

REPORT OF DIRECTORS

The directors take pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Group's principal activity is providing mobile telecommunications and related services in 31 provinces, autonomous regions and directly-administered municipalities in Mainland China and Hong Kong. The principal activity of the Company is investment holding.

The revenue of the Group during the financial year consisted primarily of revenue generated from the provision of mobile telecommunications services.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's aggregate revenue with its five largest customers did not exceed 30% of the Group's total revenue in 2015.

Purchases from the largest supplier for the year represented 13% of the Group's total purchases. The five largest suppliers accounted for an aggregate of 30% of the Group's purchases in 2015. Purchases for the Group include network equipment purchases, leasing of transmission lines and payments in relation to interconnection arrangements. Purchases from suppliers, other than suppliers of leased lines and network equipment and interconnection arrangements, were not material to the Group's total purchases.

At no time during the year ended 31 December 2015 have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the number of issued shares of the Company) had any interest in these five largest suppliers.

SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Particulars of the Company's subsidiaries and the Group's investments accounted for using the equity method as at 31 December 2015 are set out in notes 18 and 19, respectively, to the consolidated financial statements, and the list of directors of each of the Company's subsidiaries is available on the Company's website.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2015 and the financial conditions of the Company and the Group as at that date are set out in the consolidated financial statements on pages 74 to 142.

DIVIDENDS

The Board remains confident that our Company's leading position in profitability and proven track record in generating healthy cash flow will propel China Mobile's future development and bring favorable returns for our shareholders. For the financial year ended 31 December 2015, the Board recommends payment of a final dividend of HK\$1.196 per share. Together with the interim dividend of HK\$1.525 per share paid earlier, this amounts to an aggregate dividend payment of HK\$2.721 per share for the full financial year of 2015. In considering China Mobile's financial situation, capability to generate cash flow and future development needs, the Company's planned dividend payout ratio for the full financial year of 2016 will be 43%.

DONATIONS

Donations made by the Group during the year amounted to RMB55,655,059 (2014: RMB55,987,029).

PROPERTY, PLANT AND EQUIPMENT

Changes to the property, plant and equipment of the Group during the year ended 31 December 2015 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of the Company's share capital and share option scheme are set out in note 35 to the consolidated financial statements and the paragraph "Share Option Scheme" below, respectively.

BONDS

Details of the bonds of the Group are set out in note 33 to the consolidated financial statements.

RESERVES

Changes to the reserves of the Group during the year are set out in the consolidated statement of changes in equity. Changes to the reserves of the Company during the year are set out in note 35 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the financial year were:

Executive Directors:

SHANG Bing (*Chairman; appointed on 10 September 2015*)

XI Guohua (*former Chairman; resigned on 24 August 2015*)

LI Yue

XUE Taohai

HUANG Wenlin (*resigned on 19 March 2015*)

SHA Yuejia

LIU Aili

Independent Non-Executive Directors:

LO Ka Shui

Frank WONG Kwong Shing

Moses CHENG Mo Chi

Paul CHOW Man Yiu

In accordance with Article 99 of the Articles, Mr. SHANG Bing will hold office until the forthcoming annual general meeting of the Company and will then be eligible for re-election. Besides, in accordance with Article 95 of the Articles, Mr. LI Yue, Mr. SHA Yuejia and Mr. LIU Aili will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

The biographies of the directors proposed for re-election at the forthcoming annual general meeting ("Directors for Re-election") are set out on pages 11 to 13 of this annual report. Except as disclosed in such biographies, the Directors for Re-election have not held any other directorships in any listed public companies in the last three years. Further, except as noted in the biographies, none of the Directors for Re-election is connected with any directors, senior management or substantial or controlling shareholders of the Company and, except as disclosed in the paragraphs headed "Directors' and Chief Executive's Interest and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Scheme" below, none of them has any interests in the shares of the Company within the meaning of Part XV of the SFO.

