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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)**

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS –  
THE 2021-2023 SERVICE SUPPLY FRAMEWORK AGREEMENT WITH CTC  
AND  
NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2020**

**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 10:00 a.m. on 4 December 2020 at Room 303, 3/F, Block A, Yuhui Tower, No. 73, Fucheng Road, Haidian District, Beijing, China. The notice of EGM dated 10 November 2020 is set out on pages 35 to 36 of this circular.

Whether or not you are able to attend the EGM, you are required to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours before the time arranged (i.e. before 10:00 a.m. on 3 December 2020) 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.

10 November 2020

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	4
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	14
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> .....	16
<b>APPENDIX – GENERAL INFORMATION</b> .....	31
<b>NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2020</b> .....	35

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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
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors of the Company
“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 which holds approximately 20.50% equity interest in the Company and is a substantial shareholder of the Company as of the Latest Practicable Date
“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 of 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
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at 10:00 a.m. on 4 December 2020 to consider and approve the 2021-2023 Service Supply Framework Agreement with CTC and the Proposed Annual Caps, the notice of which is set out in this circular, or any adjournment thereof
“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

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## DEFINITIONS

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“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee, comprising all of the independent non-executive Directors, namely Mr. Fan Cheng, Mr. Tse Yung Hoi and Mr. Deng Shiji, formed to advise the Independent Shareholders in respect of, among others, the 2021-2023 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 2021-2023 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
“Latest Practicable Date”	5 November 2020, 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 2021-2023 Service Supply Framework Agreement with CTC for the three years ending 31 December 2021, 2022 and 2023
“Prospectus”	the prospectus of the Company dated 25 July 2018

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## DEFINITIONS

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“RMB”	Renminbi, the lawful currency of the PRC
“Service Supply Framework Agreement with CTC”	the service supply framework agreement dated 15 July 2018 between the Company and CTC
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“the 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 Stock Exchange (stock code: 0788)
“the Group”	the Company and its subsidiaries
“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. Tong Jilu  
Mr. Gu Xiaomin

***Non-executive Directors:***

Mr. Gao Tongqing  
Mr. Mai Yanzhou  
Mr. Zhang Zhiyong

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

Mr. Fan Cheng  
Mr. Tse Yung Hoi  
Mr. Deng Shiji

***Registered Office:***

19/F, No. 73, Fucheng Road  
Haidian District  
Beijing, PRC

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

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

10 November 2020

*To the Shareholders*

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS –  
THE 2021-2023 SERVICE SUPPLY FRAMEWORK AGREEMENT WITH CTC  
AND  
NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2020**

**INTRODUCTION**

We refer to the section headed “Connected Transactions” in the Prospectus in relation to the continuing connected transactions under the Service Supply Framework Agreement with CTC. We also refer to the announcement of the Company dated 19 October 2020 in relation to the continuing connected transactions under the 2021-2023 Service Supply Framework Agreement with CTC.

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, further particulars of: (i) details of the continuing connected transactions under the 2021-2023 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 Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM.

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## LETTER FROM THE BOARD

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### 2021-2023 SERVICE SUPPLY FRAMEWORK AGREEMENT WITH CTC

As the Service Supply Framework Agreement with CTC will expire on 31 December 2020, the Company entered into the 2021-2023 Service Supply Framework Agreement with CTC on 19 October 2020 on substantially the same terms and conditions of the Service Supply Framework Agreement with CTC, pursuant to which CTC and its associates will provide construction, design, supervision, outsourcing maintenance, intermediary, supply chain and/or training services to the Group. The associates of CTC shall enter into separate agreements with the Company or its relevant provincial branches, which shall set out specific terms and conditions pursuant to the principles and conditions provided in the 2021-2023 Service Supply Framework Agreement with CTC.

#### Principal Terms

##### *Service Provided*

The services provided by CTC and its associates under the 2021-2023 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 qualification of third parties (such as contractors) and their staff and the technical equipment they use in the constructions 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;

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## LETTER FROM THE BOARD

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- **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; and/or
- **training service:** various technical, management and practical trainings, and third-party certification services for occupation or skill.

### *Service Period*

The 2021-2023 Service Supply Framework Agreement with CTC will be valid from 1 January 2021 to 31 December 2023.

