## LETTER FROM THE BOARD

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### **(2) The Remuneration Plan for the Executive Directors of the Company for the Year 2022**

The Board considers that the ordinary resolution in respect of the Remuneration Plan for the Executive Directors of the Company for the Year 2022 is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that all Shareholders vote in favor of the resolution at the EGM.

### **THE EGM**

The notice of EGM is set out on pages 42 to 43 of this circular. The relevant form of proxy is enclosed herewith.

Whether or not a Shareholder intends to attend the EGM in person, he/she must complete the enclosed form of proxy as soon as possible and must lodge the completed form of proxy with the registered office of the Company (for holders of Domestic Shares) or Computershare Hong Kong Investor Services Limited (for holders of H Shares) not less than 24 hours before the time arranged (i.e. before 9:00 a.m. on 21 December 2023) for convening the EGM in order to be valid. The registered office address of the Company is Room 101, LG1 to 3/F, Building 14, North District, Yard No. 9, Dongran North Street, Haidian District, Beijing, PRC, postal code: 100195; Telephone: (8610) 6870 8806; Fax: (8610) 6870 8802. The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; Telephone: (852) 2862 8555; Fax: (852) 2865 0990. After completion and return of the form of proxy, a Shareholder may still attend the EGM and vote in person if he/she wishes to do so.

Pursuant to Rule 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 resolution at the EGM. Accordingly, China Telecom, a subsidiary of CTC, is required to abstain from voting on the resolution in respect of the continuing connected transactions contemplated under the 2024-2026 Service Supply Framework Agreement with CTC and the Proposed Annual Caps at the EGM.

### **VOTES TO BE TAKEN BY POLL**

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

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Financial Adviser which contains its advice in relation to the 2024-2026 Service Supply Framework Agreement with CTC and the transactions contemplated thereunder as well as the Proposed Annual Caps to the Independent Board Committee and the Independent Shareholders, the letter from the Independent Board Committee which sets out its recommendation to the Independent Shareholders, and the additional information set out on pages 18 to 41 of this circular.

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



**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)**

4 December 2023

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS –  
THE 2024-2026 SERVICE SUPPLY FRAMEWORK AGREEMENT WITH CTC**

We refer to the circular (the “**Circular**”) dated 4 December 2023 issued by the Company to its shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

On 27 November 2023, the Board announced that the Company has entered into the 2024-2026 Service Supply Framework Agreement with CTC, subject to the approval of the Independent Shareholders at the EGM.

The Independent Board Committee was formed in order to make a recommendation to the Independent Shareholders as to, in its view, whether the terms of the 2024-2026 Service Supply Framework Agreement with CTC and the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, and whether the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the 2024-2026 Service Supply Framework Agreement with CTC and the Proposed Annual Caps.

The terms of, and the reasons for entering into, the 2024-2026 Service Supply Framework Agreement with CTC and the Proposed Annual Caps, are set out in the Letter from the Board on pages 4 to 17 of the Circular.

As your Independent Board Committee, we have discussed with the management of the Company the reasons for entering into the transactions under the 2024-2026 Service Supply Framework Agreement with CTC and the basis upon which its terms as well as the Proposed Annual Caps have been determined.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We have also considered the key factors taken into account by the Independent Financial Adviser in arriving at its opinion regarding the transactions under the 2024-2026 Service Supply Framework Agreement with CTC and the Proposed Annual Caps, as set out in the letter from the Independent Financial Adviser on pages 20 to 37 of the Circular, which we urge you to read carefully.

The Independent Board Committee, after taking into account, among other things, the advice of the Independent Financial Adviser, concurs with the views of the Independent Financial Adviser and considers that the terms of the 2024-2026 Service Supply Framework Agreement with CTC and the Proposed Annual Caps are on normal commercial terms or better and in the ordinary and usual course of business of the Group, are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the EGM to approve the 2024-2026 Service Supply Framework Agreement with CTC and the transactions contemplated thereunder, including the Proposed Annual Caps, as detailed in the notice of the EGM set out at the end of the Circular.

Yours faithfully,  
For and on behalf of  
*Independent Board Committee*

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from Somerley Capital Limited prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the 2024-2026 Service Supply Framework Agreement with CTC.*



**SOMERLEY CAPITAL LIMITED**

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

4 December 2023

*To: The Independent Board Committee and the Independent Shareholders*

Dear Sirs or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS –  
THE 2024-2026 SERVICE SUPPLY FRAMEWORK AGREEMENT WITH CTC**

**INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the 2024-2026 Service Supply Framework Agreement with CTC and the relevant proposed annual caps (together, the “**Transactions**”). Details of the aforesaid transactions are set out in the letter from the Board contained in the circular of the Company (the “**Circular**”) to its shareholders dated 4 December 2023, of which this letter forms part. Unless otherwise defined, terms used in this letter shall have the same meanings as those defined in the Circular.

On 27 November 2023, the Company entered into the 2024-2026 Service Supply Framework Agreement with CTC pursuant to which, CTC and/or its associates will provide relevant construction, design, supervision, outsourcing maintenance, intermediary, supply chain, training services and other services to the Group.

