中信國際電訊

CITIC TELECOM INTERNATIONAL

STOCK CODE: 1883

CONNECTING THE WORLD WITH QUALITY SERVICES

ANNUAL REPORT 2015

ABOUT US

CITIC Telecom International Holdings Limited ("the Company", and together with its subsidiaries "the Group") was established in 1997 in Hong Kong and was listed on The Stock Exchange of Hong Kong Limited on 3 April 2007.

The Group's services cover international telecommunications services (including mobile, Internet, voice and data services), integrated telecoms services (in Macau), and through its wholly-owned subsidiary, CITIC Telecom International CPC Limited ("CPC"), has established numerous PoPs around the world (especially in the Asia-Pacific region) to provide data and telecoms services (including VPN, Cloud, network security, co-location, Internet access, etc.) to multinational corporations. CPC is one of the most trusted partners of leading multinational and business enterprises in the Asia-Pacific region.

The Group holds 99% equity interest in Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM"). CTM is one of the leading integrated telecoms services providers in Macau, and is the only full telecoms services provider in Macau. It has long provided quality telecoms services to the residents, government and enterprises of Macau, and plays an important role in the ongoing development of Macau.

CITIC Group Corporation, one of the largest commercial organisations in the People's Republic of China, is the ultimate holding company of the Company.

VISION

To become an Internet-oriented telecommunications company; enabling connections anytime and anywhere, among people, among things, and among each other; enhancing the driving force for the advancement of society and a higher quality of life.

MISSION

- Rooted in Mainland China, taking Hong Kong and Macau as the base and connection, providing communications services with global coverage.
- Customer-oriented, with an acute observation of their needs, continuing to generate new value for our customers.
- Market-oriented, with a vision to industry trends, continuing to deliver top quality services.
- With value as our goal, providing long-term sustainable return for our shareholders.

CONTENTS

MOBILE +
INTERNET

OUR EXCELLENT SERVICES

ENTERPRISE
SOLUTIONS

INTERNATIONAL TELECOMMUNICATIONS

FIXED LINE

MILESTONES 2015

JANUARY

- Established IPX peering for LTE Roaming and Signaling with an Austrian Carrier
- CITIC Telecom International CPC Limited ("CPC") received "HKACE Customer Service Excellence Award 2014" by Hong Kong Association for Customer Service Excellence: Field & Special Service Individual Award (Bronze Award)
- Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") – WiFi hotspot officially landed at the Consulate General of Portugal in Macau and Hong Kong, enabling residents to enjoy the convenience of WiFi service

FEBRUARY

- CPC received the Grand Award and three Product Awards from "Sing Tao Daily IT Square Editors' Choices 2014" in Hong Kong
  - Grand Award:
    - The Best Telecommunication Services Partner
  - Three Product Awards:
    - The Best Managed Security Services Provider
    - The Best Cloud Infrastructure Service Provider
    - The Best Cloud Backup Solutions Provider
- CTM launched the "Local Data Usage Auto-Alert Service" for all mobile postpaid customers
- CTM won Tetra Communication and large scale LED display system contracts from major gaming enterprise on the Cotai Strip in Macau
- CTM launched the new cloud email service and the first phase of migration was successfully conducted for 170,000 email accounts and relevant data

MARCH

- Launched soft SIM data roaming service
- Mobile Virtual Network Operator (MVNO) Roaming coverage extended to Macau
- CTM was awarded a 4G operating licence in Macau and is fully devoted in the development of 4G network. 4G service was then officially called "4G+", meaning that CTM's service will exceed customers' general expectations on 4G. It will be promoted through videos and advertisements using the theme of "Digital Macau"
- Macau Pass S.A., MOME and CTM jointly developed E-Business and network business
- CTM won the contract for supply and installation of CCTV System for major gaming enterprise in Macau

APRIL

- Established the Corporate Venture Capital Plan to attract new projects with innovation and potential within or outside our group
- Established a mobile virtual network platform with a mobile operator in Singapore, allowing our corporate customers to have the choice on preferred network
- Macao Federation of Trade Unions and CTM formed a Strategic Partnership to expand the existing scope of cooperation
- CTM launched the "Local Data Usage Auto-Suspension Service" to fulfill the commitment of providing excellent service experience and optimising the protective measures for customers
- CTM completed construction of 127 new racks in CTM's data centre

MAY

- Upgraded IPX infrastructure in Europe, and enhanced Inter-IPX SLA
- CPC won "Platinum Brand Election 2015 – Cloud Computing Solution" by PC3 magazine, Hong Kong
- CTM celebrated the 20th anniversary of the Internet service, determining to bring Fiber Broadband to all Macau residents
- CTM hosted the summer activity enrollment for the 14th consecutive year
- CTM won the contract from the Macau Government on the service provision of transmission network of City Surveillance (Phase 1)
- CTM completed the acceptance on the 100G upgrade of the SEA-ME-WE 3 submarine cable

JUNE

- Successfully developed a mobile data roaming solution by means of a soft platform model
- Established a new direct connection with telecoms operator in Uganda
- MVNO Roaming coverage extended to Singapore
- Launched Travel SIM product to overseas market
- CPC won "Best SME Service" at the "Asia Communication Awards 2015" by Total Telecom in the United Kingdom
- CPC won "Firewall/VPN Solutions" at the "Computerworld Singapore Customer Care Awards 2015" by Executive Network Media in Singapore
- Won "Customer Relationship Excellence (CRE) Awards" 2014 winning categories from Asia Pacific Customer Service Consortium:
  - China Enterprise ICT Solutions Limited
    - * Customer Service Team Leader of the Year (Network Communications – Contact Centre)
    - * Integrated Support Team of the Year (Network Communications)
  - CPC
    - * Customer Service Manager of the Year (Network Communications – Contact Centre)
    - * Customer Service Professional of the Year (Technical Centre)

- CPC won "The Distinguished Salesperson Award (DSA)" from The Hong Kong Management Association for the 12th consecutive year
- CPC won "Managed Security Services Provider" at the "Computerworld Hong Kong Awards 2015" for the 4th consecutive year by Computerworld Hong Kong
- CTM's testings on E-education and M-school were completed in two middle schools in Macau and were targeted to launch in the new school year
- Macau Sports Development Board subscribed CTM's Cloud Video Streaming service for the Dragon Boat Event. It was the first time to apply alternative channel besides TV for audiences to watch live show using web browsers or smartphones
- Monetary Authority of Macau successfully completed the Commemorative notes registration by using CTM's IaaS service, with a total of around 280,000 registrations on the first day

JULY

- Participated and acted as the sponsor in "2015 Mobile World Congress" in Shanghai
- CTM's Praia Flagship was named a Five Star Award, Best Retail Interior (Macau) at the Asia Pacific Property Awards (UK)