### **Pricing Policy**

Transaction terms, such as services fees, payment method and miscellaneous expenses will be determined in accordance with relevant market price. If there is no market price, in order to make sure the prices of services offered are fair and reasonable, the parties shall refer to historical prices related to the services and, after collecting the information of prices of similar services in the industry through channels such as bids from other providers, determine

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## LETTER FROM THE BOARD

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the price based on average profit margin in the market or financial cost margin for similar services 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.

For the transactions contemplated under the 2021-2023 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. As at the Latest Practicable Date, the Group has been using the open bidding method to select providers for such services and have never encountered a situation where there is no market price. As mentioned above, if there is no market price, the parties would determine the price with reference to factors including the average profit margin in the market or financial cost margin for similar services. The average profit margin in the market and financial cost margin for similar services are analysed based on the information of prices of similar services in the industry through channels such as bids from other providers. It is widely accepted in the business world to use average profit margin or financial cost margin to determine the prices for goods and services. The Directors believe such prices determined using such margins will be fair and reasonable 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 2021-2023 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 2021-2023 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 society. 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 providers (including CTC and 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.

In determining the pricing standards, the parties should at least consider two comparable transactions entered into with the Independent Third Parties holding the same qualifications and conditions as those of CTC and its associates during the same period where practical. The Group shall determine the specific method for providing project design/construction services

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## LETTER FROM THE BOARD

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through bidding or other procurement processes. CTC and 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 2021-2023 Service Supply Framework Agreement with CTC are not exclusive and are available for procurement from numerous services providers in the competitive markets. Independent Third Parties have also been providing the same services provided under the 2021-2023 Service Supply Framework Agreement with CTC. Therefore, the Company is able to find the alternative service providers if any services provider fails to offer such service.

### Historical Figures and Proposed Annual Caps

The historical figures under the Service Supply Framework Agreement with CTC and the proposed annual caps of transactions contemplated under the 2021-2023 Service Supply Framework Agreement with CTC for the relevant period are set out below:

Historical Figures			Proposed Annual Caps		
For the years ended 31 December		For the six months ended	For the years ending 31 December		
2018	2019	30 June 2020*	2021	2022	2023
<i>(RMB in millions)</i>					
6,591	4,906	2,297	5,638	6,169	6,705

\* *Unaudited*

*Note:* The annual caps for transactions under the Service Supply Framework Agreement with CTC for the three years ending December 31, 2018, 2019 and 2020 shall not exceed RMB9,769 million, RMB10,872 million and RMB12,103 million, respectively. The historical figures under the Service Supply Framework Agreement with CTC for the years 2018 and 2019 were below their corresponding annual caps and the transaction amount for the year 2020 is not expected to exceed its corresponding annual cap.

### Basis of Proposed Annual Caps

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

- historical transaction amounts set out above, especially the highest historical transaction amount;
- in 2019 and 2020, there were substantial decreases in the service fees of certain services that the Group were able to obtain through bidding processes due to the adjustment of standards of certain service as requested by some clients of the Group,

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## LETTER FROM THE BOARD

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which resulted in the decreases in the historical transaction amounts as set out above. However, we expect that there will be no such substantial decrease in the service fees under the 2021-2023 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;
- 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 its associates.

### **Reasons and Benefits of the Transaction**

The Company is in need of the types of services under the 2021-2023 Service Supply Framework Agreement with CTC in order to carry out its continuing business activities. 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 select freely among connected persons including CTC and its associates or carry out transactions with Independent Third Parties to seek services based on a consistent standard. CTC and its associates may become relevant service providers of the Group if they meet the standards (same standards as those for Independent Third Parties) of the Group in those procedures. The services under the 2021-2023 Service Supply Framework Agreement with CTC are not exclusive. Besides, due to the long-term cooperation between CTC and its associates and the Group, they understand the business requirement of the Group and therefore could provide the Group with quality services.

### **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 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;

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## LETTER FROM THE BOARD

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- the Company has established the connected transaction committee, comprising of all independent non-executive Directors and one executive Director. The connected transaction committee will consider the connected transactions requiring approval from the Board and/or shareholders' general meeting, and provide opinion thereof to the Board;
- the independent non-executive Directors and auditors will conduct annual review 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, on normal commercial terms 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:
  - o the finance departments of our provincial branches shall review the transaction amounts of relevant continuing connected transactions quarterly;
  - o 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;
  - o the Company shall collect the transaction amount information monthly and conduct analysis of the data quarterly to manage the connected transactions; and
  - o additional approvals are required for transactions exceeding the proposed annual caps (if applicable); and
- With regard to the procurement of the materials and services of the Group from suppliers (any connected persons), 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 have 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 as a whole.