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The service contracts of all the Directors for Re-election do not provide for a specified length of service and each of such directors will be subject to retirement by rotation and re-election at annual general meetings of the Company every three years. Each of the Directors for Re-election is entitled to an annual director's fee of HK\$180,000 as proposed by the Board and approved by the shareholders of the Company. Director's fees are payable on a time pro-rata basis for any non full year's service. The executive directors of the Company voluntarily waived their directors' fees for the year ended 31 December 2015. The remuneration of the directors have been determined with reference to the individual's duties, responsibilities and experience, and to prevailing market conditions. Details of the remuneration of the directors of the Company are set out in note 10 to the consolidated financial statements.

None of the Directors for Re-election has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than under normal statutory obligations.

Save as disclosed herein, there are no other matters relating to the re-election of the Directors for Re-election that need to be brought to the attention of the shareholders of the Company nor is there any information to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Hong Kong Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to Article 159 of the Articles, every director or other officer of the Company shall be indemnified out of the assets of the Company against all liabilities (to the extent permitted by the Hong Kong Companies Ordinance) sustained or incurred by such director or officer in or about the execution of his office or otherwise in relation thereto. In addition, the Company purchases directors and officers' liabilities insurance on behalf of its directors and officers.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, the interests and short positions of the directors in the shares and underlying shares of the Company (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers are set out below.

Certain directors of the Company personally held ordinary shares of the Company. Details of the directors' holding of ordinary shares of the Company as at 31 December 2015 are as follows.

Director	Capacity	Ordinary shares held	Percentage of the number of issued shares*
LO Ka Shui	Beneficial owner	400,000	0.00%
	Interest of controlled corporation	300,000	0.00%
Frank WONG Kwong Shing	Beneficial owner	150,000	0.00%
Moses CHENG Mo Chi	Beneficial owner	400,000	0.00%

Note: The calculation is based on the total number of issued ordinary shares of the Company (i.e. 20,475,482,897 ordinary shares) as at 31 December 2015, and rounded off to two decimal places.

In 2015, certain directors of the Company personally hold options to subscribe for ordinary shares of the Company. Please refer to the paragraph headed “Share Option Scheme” below for details of the interests of the directors in such share options. The share options were granted to the directors pursuant to the terms of the share option scheme adopted by the Company.

Apart from those disclosed herein, as at 31 December 2015, none of the directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) that is required to be recorded and kept in the register in accordance with section 352 of the SFO or any interests required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SHARE OPTION SCHEME

Share Option Scheme of the Company

Pursuant to a resolution passed at the annual general meeting held on 24 June 2002, a share option scheme (the “Scheme”) was adopted. The Scheme shall be valid and effective for a period of 10 years commencing on its adoption date after which period no further options to subscribe for shares of the Company will be granted. The Scheme ceased to be valid and effective on 24 June 2012 and accordingly, no further share options will be granted under the Scheme. However, the provisions of the Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted under the Scheme prior to the expiry of the 10-year period and which may become thereafter capable of being exercised under the rules of the Scheme.

As set out in the Company’s circular to shareholders dated 8 April 2002, the purpose of the Scheme is to provide the Company with a flexible and effective means of remunerating and providing benefits to the executive directors, non-executive directors and employees of the Company, any of its holding companies and their respective subsidiaries and any entity in which the Company or any of its subsidiaries holds any equity interest (the “Participants”), thereby incentivizing the Participants. Under the Scheme, the Board may, at their discretion, invite the Participants to take up options to subscribe for shares in the Company.

The maximum aggregate number of shares which can be subscribed pursuant to options that are or may be granted under the Schemes equals to 10% of the total issued share capital of the Company as at the date of adoption of the Scheme. Options lapsed or cancelled in accordance with the terms of the Old Scheme or the Scheme will not be counted for the purpose of calculating this 10% limit.

The total number of shares in the Company issued and to be issued upon exercise of the options granted to a Participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the issued share capital of the Company. The consideration payable for the grant of each option under the Scheme is HK\$1.00.