As at the Latest Practicable Date, China Telecom is a substantial shareholder of the Company directly holding approximately 20.50% of the share capital of the Company. CTC controls China Telecom and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2024-2026 Service Supply Framework Agreement between the Company and CTC will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules for the proposed annual caps of the transactions contemplated under the 2024-2026 Service Supply Framework Agreement with CTC exceeds 5%, the transactions contemplated under the 2024-2026 Service Supply Framework Agreement with CTC are subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Zhang Guohou, Mr. Dong Chunbo, Mr. Hu Zhanghong and Mr. Sin Hendrick, has been established to make a recommendation to the Independent Shareholders as to whether the terms of 2024-2026 Service Supply Framework Agreement with CTC and the Proposed Annual Caps are on normal commercial terms, in the ordinary and usual course of business of the Company and are fair and reasonable and in the interests of the Company and its shareholders as a whole. Somerley Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated or connected with the Company, CTC, China Telecom or their respective core connected persons or associates and, accordingly, are considered eligible to give independent advice on the Transactions. In the two years prior to this appointment, we did not have other engagements with the Company or its associates except for having been the independent financial adviser to the Company relating to (i) the proposed revision of annual caps for the 2021-2023 Service Supply Framework Agreement with CTC, details of which were set out in the Company's announcement and circular dated 19 October 2020 and 10 November 2020 respectively; and (ii) the 2022 service framework agreements between the Company and each of China Mobile Communication Company Limited, China United Network Communications Corporation Limited and China Telecom Corporation Limited, details of which were set out in the Company's announcement and circular dated 14 December and 15 December 2022 respectively. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, CTC, China Telecom or their respective core connected persons or associates.

In formulating our advice and recommendation, we have reviewed information on the Company, including but not limited to, the 2024-2026 Service Supply Framework Agreement with CTC, annual reports of the Company for each of the years ended 31 December 2021 ("**FY2021**") ("**2021 Annual Report**") and 31 December 2022 ("**FY2022**") (the "**2022 Annual Report**"), the interim report of the Company for the period ended 30 June 2023 ("**1H2023**") (the "**2023 Interim Report**") and other information contained in the Circular.

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

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

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

### **1. Information of the parties**

#### *The Group*

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

According to the 2021 Annual Report, the Group reported an operating revenue of approximately RMB86.6 billion, representing a year-on-year increase of approximately 6.8%. We note that the operating revenue generated from the Tower Business represented approximately 87.6% of total operating revenue and reported a year-on-year increase of approximately 3.4% to RMB75.9 billion. The Group's total operating expenses also showed an increase of approximately 6.5% and the operating profit margin reported for FY2021 increased from approximately 14.8% to approximately 15.1%. According to the 2021 Annual Report, profit attributable to owners of the Company grew by approximately 14.0% year-on-year. The main reasons for the increase in profit were as a combined result of (i) higher operating revenue; and (ii) higher operating profit margin.

As disclosed in the 2022 Annual Report, the Group reported an operating revenue of approximately RMB92.2 billion, representing a year-on-year increase of approximately 6.5%. We note that the operating revenue generated from the Tower Business continued to be key revenue source, representing approximately 83.8% of total operating revenue and reported a year-on-year increase of approximately 1.8% to approximately RMB77.2 billion. The Group's total operating expenses also showed an increase of approximately 7.2% and the operating profit margin reported for FY2022 decreased from approximately 15.0% in FY2021 to approximately 14.4% in FY2022. According to the 2022 Annual Report, profit attributable to owners of the Company grew by approximately 19.9% year-on-year. The main reasons for the increase in profit were as a combined result of (i) higher operating revenue and profit; (ii) increased other gains from additional deduction of input VAT; and (iii) decreased finance costs.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Operating revenue increased by approximately 2.2% for 1H2023 as compared with the same period in 2022. The revenue generated from the Tower Business amounted to approximately RMB37.5 billion, representing a year-on-year decrease of approximately 2.9%. We note that operating profit for 1H2023 increased by approximately 4.6% to approximately RMB7.4 billion, largely in line with the growth in operating revenue. Profit attributable to owners of the Company further increased by approximately 14.6% mainly as a combined result of (i) higher operating revenue and profit; and (ii) a further decrease in finance costs during the period.

Based on the 2023 Interim Report, as at 30 June 2023, the Company was managing a total of 2.061 million tower sites, representing a net increase of 6,000 sites from the end of 2022. Based on the 2022 Annual Report, the Group managed 2.055 million tower sites as at the end of 2022, an increase of 17,000 from the end of 2021, which represented a year-on-year increase of 0.8%. Such increase is comparable to that of 2021 where the number of tower sites managed by the Tower Business increased by 15,000 from 2.023 million tower sites in 2020 to 2.038 million tower sites in 2021. We further note from the 2023 Interim Report, as of 30 June 2023, the Group covered buildings with a cumulative area of 8,820 million square meters, up by 47.7% year-on-year, while the coverage in high-speed railway tunnels and subways totaled a cumulative length of 22,135 kilometers, an increase of 21.1% over the same period last year. As disclosed in the 2022 Annual Report that the area of buildings, length of subways and length of high-speed railway tunnels covered by the Group's DAS Business also reported increases of approximately 48.1%, 20.0% and 17.2% respectively as compared to that of 2021. We understand that the growth in the number of tower sites is directly relevant to tower construction plans which is largely as a result of increase in client demand. Similarly, the demand for services such as maintenance of existing telecommunications towers and base station infrastructure and other ancillary facilities would also depend on number of existing tower and infrastructure and age of such.

### **CTC**

CTC is a state-owned enterprise established under the laws of the PRC. Its principal business is integrated information services including mobile communications, Internet access and application, wireline communications, satellite communications and ICT integration.

## **2. 2024-2026 Service Supply Framework Agreement with CTC**

### ***2.1 Reasons for and benefits of entering into the 2024-2026 Service Supply Framework Agreement with CTC***

As disclosed in the letter from the Board of the Circular, the Company is in need of the services under the 2024-2026 Service Supply Framework Agreement with CTC in order to carry out its business activities continuously. The Group adopts methods such as bidding process to select relevant service providers in a fair and open manner during its ordinary and usual course of business. The Group is able to carry out transactions with connected persons including the CTC and/or its associates or with Independent Third Parties based on a consistent standard. CTC and/or its associates may become relevant

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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service providers of the Group if they meet the standards of the Group in those procedures which are the same as those for Independent Third Parties. The services under the 2024-2026 Service Supply Framework Agreement with CTC are not exclusive. Besides, due to the long-term cooperation between the Group and CTC and/or its associates, CTC and/or its associates have a deep understanding of the business requirements of the Group, which contributes to high-quality services provided by CTC and/or its associates to the Group.