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## LETTER FROM THE BOARD

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### INFORMATION OF THE PARTIES

#### Information of the Company

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

#### Information of CTC

CTC is a state-owned enterprise incorporated under the laws of the PRC. The principal business of CTC and its subsidiaries is providing wireline & mobile telecommunications services, Internet access services, information services and other value-added telecommunications services primarily in the PRC.

### 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 2021-2023 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 2021-2023 Service Supply Framework Agreement with CTC are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

Details of the 2021-2023 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.

### RECOMMENDATION

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Fan Cheng, Mr. Tse Yung Hoi and Mr. Deng Shiji, has been formed to advise the Independent Shareholders in respect of, among others, the 2021-2023 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 14 to 15 of this circular.

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## LETTER FROM THE BOARD

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The Company has appointed Somerley Capital Limited to advise the Independent Board Committee and the Independent Shareholders in respect of, among others, the 2021-2023 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 16 to 30 of this circular.

Mr. Zhang Zhiyong, a non-executive Director, has abstained from voting on the Board resolution for considering and approving the 2021-2023 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 2021-2023 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” in this circular) is of the view that the 2021-2023 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, that they 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 2021-2023 Service Supply Framework Agreement with CTC and the Proposed Annual Caps.

### **THE EGM**

The notice of EGM is set out on pages 35 to 36 of this circular. The appropriate Form of Proxy is enclosed herewith.

Whether or not a Shareholder intends to attend the EGM in person, he must complete the enclosed Form of Proxy as soon as possible and must lodge the completed Form of Proxy with the registered office of the Company (for holders of Domestic Shares) or Computershare Hong Kong Investor Services Limited (for holders of H Shares) not less than 24 hours before the time arranged (i.e. before 10:00 a.m. on 3 December 2020) for convening the EGM in order to be valid. The registered office address of the Company is 19/F, No. 73, Fucheng Road, Haidian District, Beijing, PRC, postal code: 100142; Telephone: (8610) 6870 8762; Fax: (8610) 6870 8802. The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong; Telephone: (852) 2862 8555; Fax: (852) 2865 0990. After completion and return of the Form of Proxy, a Shareholder may still attend the EGM and vote in person if he wishes to do so.

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## LETTER FROM THE BOARD

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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 2021-2023 Service Supply Framework Agreement with CTC and the Proposed Annual Caps.

### 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.

### ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Financial Adviser which contains its advice 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 in the appendix to this circular.

Yours faithfully,  
On behalf of the Board  
**China Tower Corporation Limited**  
**Tong Jilu**  
*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)**

10 November 2020

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS –  
THE 2021-2023 SERVICE SUPPLY FRAMEWORK AGREEMENT WITH CTC**

We refer to the circular (the “**Circular**”) dated 10 November 2020 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 19 October 2020, the Board announced that the Company and CTC have entered into the 2021-2023 Service Supply Framework Agreement with CTC, subject to the approval of the Independent Shareholders.

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 2021-2023 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 2021-2023 Service Supply Framework Agreement with CTC and the Proposed Annual Caps.

The terms of, and the reasons for entering into, the 2021-2023 Service Supply Framework Agreement with CTC and the Proposed Annual Caps, are set out in the Letter from the Board on pages 4 to 13 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 2021-2023 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 2021-2023 Service Supply Framework Agreement with CTC and the Proposed Annual Caps, as set out in the letter from the Independent Financial Adviser on pages 16 to 30 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 2021-2023 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 2021-2023 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. Fan Cheng      Mr. Tse Yung Hoi      Mr. Deng Shiji**

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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 2021-2023 Service Supply Framework Agreement with CTC.*



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

10 November 2020

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

Dear Sirs or Madam,

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS – THE 2021-2023 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 2021-2023 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 10 November 2020, 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 19 October 2020, the Company entered into the 2021-2023 Service Supply Framework Agreement with CTC to provide relevant construction, design, supervision, outsourcing maintenance, intermediary, supply chain and/or training services to the Company.