Under the Scheme, the term of the option is determined by the Board at their discretion, provided that all options must be exercised within 10 years after the date on which the option is granted. The exercise price of the options granted under the Scheme is determined by the Board at its discretion provided that such price may not be set below a minimum price which is the highest of:

- (i) the nominal value of a share in the Company;
- (ii) the closing price of the shares in the Company on the Stock Exchange on the date on which the option was granted; and
- (iii) the average closing price of the shares in the Company on the Stock Exchange for the five trading days immediately preceding the date on which the option was granted.

No share options were granted or cancelled under the Scheme during the year ended 31 December 2015.

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All outstanding options to subscribe for shares in the Company granted under the Scheme either lapsed or were exercised and none is outstanding during the year ended 31 December 2015, as detailed in the following table:

	No. of shares involved in the options outstanding at the beginning of the year	No. of shares involved in the options outstanding at year end	Date on which options were granted	No. of shares involved in the options lapsed during the year	No. of shares acquired on exercise of options during the year	Exercise price HK\$
Directors						
LI Yue	780,000	–	8 November 2005	780,000	–	34.87
XUE Taohai	780,000	–	8 November 2005	780,000	–	34.87
SHA Yuejia	780,000	–	8 November 2005	780,000	–	34.87
LIU Aili	141,500	–	8 November 2005	141,500	–	34.87
Moses CHENG Mo Chi	400,000	–	8 November 2005	–	400,000	34.87
Employees	43,351,922	–	8 November 2005	6,695,539	36,656,383	34.87

Notes:

- (a) No options to subscribe for shares in the Company were granted to the directors of the Company in 2015.
- (b) Particulars of share options:

Date of grant	Exercise period
8 November 2005	8 November 2006 to 7 November 2015 (in respect of 40% of the options granted) 8 November 2007 to 7 November 2015 (in respect of 30% of the options granted) 8 November 2008 to 7 November 2015 (in respect of the remaining 30% of the options granted)

Details of share options exercised during the year:

Period during which share options were exercised	Exercise price HK\$	Weighted average closing price per share immediately before dates of exercise of options HK\$	Proceeds received HK\$	Number of shares involved in the options
2 January 2015 to 6 November 2015	34.87	97.28	1,292,156,075	37,056,383

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The Company has been notified of the following interests in the Company's issued shares as at 31 December 2015 amounting to 5% or more of the ordinary shares in issue:

	Ordinary shares held		Percentage of total number of issued shares
	directly	indirectly	
(i) China Mobile Communications Corporation ("CMCC")	–	14,890,116,842	72.72%
(ii) China Mobile (Hong Kong) Group Limited ("CMHK (Group)")	–	14,890,116,842	72.72%
(iii) China Mobile Hong Kong (BVI) Limited ("CMHK (BVI)")	14,890,116,842	–	72.72%

Note: In light of the fact that CMCC and CMHK (Group) directly or indirectly control one-third or more of the voting rights in the shareholders' meetings of CMHK (BVI), in accordance with the SFO, the interests of CMHK (BVI) are deemed to be, and have therefore been included in, the interests of CMCC and CMHK (Group).

Apart from the foregoing, as at 31 December 2015, no persons, other than a director or chief executive of the Company, had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

CONNECTED TRANSACTIONS

Connected Transactions

- On 18 May 2015, China Mobile Communication Company Limited ("CMC"), a wholly-owned subsidiary of the Company, entered into a partnership agreement with State Development & Investment Corporation ("SDIC") and China Mobile State Development & Investment Management Company Limited (the "Fund Management Company") (the "Partnership Agreement") pursuant to which the parties agreed to establish, participate in and continue a limited partnership to be established and registered under the laws of the PRC, namely China Mobile Innovative Business Fund (Shenzhen) Partnership (Limited Partnership) (the "Partnership").

The capital commitment of CMC, SDIC and the Fund Management Company to the Partnership were RMB1,500 million, RMB1,000 million and RMB50 million, respectively. During the 12-month period following the establishment date of the Partnership, the Partnership is entitled to increase the total capital commitment to RMB5,000 million and if such increase takes place, the percentage of equity interest in the Partnership of CMC, SDIC, the Fund Management Company and other investors will be 30%, 20%, 1% and 49%, respectively. The relevant capital commitment was determined after arm's length negotiations among the parties to the Partnership Agreement with reference to the capital requirements of the Partnership.