We have discussed and were given to understand that the services provided to the Group under the 2024-2026 Service Supply Framework Agreement with CTC are necessary for the Group to carry out its ordinary and usual course of business and are provided within the respective party's expertise and speciality. We further note that the ancillary services provided under Other Services (as defined below) are also crucial because they play a key role in ensuring the Group possess sufficient resources to support the Group to carry out its ordinary and usual course of businesses. As such, in light of:

- (i) CTC and/or its associates are able to provide the types of services provided under the 2024-2026 Service Supply Framework Agreement with CTC, namely, the construction service, design service, supervision service, outsourcing maintenance service, intermediary service, supply chain service, training service and other services (together, the “**Services**”) and such Services are considered crucial for the growth in the Group's businesses, and in particular, in its key business segment, the Tower Business;
- (ii) the entering into of the 2024-2026 Service Supply Framework Agreement with CTC will not make the Group becoming obliged to enter into any transactions with CTC and/or its associates but will only provide the Group with an additional choice of service provider(s) to meet its business needs;
- (iii) the Company adopts methods such as bidding process to select relevant service provider(s) in a fair and open manner during its ordinary and usual course of business and the Group is able to carry out transactions with connected persons including CTC and/or its associates, or with Independent Third Parties based on a consistent standard and CTC and/or its associates may only become the chosen service provider if they meet the standards of the Company set in the procedures which are the same as those for Independent Third Parties; and
- (iv) including CTC and/or its associates as one of the possible service providers is in the interests of the Group because the Group has had a long term cooperation relationship with the CTC and/or its associates and based on previous experience, they understand the business requirement of the Company and has provided the Company with quality services required.

In light of the long-established existing cooperation relationship between the Group and CTC, we agree with the Directors and would consider continuing such relationship and retaining CTC and/or its associates as an available service provider would allow the Company to have more choices for its engagement of professional support from seasoned service providers in its ordinary and usual course of business.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2.2 *Terms of the 2024-2026 Service Supply Framework Agreement with CTC*

Services Provided: Construction service

Construction of individual projects, including but not limited to, construction and transformation of new and existing shelters of wireless base stations, height extension holders for antennas, base station ancillaries, distributed antenna systems, tunnel distribution systems and relevant ancillaries on the construction site or integration services (“**Construction Service**”).

Design service

Consultancy, plan, survey, design, detection and optimization and review services for proposed construction or transformation projects, including but not limited to, technical consulting, network planning, feasibility study, plan design, project design, assistance in materials procurement, project acceptance, tower testing, lightning devices testing, environment testing and network optimization for individual construction projects (“**Design Service**”).

Supervision service

Supervision of individual construction projects, including but not limited to, reviewing the construction organization designs and technical plans, the progress plans of the constructions, and the technical measures for ensuring quality, safety and civilized construction provided by contractors, verifying the qualification of third parties (such as contractors) and their staff and the technical equipment they use in the constructions, inspecting the quality certification documents (such as test reports) for materials, devices and accessories entering the site, and providing on-site supervision of the quantity and quality of materials provided, supervising quality and safety of projects during construction phase and examining the completion and settlement of projects (“**Supervision Service**”).

Outsourcing maintenance service

Maintenance and repairment of telecommunications towers and base stations infrastructure ancillary facilities, including but not limited to, on-site maintenance of the telecommunications towers, base stations and other ancillary facilities (including but not limited to the environmental facilities, batteries, air conditioners, power distribution boxes) and DAS, and gasoline or diesel power generation services (“**Outsourcing Maintenance Service**”).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Intermediary service

Including tender/procurement agent services, i.e. services in relation to tender/procurement as instructed or authorised by the Group in accordance with relevant laws and regulations, including but not limited to, designing, amending and adjusting the tender/procurement plans, preparing and amending tender/procurement documents that comply with relevant laws and standards, issuing tender/procurement announcements, issuing tender/procurement documents, organizing meetings to explain and answer questions related to tender/procurement documents, collecting tender/answer documents, organizing bid openings in accordance with relevant regulations of the PRC, reviewing bids in due procedure, assisting the Group in determining the winning bidder, participating in commercial negotiations, meetings and discussions with the bidding parties on behalf of the Group, assisting in assessing the bidding, participating in the preparation, amendment and negotiation of relevant contractual documents, conducting or assisting the Group in conducting the whole application and registration procedures during the bidding processes (“**Intermediary Service**”).

### Supply chain service

Supply chain services for individual construction projects, including but not limited to services relating to all aspects of supply chain, such as warehouse hosting, logistics and distribution, reverse logistics, logistics solutions consulting, terminal equipment sales, import and export agency, waste materials auction, product quality inspection and product repairment and maintenance (“**Supply Chain Service**”).

### Training service

Various technical, management and practical trainings, and third-party certification services for occupation or skill (“**Training Service**”).

### Other services

Including advertising, market development, vehicle services, conference services, travel services, catering services, equipment rental services, labor services, technical support, consulting services, agency services, research and development, information and communication technology services etc. (including construction and installation supporting services, system integration services, software development and operation and maintenance services) (“**Other Services**”).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Service Period: The 2024-2026 Service Supply Framework Agreement with CTC has a term of three years taking effect on 1 January 2024 and expiring on 31 December 2026.