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 2021-2023 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 2021-2023 Service Supply Framework Agreement with CTC exceeds 5%, the transactions contemplated under the 2021-2023 Service Supply Framework Agreement with CTC are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Fan Cheng, Mr. Tse Yung Hoi and Mr. Deng Shiji has been established to make a recommendation to the Independent Shareholders as to whether the terms of the Transactions are on normal commercial terms, in the ordinary and usual course of business of the Company and are fair and reasonable and in the interests of the Company and its shareholders as a whole. Somerley Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated or connected with the Company, CTC, China Telecom or their respective core connected persons or associates and, accordingly, are considered eligible to give independent advice on the Transactions. 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 2021-2023 Service Supply Framework Agreement with CTC, annual reports of the Company for each of the years ended 31 December 2018 (“**FY2018**”) (“**2018 Annual Report**”) and 31 December 2019 (“**FY2019**”) (the “**2019 Annual Report**”), interim report of the Company for the period ended 30 June 2020, the Company's initial public offering prospectus dated 25 July 2018 (“**Prospectus**”) and other information contained in the Circular.

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

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

#### 1. Information on the parties

##### *The Group*

The Company is incorporated in the People's Republic of China with limited liability, the H Shares of which have been listed on the Main Board of the Hong Kong Stock Exchange since 8 August 2018. The Group is principally engaged in the following businesses: the tower business mainly uses sites to carry out macro cell and small cell business with telecommunications service providers ("**Tower Business**"); the indoor distributed antenna system business mainly provides indoor distributed antenna systems to telecommunication service providers and attach their telecommunications equipment ("**DAS Business**"); the trans-sector site application and information business mainly uses the sites dispersed nationwide and provide site resource services, including infrastructure, maintenance services and power services, to host different types of devices for customers from different industries and support them to build up different types of nationwide or regional networks; and the energy operation business offers diversified energy services including power backup and generation, charging and battery exchange to wider society.

According to the 2018 Annual Report, the Group reported an operating revenue of approximately RMB71.8 billion, representing a year-on-year increase of approximately 4.6%. We note that the operating revenue generated from the Tower Business represented approximately 95.5% of total operating revenue and reported a year on year increase of approximately 2.3% to approximately RMB68.6 billion. The Group's total operating expenses also showed an increase of approximately 2.9% and the operating profit margin reported for FY2018 increased to approximately 12.6% from approximately 11.2% for the year ended 31 December 2017. According to the 2018 Annual Report, profit attributable to owners of the Company grew by approximately 36.4%. 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 2019 Annual Report, the Group reported an operating revenue of approximately RMB76.4 billion, representing a year-on-year increase of approximately 6.4%. We note that the operating revenue generated from the Tower Business continued to be key revenue source, representing approximately 93.4% of total operating revenue and reported a year on year increase of approximately 4.1% to approximately RMB71.4 billion. The Group's total operating expenses also showed an increase of approximately 3.8% and the operating profit margin reported for FY2019 increased from approximately 12.6% in FY2018 to approximately 14.8% in FY2019. According to the 2019 Annual Report, profit attributable to owners of the Company grew by approximately 97.1%. The

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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main reasons for the increase in profit were as a combined result of (i) higher operating revenue; (ii) higher operating profit margin; and (iii) significant decrease in finance costs as a result of repayment of loans and borrowings during the year.

For the six months interim period ended 30 June 2020 (“1H2020”), operating revenue increased by approximately 4.8% as compared with the same period in 2019. The revenue generated from the Tower Business increased to approximately RMB36.4 billion, representing an increase of approximately 1.6% from the same period in 2019. We note operating profit for 1H2020 increased by approximately 3.8% to approximately RMB5.8 billion, this is largely in line with the growth in operating revenue. Profit attributable to owners of the Company further increased by approximately 16.9% mainly as a combined result of (i) higher operating revenue and profit; and (ii) a further decrease in finance costs during the period.

As disclosed in the 2019 Annual Report, the Group managed 1,994 thousand tower sites as at the end of 2019, an increase of 69 thousand from 2018, which represented a year-on-year increase of 3.6%. Such increase is comparable to that of 2018 where the number of tower sites increased by 70 thousand from 1,855 thousand tower sites in 2017 to 1,925 thousand tower sites in 2018. We further note from the 2019 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 76.0%, 16.7% and 21.5% respectively as compared to that of 2018. 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. As at 30 June 2020, the Company managed a total of 2,015 thousand tower sites, which represented an increase of 21 thousand from end of 2019.