The purpose of establishing the Partnership is to utilize and take advantage of the strengths and the resources of the parties to the Partnership; to invest in shares, equity interests, businesses and assets of companies, enterprises or other economic organizations with growth potential which are engaged in the mobile Internet and related upstream and downstream businesses, with the main investment targets being enterprises at the growth and maturity stages; and to seek favorable opportunities to exit by appropriate means, thereby achieving favorable investment returns for the partners.

CMCC is the ultimate controlling shareholder of the Company and therefore, a connected person of the Company. The Fund Management Company is owned by CMCC as to 45% of its registered capital and therefore, is an associate of CMCC and also a connected person of the Company. Accordingly, the entering into of the Partnership Agreement by CMC and the Fund Management Company constituted a connected transaction for the Company under the Hong Kong Listing Rules. As at least one relevant percentage ratio applicable to this transaction is or exceeds 0.1% but is less than 5%, the transaction was subject to announcement and reporting requirements but exempt from the independent shareholders' approval requirements under the Hong Kong Listing Rules.

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2. On 27 November 2015, CM TieTong (a wholly-owned subsidiary of the Company) entered into an acquisition agreement (the “Acquisition Agreement”) with China TieTong Telecommunications Corporation (“TieTong”), under which CM TieTong has agreed to acquire (the “Acquisition”), and TieTong has agreed to sell certain assets, businesses and related liabilities and employees of TieTong. The final consideration for the Acquisition is RMB31.967 billion.

The Board believes that the Acquisition would be beneficial to the Group’s development due to the following reasons:

- (a) the Acquisition will be important in facilitating and accelerating the transformation of the Company into a fully integrated fixed-mobile operator in order to enhance the competitive strength to better compete against integrated peers in the data heavy and bundled services age;
- (b) it will enable the Company to obtain a fixed broadband license and provide an opportunity for the Company to grasp the opportunities in the fixed broadband market, accelerate the growth potential of the smart home and benefit from the expected growth of the PRC fixed broadband market;
- (c) it is expected to expand the Company’s customer base rapidly, enabling the provision of bundled services to reduce churn rates as well as improve user loyalty and revenue;
- (d) it will provide the Company immediate scale through complementary network assets (extensive metro fibre network, backbone network and IPv4 addresses etc.) to increase the Company’s fixed network capacity, coverage and efficiency through an integrated network;
- (e) through the Acquisition, the Company will obtain employees with extensive experience and expertise in the management and maintenance of fixed networks; and
- (f) overall, the Acquisition will greatly reduce the continuing connected transactions between the Company and CMCC (via TieTong) and simplify its management and operating structure.

TieTong is a wholly-owned subsidiary of CMCC, the ultimate controlling shareholder of the Company. Thereby, TieTong is a connected person of the Company pursuant to Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the entering into the Acquisition Agreement by CM TieTong and the Acquisition itself constitute a connected transaction for the Company under Chapter 14A of the Hong Kong Listing Rules. As at least one relevant percentage ratio applicable to the Acquisition is or exceeds 0.1% but is less than 5%, the Acquisition is subject to the reporting and announcement requirements but exempt from the independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Continuing Connected Transactions

Details of the continuing connected transactions are set out in note 37 to the consolidated financial statements.

For the financial year ended 31 December 2015, the following continuing connected transactions (the “Continuing Connected Transactions”) have not exceeded their respective annual caps:

- (1) rental and property management service charges paid by the Group to CMCC did not exceed RMB2,200 million. The charges payable by the Group in respect of properties owned by CMCC and its subsidiaries are determined with reference to market rates whilst the charges payable in respect of properties which CMCC or its subsidiaries lease from third parties and sub-let to the Group are determined according to the actual rent payable by CMCC or its subsidiaries to such third parties together with the amount of any tax payable;
- (2) telecommunications service charges, prices of transmission towers and spare parts and the charges payable for installation and maintenance services in respect of transmission towers paid by the Group to CMCC did not exceed RMB8,000 million. The telecommunications service charges, prices of transmission towers and spare parts and the charges payable for installation and maintenance services in respect of transmission towers are determined with reference to and cannot exceed relevant standards laid down and revised from time to time by the government of the PRC. Where there are no government standards, the prices and charges are determined according to market rates; the charges in respect of telecommunications services provided by the Group payable by CMCC and its subsidiaries to the Group did not exceed RMB2,200 million;
- (3) settlement charges paid by the Company to TieTong, in respect of calls made or received by their respective customers did not exceed RMB800 million and the settlement charges received by the Company from TieTong in respect of calls made or received by their respective customers were below 0.1% of each of the applicable percentage ratios set out in Rule 14.07 of the Hong Kong Listing Rules. The rates for the settlement charges payable and receivable by the Company to and from TieTong are based on the previous interconnection settlement agreements entered into between TieTong and CMCC;
- (4) leasing fees paid by the Company to CMCC for the leasing of the TD-SCDMA network capacity by the Company from CMCC did not exceed RMB10,000 million. The leasing fees are determined on a basis that reflects the Group’s actual usage of CMCC’s TD-SCDMA network capacity and to compensate CMCC for the costs of such network capacity;

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- (5) service charges paid by the Company to CMCC for the agency services regarding sales channel utilization and for the cooperation in the provision of basic telecommunications services (such as fixedline phone services, fixed-line IDD phone services, IP phone-to-phone calls services, 2G GSM and 3G TD-SCDMA mobile telecommunications services) (“Basic Telecommunications Services”) and value-added telecommunications services (such as paging services, data transmission services, voice mailbox services and network connection services) (“Value-Added Telecommunications Services”) to customers of the Company under the Telecommunications Services Cooperation Agreement did not exceed RMB7,000 million. The aggregate amount of the charges received by the Company for the services provided to CMCC under the Telecommunications Services Cooperation Agreement did not exceed RMB1,700 million. The service charges for agency services are determined with reference to market prices after taking into consideration the actual volume of agency services provided by CMCC and performance indicators such as total sales being recognized and additional number of subscribers acquired as a result of the provision of agency services by CMCC. In determining the market prices for the agency services, the Company has taken into account the service fees payable by the Company and CMCC to other industry players as well as the services fees receivable by the Company and CMCC from other industry players. The service fees payable by the Company and CMCC were, from the Company’s perspective, no less favorable than the service fees charged to other industry players, being independent third parties, for the same agency services provided to such independent third parties. The service charges in respect of business cooperation are determined with reference to, after taking into account the actual volume of Basic Telecommunications Services and Value-Added Telecommunications Services provided and the resources and investment contributed, the government fixed price or the government guidance price if there is no government fixed price and where there is neither a government fixed price nor a government guidance price, the market price. Where none of the foregoing prices is applicable, the price is to be agreed between the parties and determined on a cost-plus basis. As there are no government fixed price or government guidance price for the Basic Telecommunications Services or the Value-Added Telecommunications Services, the charges payable by the Company and CMCC under the Telecommunications Services Cooperation Agreement for these services are determined with reference to the market price. In determining the market prices for the Basic Telecommunications Services and the Value-Added Telecommunications Services, the Company has taken into account the charges payable by the Company and CMCC to other industry players and the charges receivable by the Company and CMCC from other industry players. Such charges payable by the Company and CMCC were, from the Company’s perspective, no less favorable than the charges charged to other industry players, being independent third parties, for the same Basic Telecommunications Services or Value-Added Telecommunications Services; and
- (6) leasing fees paid by the Company to CMCC for the leasing of telecommunications network operation assets by the Company from CMCC did not exceed RMB15,000 million. The leasing fees are determined with reference to the prevailing market rates. In determining the market rates for the leasing fees, the Company has taken into account the charges payable by the Company and CMCC to other industry players as well as the charges receivable by the Company and CMCC from other industry players. The leasing fees payable by the Company to CMCC were not more than the leasing fees charged to other industry players, being independent third parties, for same kinds of network operation assets. The aggregate amount of leasing fees received by the Company from CMCC under the Network Assets Leasing Agreement was below 0.1% of each of the applicable percentage ratios set out in Rule 14.07 of the Hong Kong Listing Rules.