Pricing Policy: Transaction terms, such as services fees, payment method and miscellaneous expenses will be determined in accordance with relevant market price. The market price refers to the prevailing price charged by the Independent Third Parties in the ordinary course of business for the provision of same or similar services, which is obtained by way of open bidding method. If there is no market price, in order to make sure the prices of services offered are fair and reasonable, the parties shall (i) refer to historical prices related to the services, or (ii) collect the industry market price of similar services with reference to the highest acceptable bidding price for similar services purchased by other companies, which is publicly disclosed on the open bidding and procurement websites. If there is no market price, historical price or industry market price of similar services, the price shall be determined based on average profit margin plus the actual costs before agreeing on the pricing.

Please refer to the section headed “Principal Terms, Pricing Policy” in the letter from the Board of the Circular for detailed information relating to pricing policy of the Group.

As disclosed in the letter from the Board in the Circular, for the transactions contemplated under the 2024-2026 Service Supply Framework Agreement with CTC, there are various kinds of Services to be provided. Such Services are not unique to the telecommunications industry. Instead, they are very common and in need for different sections of the economy. For such reason, there are abundant alternative providers available on the market and the Group can always gather the information on market price by using the open bidding method. In this respect, we have discussed and understood from the Management that the procurement of the relevant Service(s) has historically been predominately executed by way of public tender. In considering the various service providers, the Company would normally consider qualifications of the prospective service provider together with conditions, including price offered.

We have discussed and understand from the Management that the aggregated historical transactions under Construction Services, Design Service, Supervision Services and Outsourcing Maintenance Services (together, the “**Key Service(s)**”) accounted for more than 98% of total historical transaction amounts under the 2021-2023 Service Supply Framework Agreement with CTC. In this respect, we have obtained a summary breakdown of historical transacted amounts under each of the services provided under the 2021-2023 Service Supply Framework Agreement with CTC and noted the same.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We further understand from the Management that it has previously entered into similar transactions relating to the provision of Construction Services, Design Services, Supervision Services and Outsourcing Maintenance Services with Independent Third Parties. As such, in considering whether the pricing policy, which is executed by way of public tender as stated above is fair and reasonable, we have firstly discussed and understand from the Management that prior to the publishing of a tender announcement, the department requiring the Key Services will predetermine a set of tender or service provider selection criteria which include but not limited to qualifications, experience, and a maximum acceptable price for such Service. In setting a maximum acceptable price criteria for the Key Services required, the department will compile information relating to historical transaction prices entered into with Independent Third Parties for same or similar Key Services and/or conduct market research to ascertain latest market prices for same or similar Key Services such that tender price quotations submitted by tender participants in the upcoming tender can be compared against. We understand the predetermined criteria, including the maximum Key Service price, forms the foundations for the selection process of the tender. We have requested and was provided with sample project tender documents with 12 sets of comparable tender transactions with Independent Third Parties and CTC as service provider tender participants (“**Sample Tenders**”). The Sample Tenders comprised of four samples from each of FY2021, FY2022 and 1H2023 and were selected from tender offers for Construction Services, Design Service, Supervision Services and Outsourcing Maintenance Services with tender values between RMB100 million and RMB1.2 billion. In view of this, we consider the Sample Tenders, including the range of tender values covered by the Sample Tenders, to be appropriate and sufficient for our assessment purpose.

Based on our review, we noted that the procurement of service provider of the Key Services was executed by way of public tender and prior to executing the relevant tender, the Company has predetermined a set of tender criteria including that of maximum service price. We note that the winning tender(s) will be based on an overall score system and hence the determining factor for the success of a tender participant would not solely be based on quotations submitted. Based on our review, we have noted from the Sample Tenders that factors considered by the Company and rating points were given with a focus surrounding quotation, qualification(s), experience and market reputation of the service provider. We further understand that in general, allocation of points between the factors of consideration for projects(s) that are subjected to the tender would depend on the Key Services required by the Group, provinces/cities for which the project(s) are located, budgets provided by the Group’s clients and how the tender participant compares against the predetermined criteria, including that of price. According to the above assessment factors, the Company will have a total score to rank the candidates. Based on the Sample Tenders and based on our discussion with the Company, we noted that all service providers (or tender participants) (i.e. CTC and Independent Third Parties) submitted their responses to the same tender were rated based on the same set of predetermined criteria and the winning tender(s) were the service provider with the highest overall rating. We have also discussed and understand from the Management that the 2024-2026 Service Supply Framework Agreement with CTC would use the same rating procedure for



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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tenders as the 2021-2023 Service Supply Framework Agreement with CTC. With reference to the letter from the Board of the Circular, we noted that since the market in which the relevant Services are provided is a fully competitive market, open bidding procedures can ensure that the Company obtains relatively transparent prices to the extent as possible. As at the Latest Practicable Date, the Group has been using the open bidding method in procuring the relevant services under each individual agreement entered into by the associates of CTC and the Company's provincial/municipal branches under the 2021-2023 Service Supply Framework Agreement with CTC, and has never encountered a situation where there is no market price. Based on our understanding from the Management, the Company expects that there will not be material changes to the market in the aforesaid regard in the foreseeable future.

We have discussed and understand from the Management that in the extreme circumstances that the Group could not obtain a market price or historical price or industry market price of similar services for a Service required, the Company would determine the terms to such transactions, including pricing terms by way of average profit margin plus actual cost. We understand from the Management that firstly, such circumstances would only occur if the Services required by the Group is so uniquely tailored that there are no precedent transactions of similar kind and there would be no market quotations considered comparable. In this respect, and in absence of any market price or historical price or industry market price of similar services for a Service required, we understand the Group would request the service provider to provide its financial statements for the latest three financial reporting periods demonstrating that the average profit margin quoted by the service provider to the Group is equal to or lesser than the average profit margin reported by the service provider and hence proving the pricing terms provided to the Group is no less favourable. On this basis, we consider this pricing policy to be used in absence of market price or historical price or industry market price of similar services for a Service required to be not unreasonable given the extreme circumstances.