### *China Telecommunications Corporation*

CTC is a state-owned enterprise incorporated under the laws of the PRC. The principal business of CTC and its subsidiaries is providing wireline & mobile telecommunications services, Internet access services, information services and other value-added telecommunications services primarily in the PRC.

## **2. 2021-2023 Service Supply Framework Agreement with CTC**

### *2.1 Background of and reasons for the 2021-2023 Service Supply Framework Agreement with CTC*

As the Service Supply Framework Agreement with CTC will expire on 31 December 2020, the Company entered into the 2021-2023 Service Supply Framework Agreement with CTC on substantially the same terms and conditions of the Service Supply Framework Agreement with CTC, pursuant to which CTC and its associates will provide construction, design, supervision, outsourcing maintenance, intermediary, supply chain and/or training services (together, the “**Services**”) to the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As disclosed in the Circular, the Company is in need of the Services under the 2021-2023 Service Supply Framework Agreement with CTC in order to carry out its continuing business activities. 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 and is able to select freely among connected persons including CTC and its associate or carry out transactions with Independent Third Parties to seek services based on a consistent standard. CTC and its associate may become relevant Service providers of the Group if they meet the standards (same standards as those for Independent Third Parties) of the Group in those procedures. The services under the 2021-2023 Service Supply Framework Agreement with CTC are not exclusive.

We have discussed and were given to understand that the services provided to the Group 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. As such, in light of that:

- (i) subsidiaries of CTC is able to provide 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 2021-2023 Service Supply Framework Agreement with CTC will not make the Group becoming obliged to enter into any transactions with CTC but will only provide the Group with an additional choice of service provider to meet its business needs. 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 CTC may only become relevant Service provider if they meet the standards of the Company set in the procedures; and
- (iii) including CTC as one of the possible service providers is in the interests of the Group because the Group has had a long-established existing cooperation relationship with the CTC Group and based on previous experience, they understand the business requirement of the Company and has provided the Company with quality services required,

we agree with the Directors and would consider continuing the business relationship and retaining CTC 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 2021-2023 Service Supply Framework Agreement with CTC*

Services: 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 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**”).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 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**”).

### 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**”).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Training service

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

Service period: Three years from 1 January 2021 to 31 December 2023

Pricing Policy: Transaction terms, such as services fees, payment method and miscellaneous expenses will be determined in accordance with relevant market price. If there is no market price, in order to make sure the prices of services offered are fair and reasonable, the parties shall refer to historical prices related to the services and, after collecting the information of prices of similar services in the industry through channels such as bids from other providers, determine the price based on average profit margin in the market or financial cost margin for similar services before agreeing on the pricing. Such costs include costs of raw materials, accessories, years of depreciation, labour, energy, management cost, financial fees and payable taxes and fees. Further details relating to pricing policy are set out in the letter from the Board of the Circular.

The service providers (including CTC and 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. In determining the pricing standards, the parties should at least consider two comparable transactions entered into with the Independent Third Parties holding the same qualifications and conditions as those of CTC and their associates during the same period where practical. The Group shall determine the specific method for providing project design/construction services through bidding or other procurement processes. CTC and their respective 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have discussed and understood from the Management that the procurement of the relevant Service(s) has historically been executed by way of public tender. In considering the various Service providers, as stated above, the Company would normally consider qualifications of the prospective service provider together with conditions, including price offered.

Further to our understanding, should the Company utilise other pricing methodologies, such as by way of collecting information of market prices of similar Services or to determine average profit margin and financial cost margins to determine a service fee, it will also strictly adhere to the internal procedures as described in the section headed “3. Internal Procedures” below where the transaction entered will be reviewed by the relevant departments of the Company, including finance, legal management and commercial cooperation departments and other relevant managerial departments to ensure that pricing policies for the required Service is strictly adhered.