MILESTONES 2015

AUGUST

- Announced to launch the self-developed "DataMall自由行 Global Data Traffic Trading Platform", providing an innovative and revolutionary business model for global data roaming services
- Entered into an acquisition arrangement with CITIC Group Corporation for the acquisition of up to 39% equity interest in 中信網絡有限公司 (CITIC Networks Co., Ltd.)
- CTM WiFi Day Pass and free CTM WiFi services were available at 7-Eleven in Macau
- CTM introduced Business Fiber Broadband service plan, striving to build a speedy, more stable and full coverage fibre-optic network in Macau
- CTM provided cloud computing service to Monetary Authority of Macau for special coins registration
- CTM provided DDoS Protection for Internet to two major banks in Macau

SEPTEMBER

- CPC won "2015 The Best SME Partners" for the 9th consecutive year, organised by Hong Kong Economic Digest, for "Cloud Computing Solutions" and "Cloud Data Center"
- CTM's first "4G+ Concept Store" grand opening brought unparalleled 4G experience to Macau residents
- CTM signed a collaboration pledge with Saint Paul School to synergise resources to advance ICT in Education
- CTM provided live online video streaming services to the Macau Government on the 70th Anniversary of Victory Day event
- CTM was the first telecoms operator in Macau selling Apple Watch
- CTM successfully completed the data and Internet lease line installation, as well as Phase 4 system expansion for "WiFi GO" for the Macau Government

OCTOBER

- "DataMall自由行" service was launched in Greater China
- CPC's SmartCLOUD™ Compute won the "IT Solution Excellence (Manufacturing Industry)" of Biz. IT Excellence 2015 by PC Market
- CPC won the Computerworld Singapore Readers' Choice Award 2015 – "Enterprise Mobility Management Suite" & "Infrastructure-as-a-Service" (IaaS) in Singapore by Computerworld Singapore
- CTM was the first telecoms operator in Macau to launch 4G service, and iPhone 6s and iPhone 6s+ with 4G services, bringing a new era of "Digital Macau"
- CTM received "iPhone Masters" Certificate for the third time
- CTM officially launched "M.wallet+" and "Wi-Fi Bus+" services to promote digital lifestyle

- Business solution support team of CTM successfully obtained ISO 9001 certificate for managed and support service, demonstrating CTM's commitment to provide first class managed service
- CTM won PBX system and cabling system contracts from major gaming enterprises on the Cotai Strip in Macau

NOVEMBER

- Established a new direct connection with a telecoms operator in Belize
- CPC won 4 awards:
  - NetworkWorld Asia Readers' Choice Product Excellence Awards 2015 – "Cloud Services Provider" for the 4th consecutive year by NetworkWorld Asia
  - 2015 SMBWorld Awards – "Best SMB Cloud Services" by SMBWorld
  - Cloud Asia Awards 2015 – "Best Cloud Computing Solution" by Informa Telecoms & Media
  - CPC's SmartCLOUD™ DaaS Solutions won "Top 100 Innovative Elite" under the category of "Cloud Computing and Network Applications" by Taiwan ICT Month
- CTM exchanged perspective in E-education development with the representatives of the Chinese Educators Association of Macau

- CTM participated in the seminar organised by the Macau Chinese Enterprises Association to discuss the opportunities of E-Business
- CTM as title sponsor of "CTM Macau Touring Car Cup" and "Sole telecom service provider" of Grand Prix for thirteen consecutive years, providing a wide range of telecoms services and technical support, as well as providing live online video streaming services to the Macau Government in the Grand Prix event

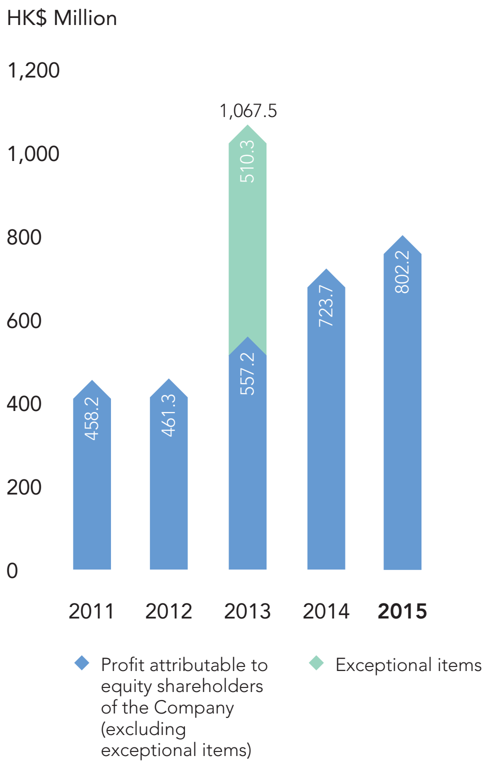
DECEMBER

- CPC won "The Cloud Infrastructure Award 2015" at the "World Communication Awards" by Total Telecom in the United Kingdom
- CPC was honored with "Hong Kong Corporate Citizenship Award" by the Hong Kong Productivity Council
- CTM was invited as the only Macau telecoms guest speaker for the 2nd World Internet Conference
- The data centre of CTM successfully passed the ISO assessment and obtained the certificates in ISO/IEC 20000-1: 2011 and ISO/IEC 27001: 2013. CTM became the first data centre provider in Macau receiving the respective certificates

FINANCIAL HIGHLIGHTS

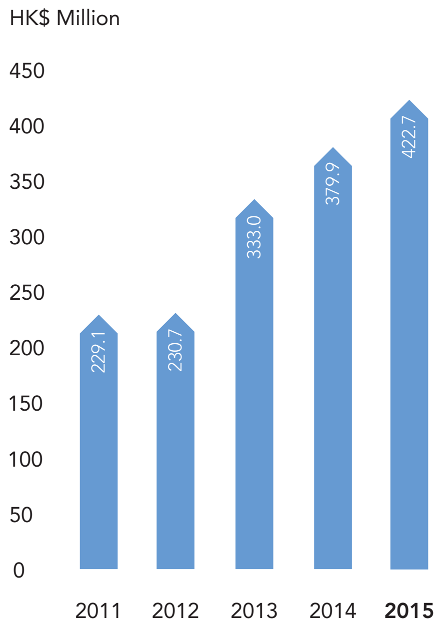
- Profit attributable to equity shareholders of the Company for the year 2015 amounted to HK$802.2 million, a year-on-year increase of 10.8%.
- Basic and diluted earnings per share for the year 2015 increased 9.7% and 9.8% respectively.
- Dividends per share for the year 2015 totaled HK12.5 cents, a year-on-year increase of 10.6%.

Profit Attributable to Equity Shareholders of the Company



Note: Exceptional items included items such as gain on deemed disposal of equity interest in an associate, transaction costs related to the acquisition of CTM, impairment losses, finance costs incurred prior to completion of the acquisition of CTM and others.

Dividends Payable to Equity Shareholders of the Company Attributable to the Year



Note: The dividends payable to equity shareholders of the Company for the year ended 31 December 2015 includes final dividend payable based on the number of shares in issue at 31 December 2015 which may differ from the number of shares at the closing date of the register of members.