In general, we understand that as according to the internal policy procedures as described in the section headed "*3. Internal control measures on continuing connected transactions*" below and based on our discussions with the Management, transactions entered into by the Company with CTC with regards to any of the Services described under 2024-2026 Service Supply Framework Agreement with CTC is required to reviewed by the relevant department of the Company's provincial branches, including finance, legal management and commercial cooperation departments to ensure that pricing policies for the said Service is strictly adhered. As part of our due diligence exercise, we have also examined other independent information by reviewing the letter issued by the auditors of the Company (the "**Auditors**") to the Board and note that the Auditors had performed procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) and with reference to Practice Note 740 (Revised) and confirmed that they had performed, among others, sample checks on the continuing connected transactions entered into between the Group and CTC pursuant to the 2021-2023 Service Supply Framework Agreement with CTC and had not found that

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the continuing connected transactions were not, in all material respects, in accordance with the pricing policies as stated in the relevant agreements. In light of the above and that the pricing policy for Services provided under the 2024-2026 Service Supply Framework Agreement with CTC is the same as the 2021-2023 Service Supply Framework Agreement with CTC, which is predominately based on public tenders where service provider tender participants are rated and assessed based on the same criteria, we would therefore consider this process to be fair and reasonable.

As such, in view of (i) the entering into of the 2024-2026 Service Supply Framework Agreement with CTC will not make the Group becoming obliged to enter into any transactions with CTC, but will allow CTC, if they are able to match or exceed the qualifications required for the Services being procured, to be available as one of the providers of the Services for the selection by the Group when required in order to facilitate the growth in the Group's businesses; (ii) the terms of the 2024-2026 Service Supply Framework Agreement with CTC are generally in line with the market as represented by previous transactions entered into with Independent Third Parties; (iii) the benefits to be brought about pursuant to the 2024-2026 Service Supply Framework Agreement with CTC discussed in the sub-section headed "2.1 Reasons for and benefits of entering into the 2024-2026 Service Supply Framework Agreement with CTC" above; and (iv) terms of the transaction(s) under the 2024-2026 Service Supply Framework Agreement with CTC shall be no less favourable to the Group than those offered by the Independent Third Parties, we concur with the view of the Directors that the terms of the 2024-2026 Service Supply Framework Agreement with CTC are fair and reasonable so far as the Company and its shareholders are concerned.

### 2.3 Historical amounts and historical caps and the proposed annual caps

The table below sets out (i) the annual caps of amounts payable by the Group for each of the three years ended/ending 31 December 2021, 2022 and 2023, respectively; and (ii) the actual amounts paid by the Group for each of the two years ended 31 December 2021 and 2022 and for the nine months ended 30 September 2023.

	Historical Transacted Amount		Annual Cap			
		Actual amount for the nine months ended				
	Year ended 31 December	30 September	Year ended/ending 31 December			
	2021	2022	2023	2021	2022	2023
Amounts paid/payable by the Group to CTC and/or its associates	4,603	4,174	4,296	5,638	6,169	6,705

*(in millions of RMB)*



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the information provided above, the Company has utilized approximately 81.6% and 67.7% of the annual caps for each of FY2021 and FY2022 and 64.1% of the annual cap for the financial year ending 31 December 2023.

The table below sets out the Proposed Annual Caps of amounts payable by the Group for each of the three years ending 31 December 2024, 2025 and 2026, respectively:

<b>Transactions</b>	<b>Proposed Annual Caps</b>		
	<b>for the year ending 31 December</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>(in millions of RMB)</i>		
<b>Amounts payable by the Group to CTC and/or its associates</b>	6,300	6,600	6,900

As disclosed in the letter from the Board of the Circular, in arriving at the estimated aggregate amounts payable by the Group for each of the three years ending 31 December 2024, 2025 and 2026, the Company has considered, among other things, the historical transaction amounts and the following primary factors:

- Historical transaction amount set out above, especially the highest historical transaction amount. The historical figures for the two years ended 31 December 2021 and 2022 were relatively low mainly resulted from the impact of the COVID-19 pandemic, while the historical figure for the nine months ended 30 September 2023 increased due to recovery of market demand from the COVID-19 pandemic;
- in 2022, there was decrease in the service fees of certain services including outsourcing maintenance service, e.g., maintenance and repairment of telecommunications towers and base stations infrastructure ancillary facilities, that the Group was able to obtain through bidding processes due to the adjustment of standards of certain services as requested by some clients of the Group out of consideration for cost control as a result of the impact of COVID-19 pandemic, which resulted in the decrease in the historical transaction amounts as set out above. The transaction amount for the outsourcing maintenance service provided by CTC and/or its associates to the Group in 2022 decreased by 5.6% compared to that in 2021. However, with the decreasing impact of the COVID-19 pandemic, the Company expect that there will be no such substantial decrease in the service fees under the 2024-2026 Service Supply Framework Agreement with CTC in the future; instead, such service fees are expected to remain stable in general;
- the increasing demand of the Group for outsourcing maintenance services due to the increase of the number of towers, other products and sites in operation as well as the prospect of 5G's future development;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- based on the historical trend that the number of tower sites of the Group increased by 17 thousand from 2,038 thousand tower sites in 2021 to 2,055 thousand tower sites in 2022, and the area of buildings, length of subways and length of high-speed railway tunnels covered by the Group's DAS Business in 2022 also reported increases of approximately 48.1%, 20.0% and 17.2% respectively as compared to those in 2021, it is expected that demand of the Company for design, construction and supervision services tends to increase stably in accordance with the current business and construction plan of the Company; and
- market condition, availability and the reasonable price range expected for construction, design, supervision, outsourcing maintenance, intermediary, supply chain and training services provided by CTC and/or its associates.