### *Construction Services, Design Service, Supervision Services and Outsourcing Maintenance Service*

We 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 as stated above is fair and reasonable, we have requested and was provided with sample project tender documents with 12 sets of comparable tenders transactions with Independent Third Parties relating to the aforementioned Services (“**Sample Tenders**”). In view of this, we consider the Sample Tenders reviewed to be appropriate and sufficient for our assessment purpose. Based on our review, we noted that terms including pricing policies provided by CTC as compared to that of Independent Third Parties were similar. We noted that the procurement of Service provider was executed by way of public tender and in addition, we have also noted from the sample transactions that factors considered by the Company would include tender quotations provided as well as qualifications possessed by the proposed Service providers. The proposed Service providers were then ranked and rated accordingly. We have discussed, compared and noted that such procedure and factors considered are in line with the aforementioned terms of the 2021-2023 Service Supply Framework Agreement with CTC. We further understand that as according to the internal policy procedures as described in the section headed “3. Internal Procedures” below, transactions to be entered into by the Company with a Service provider is required to reviewed by the relevant departments of the Company, including finance, legal management and commercial cooperation departments and other relevant managerial departments to ensure that pricing policies for the said Service is strictly adhered.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Intermediary Service, Supply Chain Service and Training Service*

We understand from the Management that it has not entered into the Intermediary Service, Supply Chain Service and Training Service with CTC during the period between 1 January 2018 and the Latest Practicable Date. We have also discussed and understood from the Management that any future engagement of CTC to provide Intermediary Service, Supply Chain Service or Training Service required will be carried out in accordance with the internal policy stated in the section headed “3. Internal Procedures” below as well as the pricing policy discussed above.

In view of (i) the entering into of the 2021-2023 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 and offer no less favourable terms 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 2021-2023 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 2021-2023 Service Supply Framework Agreement with CTC discussed in the sub-section headed “2.1 Background of and reasons for the 2021-2023 Service Supply Framework Agreement with CTC” above; and (iv) terms of the transaction(s) under the 2021-2023 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 2021-2023 Service Supply Framework Agreement with CTC is 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 2018, 2019 and 2020, respectively; and (ii) the actual amounts paid by the Group for each of the two years ended 31 December 2018 and 2019 and for the six months ended 30 June 2020.

	Historical Transacted Amount			Annual Cap		
	For the		For the	For the year ended/ending		
	year ended		period from	31 December		
	31 December		1 January to	2018	2019	2020
	2018	2019	30 June 2020			
				<i>(RMB in millions)</i>		
Amounts paid/payable by the Group pursuant to the Service Supply Framework Agreement with CTC	6,591	4,905	2,297	9,769	10,872	12,103

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The table below sets out the Proposed Annual Caps of amounts payable by the Group for each of the three years ending 31 December 2021, 2022 and 2023, respectively:

	<b>Proposed Annual Caps</b>		
	<b>for the year ending 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>(RMB in millions)</i>		
<b>Amounts payable by the Group pursuant to the 2021-2023 Service Supply Framework Agreement with CTC</b>	5,638	6,169	6,705

As disclosed in the letter from the Board in the Circular, in arriving at the estimated aggregate amounts payable by the Group for each of the three years ending 31 December 2023, the Company has considered, among other things, the historical transacted amounts and the following primary factors:

- historical transaction amounts set out above, especially the highest historical transaction amount;
- as stated in the letter from the Board of the Circular, in 2019 and 2020, there were substantial decreases in the service fees of certain services that the Group were able to obtain through bidding processes, which resulted in the substantial decreases in the historical transaction amounts as set out above. However, the Company expects that there will be no such substantial decrease in the service fees under the 2021-2023 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;
- 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 each of CTC and their respective associates.

Having reviewed the composition of historical transacted amounts, we noted that approximately all of the historical transacted amounts were attributable to the Construction Services, Design Services, Supervision Services and Outsourcing

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Maintenance Services. Based on our discussion with the Management, such Services are crucial to the Group's business development plans and is in line with its tower construction plans and increases in tower sites. 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 2021 and further to 2023.

As shown in the table above, it is noted that the annual caps for 2021, 2022 and 2023 embed an estimated average annual growth of around 7.5% for 2021 based on the transacted amount for 2019, and around 9.4% for 2022 and 8.7% for 2023 as compared to the annual caps for 2021 and 2022 respectively, which are arrived at by the Company mainly based on the projected tower construction plans and demand for other ancillary products in accordance with the Group's business development and in particular, tower construction plans in the next few years. We further understand from the Management that its tower construction plans is directly relevant to the growth in the number of tower sites.