In HK$ million	2015	2014	
Turnover	**8,349.8**	8,183.6	Increase 2.0%
Profit attributable to equity shareholders of the Company	**802.2**	723.7	Increase 10.8%
EBITDA*	**2,022.4**	1,926.8	Increase 5.0%
Earnings per share (HK cents)			
Basic	**23.8**	21.7	Increase 9.7%
Diluted	**23.6**	21.5	Increase 9.8%
Dividends per share (HK cents)			
Interim dividend	**2.8**	2.7	Increase 3.7%
Final dividend	**9.7**	8.6	Increase 12.8%
	12.5	11.3	Increase 10.6%
Total assets	**16,982.5**	17,340.5	Decrease 2.1%
Total equity attributable to equity shareholders of the Company	**7,029.4**	6,568.4	Increase 7.0%
Total bank and other borrowings	**7,472.5**	7,967.6	Decrease 6.2%
Less: Cash and bank deposits	**(1,223.0)**	(1,396.9)	Decrease 12.4%
Net debt	**6,249.5**	6,570.7	Decrease 4.9%
Net gearing ratio**	**47%**	50%	Decrease 3.0%

* EBITDA represented earnings before interest, taxes, depreciation and amortisation, and adjusted for gains/losses on disposal of property, plant and equipment.

** Net gearing ratio = $\frac{\text{Net debt}}{\text{Total capital}} \times 100\%$

Total capital = Total equity attributable to equity shareholders of the Company + Net debt

DataMall自由行 — Freedom on services selection by end users

"DataMall自由行" is a mobile application on supporting the latest mobile technology, combined with smartphone application online store, enable users to enjoy web browsing, online searching and top-up their prepaid mobile data anytime and anywhere. You can choose an applicable mobile data package before traveling or while you are in overseas. Simply activating "DataMall自由行" mobile data services without changing SIM after landing, you will connect to designate mobile data network locally and put yourself online again.

Traditional Services


DATAMALL
自由行
UNLIMITED DATA NETWORK
0
MAX
DataMall
GLOBAL DATA FLOW TRADING


GLOBAL DATA FLOW TRADING
New Choice For End User
24/7

CHAIRMAN'S STATEMENT

I am pleased to present the annual results of CITIC Telecom International Holdings Limited (the "Group") for 2015.

In 2015, the Group implemented its development strategy of "rooting in the Mainland market while accelerating expansion and geographic coverage of international market via Hong Kong and Macau as bases and connections" and seized opportunities in the market in active response to changes in international and domestic business landscapes. We completed our tasks in product innovation, business expansion, cost control and risk management in tandem with our objectives in strategic transformation. Solid progress was made in business transformation and service upgrade as we endeavoured to serve the real economy and fulfill consumers' communication needs, resulting in sustained profit growth. The Group reported stable business development in general with sound returns, as evidenced by its record high operating profit.

I. FINANCIAL RESULTS

The Group reported total revenue of HK$8,349.8 million for 2015, representing an increase of 2.0% over the corresponding period of the previous year. Profit attributable to equity shareholders of the Company was HK$802.2 million, increasing by 10.8% compared to the corresponding period of the previous year.

Basic earnings per share amounted to HK23.8 cents, representing a year-on-year growth of 9.7%.

The Board recommended a final dividend of HK9.7 cents per share for 2015. Together with the 2015 interim dividend of HK2.8 cents per share, total dividends per share for 2015 amounted to HK12.5 cents, representing a 10.6% growth over the previous year.

II. REVIEW OF 2015

The Group reported growth in overall turnover, with turnover from its mobile sales & services, Internet services and enterprise solutions increasing by 6.0%, 10.6% and 13.8%, respectively. The Group's VPN business enjoyed a growing competitive advantage in China, while its traditional international telecommunications hubbing business continued to face challenges. The Group achieved initial success in its vigorous drive for transformation to the mobile Internet business, while further inroads were made in internal cost management and credit risk control. All in all, overall net profit of the Group improved on a year-on-year basis.

1. Vigorous deployment of "Three Broadbands" and ancillary commercial systems for the Group's long-term development as well as the building of Digital Macau.

The construction of the "three broadbands" (mobile broadband, optical broadband and wireless WiFi broadband) and related commercial systems of Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") is a top priority for the Group. The slogan of CTM 4G+ is "Connecting Macau, Connecting the Future". The Group actively planned for the construction of the CTM 4G mobile broadband network as a priority task. Following meticulous construction and diligent efforts, CTM completed its 2G/3G network upgrade and 4G network construction as scheduled on 20 October 2015 and became the first official provider of 4G services in Macau's telecommunications market. The 4G network allowed a download speed of 112 Mbps and boasted full coverage of the entire territory of Macau on its first day of launch with an outdoor coverage ratio of over 99.5%. CTM also made notable progress in the laying of its optical network and WiFi hotspots, as its optical network coverage increased from 86.6% at the beginning of the year to 98.6% at the end of December 2015, and the number of its WiFi hotspots increased from 403 at the beginning of the year to over 1,000 at the end of December 2015, including WiFi hotspots on 340 buses. With a broader coverage of the optical network, the number of optical broadband users increased from 32,500 at the beginning of the year to 60,200 at the end of December 2015, representing an 85.2% growth. Through proper deployment of the three broadband networks and related commercial systems, we have laid a solid foundation for the long-term development of CTM and offered to provide faster, better and higher-quality 4G-equivalent broadband services to Macau, which will enable Macau citizens to enjoy the splendid innovations and diversified features of a digital life and prepare well for the building of a digitalised Macau.

2. Customers' sensory responses to our services as a priority concern in quality in our effort to enhance customers' experience.

In selecting contractors for Macau's 4G network, the Group and the management of CTM had planned for and organised construction work with utmost care and set out high quality standards. We had looked for globally advanced technical expertise and proven experience in network construction and required deliveries according to designated quality, volume and timeframes without affecting the services of existing 2G/3G networks. Following a stringent assessment process, Huawei Technologies Co., Ltd ("Huawei") had been selected among numerous international network equipment suppliers participating in the bid, with the hope that our joint effort with Huawei would bring to Macau further advanced network technologies and superior experience in speedy network transmission. Thanks to the relentless hard work of the project staff overcoming difficulties and challenges in an extremely complicated environment for wireless networks given the high building density in Macau, the largest and technically most complex network construction and upgrade project that had ever been carried out in the history of telecommunications construction in Macau was completed in a relatively short period.

The Group continued to strengthen quality management and back-office support for engineering work, as meetings on quality supervision and management were convened on a regular basis to discuss problems in the quality management work and identify solutions. With the adoption of a series of quality management initiatives adopted at the regular quality control meetings, the construction and management standards of the Group's network building have been enhanced. We conducted network expansion and equipment upgrade in an active and steady manner in response to market development requirements, with constant improvements to our coverage of global IP networks, resulting in stronger transmission capacities for our international networks and higher transmission quality and customer service standards.