The transactions referred to in paragraph (1) above were entered into pursuant to the 2014–2016 property leasing and management services agreement dated 15 August 2013 between the Company and CMCC (the “2014–2016 Property Leasing Agreement”). The Company announced the entering into and the terms of the 2014–2016 Property Leasing Agreement on 15 August 2013. The 2014–2016 Property Leasing Agreement has a term of three years commencing on 1 January 2014 and will expire on 31 December 2016.

The transactions referred to in paragraph (2) above were entered into pursuant to the 2014–2016 telecommunications services agreement dated 15 August 2013 between the Company and CMCC (the “2014–2016 Telecommunications Services Agreement”). The Company announced the entering into and the terms of the 2014–2016 Telecommunications Services Agreement on 15 August 2013. The 2014–2016 Telecommunications Services Agreement has a term of three years commencing on 1 January 2014 and will expire on 31 December 2016.

The transactions referred to in paragraph (3) above were entered into pursuant to the tripartite agreement among the Company, CMCC and TieTong dated 13 November 2008 (the “Tripartite Agreement”). The entering into of the Tripartite Agreement was announced by the Company on 13 November 2008. The Tripartite Agreement has been renewed and announced by the Company (i) on 6 November 2009 for a period of one year from 1 January 2010; (ii) on 21 December 2010 for a period of one year from 1 January 2011; (iii) on 6 December 2011 for a period of one year from 1 January 2012; (iv) on 12 December 2012 for a period of one year from 1 January 2013; (v) on 15 August 2013 for a period of one year from 1 January 2014; (vi) on 14 August 2014 for a period of one year from 1 January 2015; and (vii) on 21 August 2015 for a period of one year from 1 January 2016. On 27 November 2015, CM TieTong, entered into an acquisition agreement with TieTong under which CM TieTong has agreed to acquire, and TieTong has agreed the disposal of certain assets, business and related liabilities as well as the transfer of related employees. The acquisition by CM TieTong completed on 31 December 2015. Upon completion of the acquisition, as the business contracts and relevant transactions between the Company, CMCC and TieTong as contemplated under the Tripartite Agreement will be conducted by the Group, the interconnection settlement arrangements pursuant to the Tripartite Agreement no longer constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

The transactions referred to in paragraph (4) above were entered into pursuant to the network capacity leasing agreement between the Company and CMCC dated 29 December 2008 (the “Network Capacity Leasing Agreement”). The entering into of the Network Capacity Leasing Agreement was announced by the Company on 29 December 2008. The Network Capacity Leasing Agreement has been renewed and announced by the Company (i) on 6 November 2009 for a period of one year from 1 January 2010; (ii) on 21 December 2010 for a period of one year from 1 January 2011; (iii) on 6 December 2011 for a period of one year from 1 January 2012; (iv) on 12 December 2012 for a period of one year from 1 January 2013; (v) on 15 August 2013 for a period of one year from 1 January 2014; (vi) on 14 August 2014 for a period of one year from 1 January 2015; and (vii) on 21 August 2015 for a period of one year from 1 January 2016.

The transactions referred to in paragraph (5) above were entered into pursuant to the telecommunications services cooperation agreement between the Company and CMCC dated 6 November 2009 (the “Telecommunications Services Cooperation Agreement”). The entering into of the Telecommunications Services Cooperation Agreement was announced by the Company on 6 November 2009. The Telecommunications Services Cooperation Agreement has been renewed and announced by the Company (i) on 21 December 2010 for a period of one year from 1 January 2011; (ii) on 6 December 2011 for a period of one year from 1 January 2012; (iii) on 12 December 2012 for a period of one year from 1 January 2013; (iv) on 15 August 2013 for a period of one year from 1 January 2014; (v) on 14 August 2014 for a period of one year from 1 January 2015; and (vi) on 21 August 2015 for a period of one year from 1 January 2016.