Having reviewed the composition of historical transactions amount, we noted that approximately 98% of the historical transaction amount was attributable to the Construction Services, Design Services, Supervision Services and Outsourcing Maintenance Services. We have discussed and understand from the Management that they expect future transaction amounts with CTC, if any, to continue to be predominately related to the Construction Services, Design Services, Supervision Services and Outsourcing Maintenance Services and such trend to continue through to 2024 and 2026.

As shown in the table above, it is noted that the annual caps for 2024, 2025 and 2026 embedded an estimated average annual growth of around 4.7% and the proposed annual cap for 2024 represented a growth rate of approximately 10.0% as compared to the annualised transaction amount for 2023. We note the growth rate of the proposed annual caps for 2025 and 2026 is approximately 4.8% and approximately 4.5% respectively. We further note that as stated in the letter from the Board of the Circular, in 2022 there was decrease in the service fees of certain services that the Group was able to obtain through bidding processes due to the adjustment of standards and requirements of certain services as requested by some clients of the Group out of consideration for cost control as a result of the impact of COVID-19 pandemic, which resulted in the decrease in the historical transaction amounts. We understand the Company has disclosed that with the decreasing impact of COVID-19 pandemic, it expects that there will be no such substantial decrease in the service fees under the 2024-2026 Service Supply Framework Agreement with CTC in the future and instead, such service fees are expected to remain stable in general. We have discussed and understand from the Company that businesses of clients of the Group were also impacted during the COVID-19 pandemic and accordingly tightened their budget and expenditures on services required. In response to such temporary change in customers' requirements and demand, the Group has correspondingly adjusted certain services and related fee requirements, which resulted in an overall decrease in service fees paid under the 2021-2023 Service Supply Framework Agreement with CTC and hence leading to lower transacted amounts for 2021 and 2022. With reference to the historical transacted amounts shown in the table above, in light of the fact that the actual transacted amount for nine months ended 30 September 2023 has already exceeded the full year historical transacted amount in 2022, and together with the fact that measures originally imposed to counter the COVID-19 pandemic has been lifted and businesses has resumed

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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to normal since early 2023 in the PRC, we consider the Company's assumption in respect of service fees under the 2024-2026 Service Supply Framework Agreement with CTC to be generally stable to be not without basis and to be prudent.

In determining the fairness and reasonableness for the proposed annual caps for each of 2024, 2025 and 2026, we have firstly discussed and understand from the Company that the annual caps for each of 2024, 2025 and 2026 was determined based on the projected tower construction plans and demand for other ancillary products in accordance with the Group's business development, including tower construction plans in the next few years and maintenance of existing tower sites given the age of the infrastructure. We understand from the Management that the demand for services is directly relevant to the number of tower sites under the Group's tower construction plans which is largely driven by client demand. Similarly, demand for services such as maintenance of existing telecommunications towers and base station infrastructure and other ancillary facilities would also depend on number of existing tower and infrastructure and age of such.

We reviewed disclosures in the 2021 and 2022 Annual Reports in order to assess the reasonableness of the assumption of the number of tower sites and the assumed continued increase in demand for construction services relating to new tower and infrastructure sites over the coming three years ending 2026. As discussed in the section headed "*1. Information of the parties – the Group*" above, the Group is principally engaged in the Tower Business, the DAS business, the Smart Tower Business and the Energy Business, and the Group's Tower Business has been its largest revenue contributor. Based on the disclosures in the 2022 Annual Report, we noted that the Group's total operating revenue has been reporting a consistent growth of approximately 6.4%, 6.1%, 6.8% and 6.5% for each of 2019, 2020, 2021 and 2022, which showed that client demands for the Group's products and services has been consistently growing. Based on our review, we also note that the number of tower sites increased from 2,023 thousand at the end of 2020 to 2,038 thousand at the end of 2021, and further to 2,055 thousand by the end of 2022, represented a year-on-year growth rate of approximately 0.7% and 0.8% respectively with an average growth rate of approximately 0.75%. We further note that based on the 2023 Interim Report, as at 30 June 2023, the Company was managing a total of 2.061 million tower sites, representing a net increase of 6,000 sites from the end of 2022. In addition, as also disclosed in 2022 Annual Report, the Group's capital expenditures for FY2022 grew by approximately 4.0% to approximately RMB26,207 million.

To supplement our assessment, we have further discussed with the Management and understand that future business expansion plans and especially, tower construction plans, has been formulated after taken into account, on top of the historical growth, also the planned investments in, for example, 5G construction including 5G base stations by, among others, telecommunication service providers in the coming years. In this respect, we have also independently researched and noted that growth in 5G technology investments has been extraordinary especially with the support of government policies which commenced in 2019. According to statistics published by the China Academy of Information and Communications Technology (which is a scientific research institute

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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directly under the Ministry of Industry and Information Technology of China) (“CAICT”) as at the end of July 2023, PRC has built the world’s largest 5G independent networking network with approximately 3,055,000 base stations. We have discussed and understood from the Management that the aforementioned statistics is relevant in determining business plans of the Company because as stated above, increase in tower sites is determined by growth in tower construction plans, and growth in tower construction plans is largely correlated with growth in base stations. The demand for 5G network can also be illustrated by the statistics published by CAICT which indicated that as at March 2023, growth in 5G telecommunication product sales reached 708,000,000 which was an increase of approximately 18.8% compared to that as at the end of September 2022.

Although the growth rate as represented by the number of tower sites managed by the Group between 2020 and the first six months of 2023 is not regarded as exponential, however, given the demand for 5G technology in the PRC is still clearly evident as reflected from the data provided by CAICT quoted above and such demand would require substantial increase in investments in infrastructure such as tower sites, we would therefore consider it to be fair and reasonable for the Company to assume a continued growth in tower sites to be managed by the Company over the next three years ended 2026 so that the Group’s business growth would not be unnecessarily limited.