3. **Active development of new products to fulfill market demands.**

The Group has enhanced process management for projects as well as products from identifying and seizing opportunities, to the sale of products, business negotiations, preparations for delivery, and the commencement of operations and customer services. Work planning and scheduled inspections at all stages have been strengthened to ensure implementation of all tasks. On 29 October 2015, CTM announced the launches of "M.wallet+" and "Wi-Fi Bus+" in association with Macau Pass S.A. and MOME, respectively. "MacauPass.NFC" was incorporated in "M.wallet+" to enable cash payment or top-up at more than 3,000 Macau Pass service points. The launch of "M.wallet+" has signified the official commencement of CTM's e-payment services and provided a significant foundation for its future development in e-commerce. The launch of "Wi-Fi Bus+", meanwhile, has brought public buses under the coverage of CTM-WiFi wireless broadband hotspots, giving citizens and tourists a genuine experience of the advantages and convenience of CTM-WiFi. Through constant improvements to our customer services and business systems, enhancements in product development in an effort to fulfill market demands, the standards of our customer services have been further upgraded.

4. **New inroads in the enterprise sector as we expanded the market for multinational enterprise services.**

The Group has been engaged in vigorous market expansion in Mainland China. In addition to the existing data centres, the Group has also built Macau Data Centre Phase II and a new cloud computing data centre in Baoshan, Shanghai. Optimal products and services are provided according to different needs of customers, supported by active marketing through a dedicated data centre sales team formed by the Group. In addition, sales channels have been well established, focusing not only on direct sales workforce, but also on the development of diversified sales channels and recruitment of different industry solution partners to enlarge the scope of sales. We have also devised specific sales strategies for large customers, with a view to enhancing cross-selling and identifying new business opportunities. Through its subsidiary in China, the Group has leased numerous lines from 中信網絡有限公司 (CITIC Networks Co., Ltd.) ("CITIC Networks") as the backbone of its VPN network. The Group has launched a high speed Ethernet service branded as "EtherCONNECT", with the integration of resources from China Express Network and provided assistance in the completion of installation and testing of service nodes in Beijing, Shanghai, Guangzhou, Wuhan, Hangzhou, Fuzhou and Chengdu, and the market share of China Express Network has been enlarged as a result. Through further application of the existing resources of China Express Network by the Group's VPN network and Internet service, the business development of both parties has been enhanced with stronger competitive edge and notably enhanced synergies. Sales were also monitored by the Group's customer management system in a timely manner. CITIC Telecom International CPC Limited reported stable increase in the number of VPN users by the end of December 2015, as compared to the end of 2014. Through vigorous marketing initiatives and enhanced data centre and network construction, rapid development was sustained in our VPN, Internet, cloud computing and information security services with improved operating efficiency.

5. **Development of "DataMall自由行", a global data flow volume trading platform, to maintain our leading position in the international telecommunications market.**

The Group places a strong emphasis on the development of new products and the innovation of systems and mechanisms in order to meet ever-changing market demands. In this connection, a global data flow and exchange platform has been developed to strengthen the market position of our international business and seek opportunities for transformation. The Group has named this mobile data roaming product as "DataMall 自由行". The popular use of smart phones has resulted in an increasing demand for data roaming services on the part of global roaming customers. The prices for international or cross-border data roaming services, however, remain relatively expensive. Leveraging its experience and technological advantages in supporting the international roaming services of mobile carriers, the Group has developed a brand new soft platform that gives customer the right to choose their roaming data networks by enabling customers to select local data services of the destination through a smart phone application without having to change their SIM cards. The large-scale application of this model will afford enormous convenience for customers and data flow on wireless networks will grow into a globally tradable commodity. It is currently the most convenient and most competitive data roaming service solution in the market which facilitates cost reductions for mobile customers and quality services in quick access to global data roaming. The "DataMall自由行" platform went online on 27 October 2015 to provide mobile data roaming services in Hong Kong, Macau and Taiwan for the users of "jegotrip (無憂行)" offered by China Mobile. Mobile carriers in the Greater China region (Mainland China, Hong Kong, Macau and Taiwan) became the first batch of partners to join the "DataMall自由行" platform and provide online trading of mobile data flow products. While developing new products, the Group was engaged in active cooperation with overseas as well as domestic enterprises to drive collaboration in new products and services, with a view to developing new clients and broadening the scope of cooperation.

6. Striving to alleviate the decline of the traditional telecommunications hubbing voice and SMS transit businesses, while advancing transformation to the mobile Internet business.

The Group made breakthroughs in the development of its mobile SIMN between international destinations. In the first half of the year, we secured the SIMN platform transit business between a Thai mobile carrier and Chinese mobile carriers and commenced the service successfully. As a result of the excellent performance of our "1 SIM 2 Numbers" platform, one of the Chinese telecommunications carriers decided to assign the customer service operations on its "1 SIM 2 Numbers" platform in the Mainland to our Group. In the meantime, we continued to promote our mobile VAS products to mobile carriers with vigorous efforts, leveraging our extensive network connections and outstanding service quality. In line with ongoing growth in the volume of international cross-border roaming by mobile users, the Group's mobile VAS signaling business sustained strong growth and made significant contributions to the Group's results.

7. Advancing the plan for acquisition of equity interests in CITIC Networks in support of its development.

The Group and CITIC Networks have been engaged in a joint effort in resource integration to achieve further synergies. Pursuant to the Management Service Agreement and the Funding and Loan Support Agreement between the Group on the one hand and CITIC Networks on the other, the Group has leased, through its subsidiary in China, numerous lines from CITIC Networks as the backbone of its VPN network. Through further application of the existing resources of China Express Network by the Group's VPN network and Internet service, as well as the integration of sales channels between the Group and CITIC Networks, the business development of both parties has been enhanced with increased synergies and stronger competitive edge. Meanwhile, the Group has been actively driving the acquisition of not more than 39% of the equity interests in CITIC Networks.

III. OUTLOOK FOR 2016

Looking to 2016, the global economy will be subject to complex situations and uncertainties, with increasing risks of a global economic downturn. The Chinese government will be formulating its "13th Five-Year Plan" to provide a blueprint for China's development in the next five years. In the course of economic restructuring, China will implement an innovation-driven strategy for development and start initiatives such as "individual business ventures", "innovative ventures for all" and "Internet+" to invigorate the national economy. As such, the Chinese economy is expected to sustain a moderately rapid pace of development.

Seizing historic opportunities presented by China's national economic initiatives and industrial transformation, such as "One Belt, One Road" and "Internet+", the Group will develop innovative products with a strong focus on market demands and make a major effort to expand its mobile business, Internet broadband business and VPN business. With the mobile and Internet sectors providing a major direction for development, we will persist in rooting our position in the Mainland market while accelerating our expansion and geographic coverage of the international market via Hong Kong and Macau as bases and connections. We will sustain stable business growth by exploring new ideas, developing new products and businesses, tapping new markets, and growing new customer bases. The Group will continue to strengthen treasury management, explore new sources of income while reducing costs, engage in prudent investment, and exercise stringent risk control. The Group will carry on with the business integration with CITIC Networks to enhance synergies. The Group will also continue with its effort to transform into an Internet-focused new telecommunications enterprise, leveraging its existing strengths in global network infrastructure, marketing channels, and telecommunications hubbing. In short, the Group will further consolidate its traditional strengths and drive ongoing business development.