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The transactions referred to in paragraph (6) above were entered into pursuant to the telecommunications network operation assets leasing agreement between the Company and CMCC dated 18 August 2011 (the “Network Assets Leasing Agreement”). The entering into of the Network Assets Leasing Agreement was announced by the Company on 18 August 2011. The Network Assets Leasing Agreement has been renewed and announced by the Company (i) on 6 December 2011 for a period of one year from 1 January 2012; (ii) on 12 December 2012 for a period of one year from 1 January 2013; (iii) on 15 August 2013 for a period of one year from 1 January 2014; (iv) on 14 August 2014 for a period of one year from 1 January 2015; and (v) on 21 August 2015 for a period of one year from 1 January 2016.

CMCC is the ultimate controlling shareholder of the Company and therefore, a connected person of the Company. TieTong is a wholly-owned subsidiary of CMCC and therefore, a connected person of the Company. Accordingly, all the transactions referred to in paragraphs (1) to (6) above constitute continuing connected transactions for the Company under the Hong Kong Listing Rules.

In the opinion of the independent non-executive directors, the Continuing Connected Transactions were entered into by the Group:

- (i) in the ordinary and usual course of its business;
- (ii) on normal commercial terms or better; and
- (iii) according to the agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company were engaged to report on the Group's Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the Continuing Connected Transactions in accordance with Rule 14A.56 of the Hong Kong Listing Rules. The auditors' letter has confirmed that nothing has come to their attention that cause them to believe that the Continuing Connected Transactions:

- (A) have not been approved by the Board;
- (B) were not, in all material respects, in accordance with the pricing policies of the Group as stated in this annual report;
- (C) were not entered into, in all material respects, in accordance with the relevant agreements governing the Continuing Connected Transactions; and
- (D) have exceeded their respective annual caps for the financial year ended 31 December 2015 set out in the previous announcements of the Company.

A copy of the auditors' letter in relation to the Continuing Connected Transactions has been provided by the Company to the Stock Exchange.

In respect of the Continuing Connected Transactions, the Company has complied with the disclosure requirements under the Hong Kong Listing Rules in force from time to time, and has followed the policies and guidelines as laid down in the guidance letter HKEx-GL73-14 issued by the Stock Exchange when determining the price and terms of the transactions conducted during the year ended 31 December 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended 31 December 2015.

BANK AND OTHER LOANS

Particulars of bank and other loans of the Group as at 31 December 2015 are set out in note 33 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the statements of the assets and liabilities of the Group for the last five financial years is set out on pages 143 to 144 of this annual report.

EMOLUMENT POLICY

In order to continue to maintain the sustainable development of the Group's competitiveness, the Group has always emphasized the importance of recruiting, incentivizing, developing and retaining its employees, paid close attention to the external competitiveness, internal fairness of its remuneration structure and the cost-effectiveness of remuneration and emphasized the importance of the correlation between remuneration management and performance management. For the year ended 31 December 2015, employees' remuneration comprised a basic salary, a performance-based bonus and a long-term incentive scheme in the form of share option schemes for eligible employees, details of which are set out under the paragraph headed "Share option scheme" above.

EMPLOYEE RETIREMENT BENEFITS

Particulars of the employee retirement benefits of the Group are set out in note 2 to the consolidated financial statements.

PUBLIC FLOAT

As at the date of this annual report and based on the information that is publicly available to the Company and to the knowledge of the directors of the Company, the Company has maintained the public float prescribed under the Hong Kong Listing Rules and agreed with the Stock Exchange.

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting for the re-appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the auditors of the Group for Hong Kong financial reporting and U.S. financial reporting purposes, respectively.

OTHERS

Please also refer to the sections headed "Chairman's Statement", "Business Review", "Financial Review" and "Human Resources Development" in this annual report (for which they form part of this Report of Directors) for further details.

By order of the Board

Shang Bing
Chairman

Hong Kong, 17 March 2016