We have also separately understood from our discussion with the Management, that in determining the proposed annual cap for the next three years ending 2026, the Company has also factored in its anticipated increase in demand for Maintenance Services. In reviewing the fairness and reasonableness of such, we note from the Company’s disclosures in its 2022 Annual Report and based on our discussions with the Management that following the conclusion of the COVID-19 pandemic, in addition to continued growth in capital expenditures as a whole, the Group has initiated a revamp of effort to maintain and upgrade its existing tower sites and in 2022, capital expenditure relating to site replacement and improvement has already reported a growth rate of approximately 64.4% over the previous year and repairs and maintenance expenses for 2022 also reported a significant increase of approximately 31.0% from 2021.

Having considered the (i) historical growth in number of tower, (ii) the Group’s capital expenditures; and (iii) industry statistics published by CAICT as cited above which supplements the expected fast growing 5G network development, we consider the aforesaid growth rates used in determining the annual caps for 2024 to be prudent and not excessive.

Further, as mentioned above, in light of the consistent growth in operating revenue as reported by the Group for each of 2019, 2020, 2021 and 2022 in the range between 6.1% to 6.8%, which demonstrated client demands for the Group’s products and services has been consistently growing, we also consider the growth rate of approximately 4.8% and 4.5% used for the estimation of annual caps for 2025 and 2026 to also be fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. Internal control measures on continuing connected transactions

As disclosed in the letter from the Board, to safeguard the interests of the Shareholders as a whole, including the minority shareholders, 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;
- the pricing of the connected transactions should be no less favorable to the Company than the prices provided by the Independent Third Parties or provided to the Independent Third Parties in respect of similar products or services. If there is no market prices or the pricing is restricted, the written agreements shall set out the standard for the cost and profit of the relevant transactions;
- the Company has established the connected transaction committee, comprising an independent non-executive Director as the chairman, and all other independent non-executive Directors, two executive Directors and one non-executive Director as members. The connected transaction committee will consider the connected transactions requiring approval from the Board and/or the shareholders' general meeting, and provide opinion thereof to the Board;
- the independent non-executive Directors and auditors of the Company will conduct annual reviews of the non-exempt continuing connected transactions and provide annual confirmations in accordance with the Listing Rules (as applicable) that the non-exempt continuing connected transactions are conducted in accordance with the terms of the relevant agreements, in the ordinary and usual course of business of the Group, on normal commercial terms, on terms that are fair and reasonable and in the interests of the Shareholders as a whole and in accordance with the pricing policy and/or do not exceed the proposed applicable annual caps.

Furthermore, the Company have formulated internal guidelines according to the Listing Rules, which provide approval procedures for connected transactions including:

- the finance departments of our provincial branches shall review the transaction amounts of relevant continuing connected transactions quarterly;
- in respect of the connected transactions not governed by the existing framework agreements (if any), our provincial branches shall communicate with the headquarters in advance and provide necessary documents to facilitate related decision-making and disclosure process;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- the Company shall collect the transaction amount information monthly and conduct analysis of the data quarterly to manage the connected transactions;
- additional approvals are required for transactions exceeding the proposed annual caps (if applicable); and
- with regard to the procurement of materials and services of the Group from suppliers which are connected persons of the Company under the Listing Rules, as part of the daily supervision and management measures, the finance, legal management and commercial cooperation departments and other relevant management departments of the Company will review the proposed terms of the specific agreements under the connected transactions and conduct thorough discussion thereon to ensure the connected transactions, including the pricing policy, will be on normal commercial terms, developed and performed according to the provisions of the relevant framework agreements and in the interests of the Company and the Shareholders as a whole.

Based on the aforementioned internal control mechanisms adopted by the Company, we noted that it has in place sets of internal rules and regulations to, among other things, monitor transactions contemplated under the 2024-2026 Service Supply Framework Agreement with CTC. In this respect, we have obtained and reviewed the Manual of Risk and Internal Control Management formulated by the Company and the 2024-2026 Service Supply Framework Agreement with CTC. Based on our review, we consider the requirement to obtain of at least two independent quotes (where applicable) is reasonable for the Company to assess the then prevailing market terms. Also with reference to the Sample Tenders as discussed above under the heading “*2.2 Terms of the 2024-2026 Service Supply Framework Agreement with CTC*”, and letters issued by the Auditors, we consider the internal control mechanisms in relation to the pricing comparison has been effectively implemented and as such, we are of the view with the Directors that the internal control procedures and the pricing policies relating to the Transactions have demonstrated the Group’s practices of getting access to market information and having regular assessment on the terms of the Transactions and so as to make sure that terms will be no less favourable to the Group than those prevailing in the market for similar transactions.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### OPINION AND RECOMMENDATION

Having considered the principal factors and reasons set out above, we are of the view that the terms of the 2024-2026 Service Supply Framework Agreement with CTC (including the respective annual caps) are on normal commercial terms and in the ordinary and usual course of business of the Group and are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the entering into of 2024-2026 Service Supply Framework Agreement with CTC is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, and the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the 2024-2026 Service Supply Framework Agreement with CTC and the adoption of the respective annual caps.

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

*Ms. Lyan Tam is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Somerley to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has over 20 years of experience in corporate finance industry.*



**1. STATEMENT OF RESPONSIBILITY**

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

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

- (i) Mr. Gao Tongqing, a Director of the Company, and Mr. Liu Wei, a Supervisor of the Company, currently hold positions in China Mobile Communication Company Limited and/or its associates.
- (ii) Mr. Tang Yongbo, a Director of the Company, and Mr. Li Zhangting, a Supervisor of the Company, currently hold positions in China United Network Communications Corporation Limited and/or its associates.
- (iii) Mr. Liu Guiqing, a Director of the Company, and Ms. Han Fang, a Supervisor of the Company, currently hold positions in China Telecom and/or its associates.
- (iv) Mr. Fang Xiaobing, a Director of the Company, and Ms. Li Tienan, a Supervisor of the Company, currently hold positions in China Reform Holdings Corporation Ltd. and/or its associates.
- (v) Save as disclosed above, as at the Latest Practicable Date, none of the Directors or Supervisors was materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group, apart from their service contracts.
- (vi) Save as disclosed above, as at the Latest Practicable Date, none of the Directors or Supervisors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.