1. To identify new ideas, new products and businesses, new markets, and new customers in an active bid to expand our business and broaden our overseas market.

Innovation will be at the core of the Group's development strategy. In particular, we should further incentivise our staff to contribute their energy and creativity through innovations in systems and mechanisms, in order to ensure vigorous and dynamic development of our Group by bringing our talents into full play. We will continue to seek new partners for the "DataMall自由行" platform and expand the scale of online transactions of mobile data flow products. In 2016, the "DataMall自由行" will expand its geographic presence to cover more countries and regions. Through the formulation of effective marketing measures, we will continue to tap new overseas markets and expand new frontiers with our partners. With a co-winning mentality, we should engage in vigorous and effective business cooperation with overseas as well as Chinese carriers in the markets of developing countries, actively seeking opportunities for business expansion in an effort to broaden our overseas market.

2. To maintain the leading position of CTM by further improving its service standards.

We should further enhance CTM's service standards. A strong emphasis should be placed on the building of technical assurance abilities for engineering works. Constant improvements to the technical quality of engineering works should be made with a view to further enhancing overall network stability. Our network management should shift from a network-oriented approach to a service-oriented approach, paying closer attention to customers' experience of the network service, in order to fulfill the exacting requirements for service quality in the age of Internet. Staff training in skills and business know-how should be further enhanced. We will endeavor to drive the building of the Digital Macau and make contributions by striving for progress in e-money, e-education, online shopping platforms and public transport.

3. **To maintain the market leadership of CTM by leveraging its first-mover advantage in the 4G mobile communication (LTE) network.**

   CTM enjoys a strong reputation in Macau as the territory's leading telecommunications service supplier. It will continue to ensure proper staff training and vigorous marketing for 4G and build a refined 4G network with further improved network coverage and constant enhancements in network quality. It will seek to maintain its leading position in Macau's telecommunications market by swiftly tapping the 4G market with premium services through its existing marketing channels.

4. **To sustain the Group's Asia-Pacific market share in its traditional telecommunications hubbing business through new product development and marketing enhancement.**

   The impact of new Internet communication technologies on traditional voice, SMS and mobile VAS services in the international telecommunications market has been apparent, as business volumes continue to decline with prices trending low. Meanwhile, the risk of customer default will also increase as we seek to enlarge market shares and broaden our customer base. The Group will further enhance customer credit management by conducting sound analysis of risks associated with customers' credit and formulating effective risk prevention measures. A stratified customer management strategy will be adopted to facilitate the offering of customised products and services. By launching "DataMall自由行", MVNO, IPX and new mobile VAS services, the Group intends to broaden its range of products and services on an ongoing basis, improve the standard of its services to target customers, increase appeal to new customers, enlarge its customer base and increase the market penetration of its products and services, with a view to sustaining the market share of its traditional telecommunications hubbing business in the Asia-Pacific region.

5. **To enhance the efficiency of the Group's data centre business by improving the servicing capabilities and standards of the data centres.**

   With the completion of the construction of Macau Data Centre Phase II, the Group's network of data centres has been further enhanced and the scale of its data centre business has been enlarged. We will ensure diligent marketing for the data centre business, with clear communication among our business units regarding information of their respective telecommunications line leasing and full utilisation of the existing international undersea cables of CTM, so that we could make sound and effective arrangements for investment in equipment and lines. We will also seek to deliver data centre service with unique features to fulfill new requirements of customers, as we strive to enhance the efficiency of the Group's data centre business by improving the servicing capabilities and standards of our data centres.

6. **To continue with the active drive for the acquisition of not more than 39% equity interests in CITIC Networks.**

   Given the positive synergies between CITIC Networks and the Group's VPN business and Internet services, the Group will continue to drive actively the acquisition of not more than 39% equity interests in CITIC Networks, with a view to increasing the application of the existing resources of China Express Network, and further amplifying synergistic effects and enlarging market shares through the integration of sales channels.

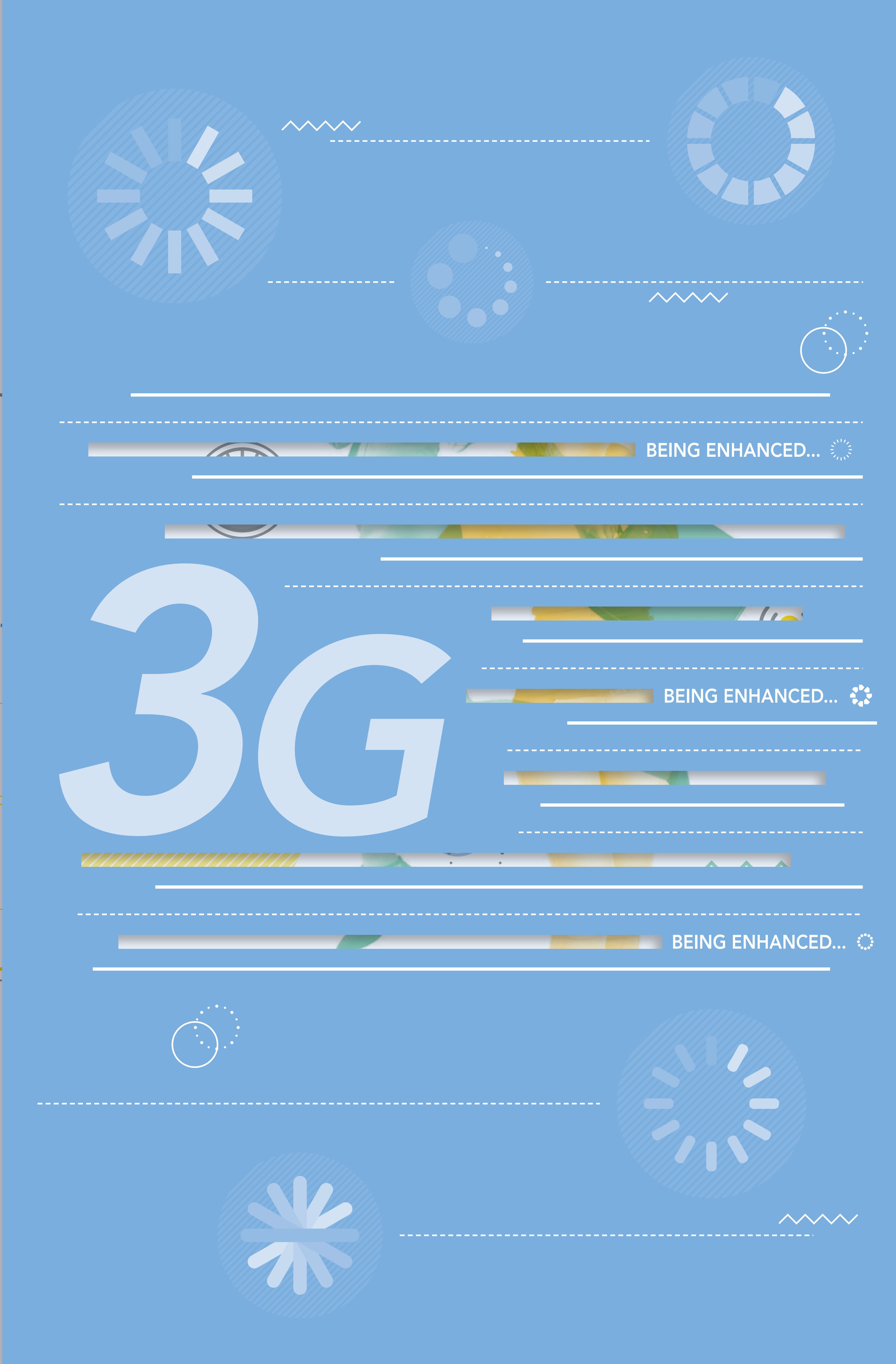
In 2016, the Group will benefit from many favourable conditions, while at the same time it will also face numerous difficulties and risks. The Group will adhere firmly to its strategies in various tasks and adopt a proactive approach with stronger efforts and determination to introduce innovative products, improve customer service and enhance implementation capability, in order to provide higher-quality services to the community and delivering greater value to shareholders.