In assessing the reasonableness of the assumption relating to the growth in number of tower sites, we have reviewed and noted from the 2018 and 2019 Annual Reports and the Prospectus that the number of tower sites increased from 1,855 thousand at the end of 2017 to 1,925 thousand at the end of 2018, and further to 1,994 thousand by the end of 2019, and based on the disclosures made, the year on year growth rates for each of the aforementioned years were approximately 7.7%, 3.7% and 3.6% respectively with an average growth rate of approximately 5.0%. In this regard, 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 regard, we have 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 directly under the Ministry of Industry and Information Technology of China) ("CAICT"), as at the end of June 2020, PRC had built approximately 410,000 base stations across cities and such a construction phase has been growing at an accelerated rate of over 25% each month since April 2020. 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 which is largely correlated with growth in base stations. Based on the expectations provided by CAICT, it has a planned goal of investing in an additional RMB18 billion in 2020 to build a total of 500,000 new base stations across China. The demand for 5G network can also be illustrated by the statistics

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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published by CAICT which indicated that as of July 2020, growth in 5G telecommunication product sales reached 13,911,000 mobile phones, which was an increase of approximately 62.4% compared to the same period in 2019.

In addition, we further note that, as disclosed in the 2019 Annual Report, the Group's capital expenditures relating to new site construction and augmentation of existing sites reported a growth rate of approximately 12.5% in 2019 as compared to the prior year. As further provided by the Management, the capital expenditures incurred relating to new site construction and augmentation of existing sites in the first half of 2020 has already exceeded 60% of the full amount reported for 2019. Assuming the capital expenditure relating to new site construction and augmentation for the second half of 2020 is equal to the amount incurred for the first half of the year, and as such, the embedded estimated growth represented by the annual caps over the next three years is considered relatively prudent.

Having considered the historical growth in number of tower sites and the Group's capital expenditures, and in light of the published statistics by CAICT as stated above which provides an overview of the fast growing 5G network development, we consider the bases for arriving at the estimation of the 2021, 2022, and 2023 annual caps, to be prudent and not excessive.

### **3. Internal procedures**

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 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 of all independent non-executive Directors and one executive Director. The connected transaction committee will consider the connected transactions requiring approval from the Board and/or shareholders' general meeting, and provide opinion thereof to the Board;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- the independent non-executive Directors and auditors will conduct annual review 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, on normal commercial terms and in accordance with the pricing policy and/or do not exceed the proposed applicable annual caps; and
- 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;
  - 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).

With regard to the procurement of the materials and services of the Group from suppliers (including from any connected persons), as part of the daily measures for supervision and management, the finance, legal management and commercial cooperation departments and other relevant managerial departments of the Company will review the proposed terms of the specific agreements under the connected transactions and have adequate 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 as a whole.

With reference to the aforementioned internal control procedures and pricing policies under the 2021-2023 Service Supply Framework Agreement with CTC, 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. 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 its terms will be no less favourable (so far as the Group is concerned) 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 2021-2023 Service Supply Framework Agreement with CTC (including the Proposed 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 2021-2023 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 2021-2023 Service Supply Framework Agreement with CTC and the adoption of the Proposed 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 17 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, and Ms. Gao Lingling, a Supervisor, held administrative positions in China Mobile Communications Group Co., Ltd. and/or its associates. Mr. Mai Yanzhou, a Director, and Mr. Li Zhangting, a Supervisor, held administrative positions in China United Network Communications Group Company Limited and/or its associates. Mr. Zhang Zhiyong, a Director, and Mr. Sui Yixun, a Supervisor, held administrative positions in CTC and/or its associates.
- (ii) 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.
- (iii) 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, save as stated below, none of the Directors, Supervisors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are (1) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO), or (2) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (3) required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Name of the Directors, Supervisors and chief executive	Nature of interest	Class of shares	Number of shares held <sup>(1)(2)</sup>	Percentage of shares in the relevant class of shares of the Company	Percentage of shares in the total shares in issue of the Company
Tong Jilu	Beneficiary of a trust	H shares	1,800,000 (L)	0.00%	0.00%
Gu Xiaomin	Beneficiary of a trust	H shares	1,550,000 (L)	0.00%	0.00%