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

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

Mr. Gao Tongqing, a Director of the Company, and Mr. Liu Wei, a Supervisor of the Company, currently hold positions in China Mobile Communication Company Limited and/or its associates. Mr. Tang Yongbo, a Director of the Company, and Mr. Li Zhangting, a Supervisor of the Company, currently hold positions in China United Network Communications Corporation Limited and/or its associates. Mr. Liu Guiqing, a Director of the Company, and Ms. Han Fang, a Supervisor of the Company, currently hold positions in China Telecom and/or its associates. Mr. Fang Xiaobing, a Director of the Company, and Ms. Li Tienan, a Supervisor of the Company, currently hold positions in China Reform Holdings Corporation Ltd. and/or its associates.

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

### **4. SERVICE CONTRACTS**

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

### **5. COMPETING INTEREST**

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

## 6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## 7. QUALIFICATION AND CONSENT

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

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

Somerley Capital Limited issued a letter dated 4 December 2023, for the purpose of incorporation in this circular, in connection with its advice to the Independent Board Committee and the Independent Shareholders.

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

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

## 8. GENERAL

- (a) The company secretary of the Company is Ms. Leung Suet Wing.
- (b) The registered office of the Company is at Room 101, LG1 to 3/F, Building 14, North District, Yard No. 9, Dongran North Street, Haidian District, Beijing, PRC.
- (c) The H share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

**9. DOCUMENTS ON DISPLAY**

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

- (a) the 2024-2026 Service Supply Framework Agreement with CTC;
- (b) the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders;
- (c) the letter from Somerley Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders;
- (d) the written consent letter referred to in the section headed “Qualification and Consent” of this Appendix to this circular; and
- (e) this circular.



**China Tower Corporation Limited**

**中國鐵塔股份有限公司**

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

**(Stock Code: 0788)**

**NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2023**

**NOTICE IS HEREBY GIVEN** that the second extraordinary general meeting of China Tower Corporation Limited (the “**Company**”) of 2023 (the “**EGM**”) will be held at Room 101, Building 12, China Tower Industrial Park, No. 9 Dongran North Street, Haidian District, Beijing, PRC on Friday, 22 December 2023 at 9:00 a.m. to consider and, if thought fit, pass the following businesses:

**ORDINARY RESOLUTIONS**

1. **THAT** the 2024-2026 Service Supply Framework Agreement with China Telecommunications Corporation and the continuing connected transactions contemplated under such agreement together with the proposed annual caps, be and are hereby generally and unconditionally approved and any director of the Company or his/her delegated persons is hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in their opinion as may be necessary, desirable or expedient to implement and/or give effect to the terms of such continuing connected transactions.
2. **THAT** the Remuneration Plan for the Executive Directors of the Company for the year 2022 be and is hereby considered and approved.

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

Hong Kong, 4 December 2023

## NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2023

*Notes:*

1. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 4 December 2023.
2. The H share register of members of the Company will be closed, for the purpose of determining the entitlement of H share shareholders of the Company to attend the EGM, from Tuesday, 19 December 2023 to Friday, 22 December 2023 (both days inclusive), during which period no transfer of H shares of the Company will be registered. In order to attend the EGM, all share transfers, accompanied by the relevant share certificates, must be lodged for registration with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 18 December 2023. Holders of H share of the Company who are registered with Computershare Hong Kong Investor Services Limited on Friday, 22 December 2023 are entitled to attend the EGM.
3. Each shareholder of the Company (the "Shareholder(s)") entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on his behalf at the EGM. A proxy needs not to be a Shareholder.
4. To be valid, the form of proxy together with the power of attorney or other authorization document (if any) signed by the authorized person or notarially certified power of attorney must be completed and delivered to the registered office of the Company for holders of domestic shares of the Company or to the Computershare Hong Kong Investor Services Limited for holders of H shares of the Company no later than 24 hours before the designated time (i.e. before 9:00 a.m. on 21 December 2023) for the holding of the EGM. The address of the registered office of the Company is Room 101, LG1 to 3/F, Building 14, North District, Yard No. 9, Dongran North Street, Haidian District, Beijing, PRC, postal code: 100195; telephone: (8610) 6870 8806. The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; telephone: (852) 2862 8555. Completion and return of a form of proxy will not preclude a Shareholder from attending in person and voting at the EGM if he/she so wishes.
5. Shareholders attending the EGM in person or by proxy shall present their identity certification. If the attending Shareholder is a corporation, its legal representative or person authorized by the board or other decision-making authority shall present a copy of the relevant resolution of its board or other decision making authority in order to attend the EGM.
6. The resolutions to be proposed at the EGM will be voted by poll.
7. The EGM is expected to last for half a day. Shareholders (in person or by proxy) attending the EGM shall be responsible for their own transport and accommodation expenses.
8. China Telecom will abstain from voting in respect of ordinary resolution 1.
9. The English translation of this notice is for reference only, and in case of any inconsistency, the Chinese version shall prevail.

As at the date of this notice, the Board of Directors of the Company comprises:

*Executive directors* : *Zhang Zhiyong (Chairman of the Board), Gu Xiaomin (General Manager) and Gao Chunlei*

*Non-executive directors* : *Gao Tongqing, Tang Yongbo, Liu Guiqing and Fang Xiaobing*

*Independent non-executive directors* : *Zhang Guohou, Dong Chunbo, Hu Zhanghong and Sin Hendrick*