Last but not least, may I express sincere appreciation to our shareholders for their support and to the management and staff of the Group for their dedication and contributions during the past year.

Xin Yue Jiang
Chairman
Hong Kong, 25 February 2016

CONNECTING TO THE WORLD

We offer the reliable communication network. With the digital future, 4G will bring you even more possibilities. You may control and monitor any smart living products via smartphone to creating more comfortable living environment. It also enables your business to be more flexible by managing and saving your file with ease.


BEING ENHANCED...
3G
BEING ENHANCED...
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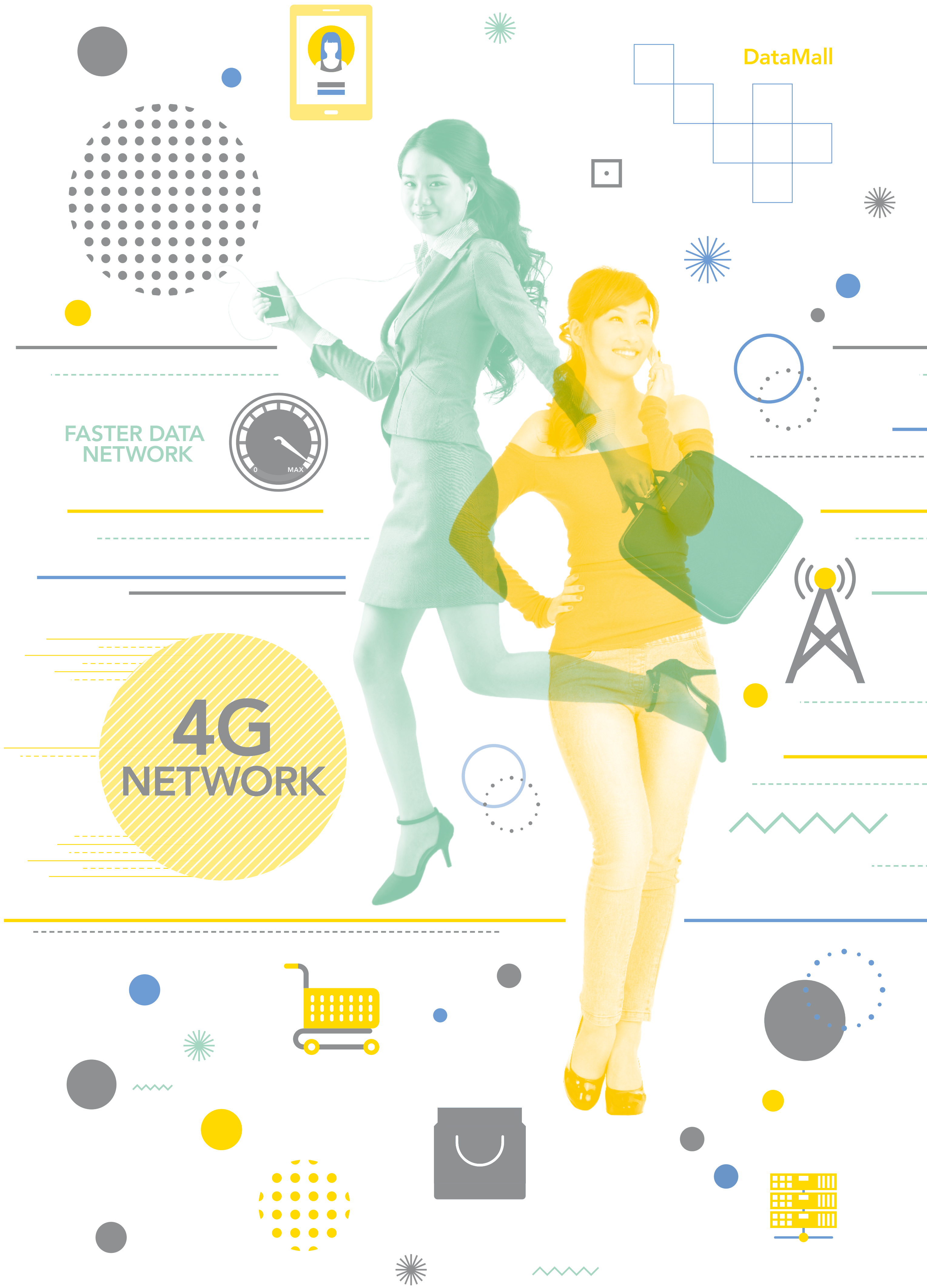
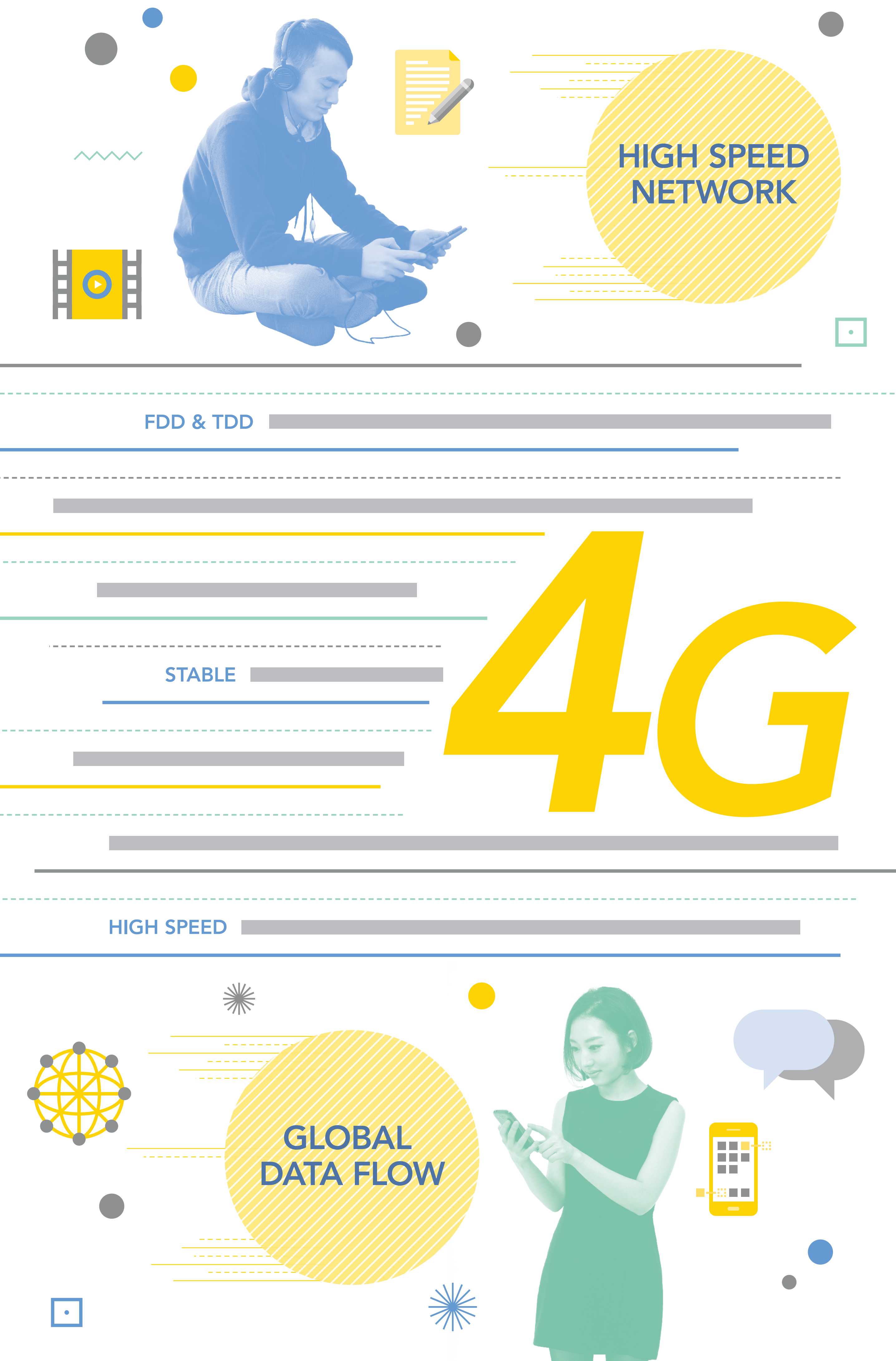