*Notes:*

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

Mr. Tong Jilu and Mr. Gu Xiaomin have accepted 1,800,000 and 1,550,000 Restricted Shares granted by the Company under the Restricted Share Incentive Scheme, respectively. The trustee of the Restricted Share Incentive Scheme has completed the purchase of shares from the secondary market, but these shares are still in the lock-up period and cannot be traded. For details, please refer to the announcement and circular of the Company both dated 4 March 2019, and the announcement of the Company on poll results of the 2018 annual general meeting of the Company and the announcement of the initial grant of Restricted Shares (the “**Initial Grant**”) under Restricted Share Incentive Scheme both dated 18 April 2019, in relation to (inter alia) (i) the adoption of the Restricted Share Incentive Scheme and the Administrative Measures on the Restricted Share Incentive Scheme; (ii) the authorization to the Board to implement the Restricted Share Incentive Scheme and grant Restricted Shares under the Restricted Share Incentive Scheme from time to time; and (iii) the Initial Grant under the Restricted Share Incentive Scheme.

Mr. Gao Tongqing, a Director, and Ms. Gao Lingling, a Supervisor, held administrative positions in China Mobile Communications Group Co., Ltd. and/or its associates. Mr. Mai Yanzhou, a Director, and Mr. Li Zhangting, a Supervisor, held administrative positions in China United Network Communications Group Company Limited and/or its associates. Mr. Zhang Zhiyong, a Director, and Mr. Sui Yixun, a Supervisor, held administrative positions in CTC and/or its associates. Ms. Li Tienan, a Supervisor, held administrative 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 or proposed Directors or proposed Supervisor 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 2019, 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 10 November 2020, 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. Chu Ka Yee.
- (b) The registered office of the Company is at 19/F, No. 73, Fucheng Road, Haidian District, Beijing, PRC.
- (c) The H share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

## **9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Room 3401, 34/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during normal business hours on any business day for a period of 14 days from the date of this circular:

- (a) the 2021-2023 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 "Qualifications and Consent" of this Appendix to this circular; and
- (e) this circular.

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**NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2020**

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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)**

**NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2020**

**NOTICE IS HEREBY GIVEN** that the second extraordinary general meeting of China Tower Corporation Limited (the “**Company**”) of 2020 (the “**EGM**”) will be held at Room 303, 3/F, Block A, Yuhui Tower, No. 73, Fucheng Road, Haidian District, Beijing, China on Friday, 4 December 2020 at 10:00 a.m. to consider and, if thought fit, pass the following business:

**ORDINARY RESOLUTION**

1. **THAT** the continuing connected transactions contemplated under the 2021-2023 Service Supply Framework Agreement with China Telecommunications Corporation, a copy of which has been initialed by the Chairman and for the purpose of identification marked “A”, together with the Proposed Annual Caps be and are hereby generally and unconditionally approved and any Director of the Company 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.

By Order of the Board  
**China Tower Corporation Limited**  
**Chu Ka Yee**  
*Company Secretary*

Hong Kong, 10 November 2020

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## NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2020

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*Notes:*

1. 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 Monday, 30 November 2020 to Friday, 4 December 2020 (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 Friday, 27 November 2020. Holders of H share of the Company who are registered with Computershare Hong Kong Investor Services Limited on Friday, 4 December 2020 are entitled to attend the EGM. Unless otherwise indicated, the capitalized terms used in this notice shall have the same meaning as those defined in the circular of the EGM of the Company dated 10 November 2020.
2. 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.
3. To be valid, the form of proxy together with the power of attorney or other authorization document (if any) signed by the authorized person or notarially certified power of attorney must be completed and delivered to the registered office of the Company for holders of domestic shares of the Company or to the Computershare Hong Kong Investor Services Limited for holders of H shares of the Company no later than 24 hours before the designated time (i.e. before 10:00 a.m. on 3 December 2020) for the holding of the EGM. The address of the registered office of the Company is 19/F, No. 73, Fucheng Road, Haidian District, Beijing 100142, PRC; telephone: (8610) 6870 8762. 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 so wishes.
4. 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.
5. The resolution to be proposed at the EGM will be voted by poll.
6. 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.
7. 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 the Company comprises:

Executive directors	:	Tong Jilu (Chairman of the Board) and Gu Xiaomin (General Manager)
Non-executive directors	:	Gao Tongqing, Mai Yanzhou and Zhang Zhiyong
Independent non-executive directors	:	Fan Cheng, Tse Yung Hoi and Deng Shiji