DataMall
FASTER DATA NETWORK
0
MAX
4G NETWORK


HIGH SPEED NETWORK
FDD & TDD
STABLE
4G
HIGH SPEED
GLOBAL DATA FLOW

During 2015, amid the slowdown of global economic growth and drastic fluctuation in the surrounding capital markets, the substitution impact of the Internet on traditional telecommunications services further emerged. Confronted with challenges, the Group responded calmly by consolidating and improving the existing businesses as well as exploring innovative products and mechanisms, which enabled it to overcome difficulties and delivered satisfactory results. Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") successfully launched the first "4G+" service in the market, leading Macau to a new era of mobile digital solutions. Meanwhile, the Group launched "DataMall 自由行", the first international mobile data traffic trading platform in the world, which established a brand new model for data roaming. The Group continued to build new points of service and develop new clients for enterprise solutions around the globe. CITIC Telecom International CPC Limited ("CPC"), a subsidiary of the Group, deepened its cooperation with 中信網絡有限公司 (CITIC Networks Co., Ltd.) ("CITIC Networks") to further enrich its product lines and create synergy effect. In addition, CTM was selected to provide services for several large-scale governmental and commercial projects. The further increase of household broadband penetration rate and strategic geographical positioning of data centres generated new drivers for the Group. Internet services and enterprise solutions reported significant growth, while mobile sales & services maintained steady increase, which offset the adverse impact brought by the decline in international telecommunications services and fixed line services, driving the Group's operating profit to a new height.

MOBILE SALES & SERVICES

IMPORTANT BREAKTHROUGHS ACHIEVED BY MOBILE SALES & SERVICES

CTM launched the 4G+ dual mode network

A major highlight of the past year was the introduction of 4G+. CTM launched Macau's first 4G+ service on 20 October 2015, six months after being informed that CTM's licence bid had been successful, coinciding with the 34th anniversary of CTM's establishment. The fast and extensive roll-out of 4G+ was a strong statement of the continued shareholder commitment to supporting the vision of Digital Macau. By year end of 2015, CTM had acquired over 30,000 4G+ customers.

CTM's 4G+ mobile service is unique since it is the only network supporting both frequency ("FDD") and time based ("TDD") mobile technology standards mode in Macau. This is important since China tends to have a greater proportion of TDD usage whereas visitors from the rest of the world will require FDD.

CTM aims to provide customers with unparrelled levels of service, coverage and quality. In support of the service launch CTM introduced its "M.wallet+" application in partnership with Macau Pass S.A. ("Macau Pass"). Customers can use the M.wallet+ at over 3,000 Macau Pass service points to buy goods or top-up their accounts.

In addition, through the "CTM Buddy" application, customers can retrieve their balance and purchase records, settle CTM service bill, or top-up prepaid card. CTM also introduced "Cloud Box+", a personal cloud storage service for 4G+ customers that permits back-ups of important documents, photos and audiovisual files.

CTM's voice service roaming minutes decreased as a result of decline in visitor arrivals and the universal trend at substitution of mobile voice to data. As a result, our data roaming usage have a strong increase when compared to last year. CTM maintained its leadership of the mobile market with 43% market share in prepaid and postpaid market. CTM's mobile customer base was over 821,000 at the end of 2015. For the mobile broadband service, the customer base exceeded 202,000, a growth of 7% year-on-year, bolstered by the launch of new smartphone models and service packages. Mobile sales & services generated 64% of CTM's total turnover in 2015.

The first international mobile data traffic trading platform in the world has been put into commercial use

In October 2015, our first international mobile data traffic trading platform in the world "DataMall自由行" was launched together with the largest mobile operator in China. Initial coverage includes Hong Kong, Macau and Taiwan. "DataMall自由行" is an innovative service which allows mobile users to purchase overseas mobile data service via our mobile data platform. With the home SIM card remains unchanged, end users enjoy the best of both worlds on maintaining the connection with home SIM while being able to enjoy affordable mobile data service during their trips to foreign countries. Various reputable Internet companies and handsets manufacturers are negotiating with the Group in respect of the cooperation on the platform.

The coverage of the global MVNO service has been further enhanced

On the global MVNO we have successfully launched our service in Hong Kong, Macau, Singapore, the United States of America, Canada, and Indonesia addressing the traveler demands as well as the foreign domestic workers need. Our service is also using by some reputable handsets manufacturers.

Others

Although 4G roaming service has been rolled out in a fairly fast pace, 2G/3G roaming service remains important safety net for 4G roaming coverage and our Group remains competitive in this aspect. On the 4G LTE roaming front, our customer uptake was also strong covering various Asia mobile operators and transit carriers.

Frauds and revenue leak on SMS service remains a big issue for many mobile operators around the world. The Group has successfully deployed the SMS firewall service (a cloud based security platform) providing comprehensive protection for our mobile operator customers.

INTERNET SERVICES

FURTHER SOLIDIFICATION OF THE FOUNDATION OF INTERNET SERVICES

CTM continued to upgrade its optical fibre broadband and WiFi services

Broadband household penetration rate in Macau was 86% in December 2015, slightly up from 83% a year ago. The number of broadband customers was approximately 169,000. The growth in customers and business value reflect the success in promoting fibre broadband and higher bandwidth packages.

As an echo to the growing demand for Internet services in Macau, CTM launched a new high speed residential service of 1Gbps matching the highest speeds available. At the end of December 2015, over 60,000 customers were using the fibre service and CTM will continue to grow this in the coming year given that 100% coverage is now available.

With the increasing popularity of smart devices in the market, CTM has been investing in its WiFi hotspot network as a response to the demand on wireless broadband service and total hotspots have been 403 at the beginning of the year and exceeded 1,000 at the end of the year, an increase of over 160%. In addition, CTM has extended services to the public bus network, more than 340 buses were equipped with WiFi and providing service to passengers. WiFi, fibre broadband and 4G+ will become the new mode of CTM's Internet services.

Competition was experienced in the local fixed broadband market. CTM will focus on delivering high quality and innovative customer services to continue its strong market position for the future.

Data centre business achieved satisfactory progress

CPC has continued to intensify its strategic partnership and synergy effect with China Enterprise ICT Solutions Limited ("CEC") so as to improve its service quality. The cloud computing data centre set up by CEC in Baoshan, Shanghai was put into service in January 2015. It adopts the international T3+ standard and provides about 500 standard racks. With Baoshan, Shanghai being the first site in which we established a cloud computing data centre, we will continue to initiate projects in other major cities including Beijing, Guangzhou and Shenzhen, for the sake of enhancing our data centre and cloud computing services. Currently, we have potential sales orders of over 300 racks, the sales amount of which for the first year amounts to around HK$53 million.

Besides, we have officially entered into a strategic partnership framework agreement with CEC, CITIC Networks and GDS Services Ltd., a leading data centre service provider in China, to form a long-term, stable and high performance strategic business partnership, with an aim of leveraging on the expertise and advantages of each party in the data centre and optical fibre network markets. The partnership also places an important role in facilitating the development and deployment in data communication and data centre businesses of each party, making a preemptive entry into the high bandwidth market, expanding market share, and improving the parties' competitiveness in the Greater China as well as the Asia-Pacific Region. We maintain close contact with all parties and seek to launch the interconnectable and interoperable new service model for high bandwidth data centre in 2016.

Our data centre business experienced strong growth compared with previous year. In 2015 the majority uptake of our data centre services in Ap Lei Chau and CITIC Telecom Tower data centres came from customers in the financial services sector including a Hong Kong based commercial bank. Albeit a keen competition in the IDC market, we believe the Group's advanced data centre infrastructure coverage in Hong Kong, Macau and Mainland China supplement with our network infrastructure will strengthen our position in the market.

INTERNATIONAL TELECOMMUNICATIONS SERVICES

IMPACT ENCOUNTERED BY INTERNATIONAL TELECOMMUNICATIONS SERVICES

International voice services recorded decrease in both traffic volume and revenue

Due to the combined effect of the popularity of Social Network Services and development of Internet applications, our business in voice hubbing services had been affected, and intensified competition could be seen in China's voice market. As a result, revenue from our voice business dropped by 14.7% compared to the previous year. During the year, the Group continued to extend the coverage of its international business by soliciting new customers in different countries, such as Cambodia, Malaysia, Cyprus, Romania and the United Arab Emirates. By lowering the termination costs, the Group managed to ease the decline in overall gross profit margin substantially. Nevertheless, the total traffic of voice service decreased by 21.3%, which was in line with the worldwide trend. The implementation of the IDD traffic management system which facilitates differentiation of customer services has strengthened our market position as well as our competitive edge.

SMS service developed continuously with new development focus on A2P (Application to Person)

Turnover from the SMS business amounted to HK$317.3 million, representing a year-on-year decrease of 25.6%. We remain as a dominant inter-operator SMS ("IOSMS") service provider in Hong Kong. However, China operators have gradually begun to operate China inbound and outbound services through direct connection with international carriers. At the same time, P2P (Person to Person) SMS services volume decreased as a result of change in customers' behavior.

Hence, the Group has focused on developing new Enterprise SMS (one of A2P) markets to avoid decline in profit contributions from the SMS business. Our successful deployment of our next generation SMS hubbing platform had enhanced our P2P and A2P SMS services quality in line with customers' requirements. We had successfully assisted a number of large global social network companies and Internet companies to launch major promotional activities with the aid of this new hubbing platform. After a year of dedicated efforts, we have transformed our SMS service from a simple P2P

to a secure and reliable communications channel. The Group believes that the rapid growth of SMS-related applications will drive a new phase of growth in 2016.

Introduction of mobile services to international retail business

Our Singapore business unit continued to maintain strong growth in the enterprise and retail market segments, whereas Malaysia business had a satisfactory growth. The Singapore business unit managed to maintain stable in its IDD business, increase its market shares in SIM card distribution business, and achieve admirable growth in enterprise value added services, especially in the MVNO service, with a new sizable supplier. Singapore and Malaysia business continued to provide quality services to more than 1,800 SME customers.

Others

During the year, we have added Myanmar as one of our new destinations for P2P SMS exchange. In addition, a 4G operator in Cambodia has also awarded us as the exclusive SMS hub serving its subscriber base.

Moving forward, the Group shall continue its effort of mobile Internet convergent across its service portfolio such as leveraging our strong voice and SMS foundations to facilitate Internet company and OTT players overcoming their convergence challenges.

ENTERPRISE SOLUTIONS

CONTINUOUS GROWTH OF ENTERPRISE SOLUTIONS

CPC continued to expand businesses and services and maintained strong momentum

CPC is a preferred ICT provider by multinational corporations which possesses comprehensive managed network and provides enterprise clients with total Information and Communications Technology (ICT) solutions covering international networking, cloud computing service, Internet connection, Internet data centre, information security and a wide range of value-added management services. Apart from providing services to enterprises, CPC also cooperates with a number of international carriers and telecommunications services providers to facilitate rapid business growth of each other. During the year, the number of MPLS VPN customer end of CPC in Mainland China, Asia, North America and Europe has almost reached 9,600.

In 2015, CPC actively expanded its PoPs for TrueCONNECT™ and invested in the expansion of Cloud Service Centre (CSC) and Cloud Data Centre. In tandem with launching diversified TrueCONNECT™, TrustCSI™ and SmartCLOUD™ solutions, it also made improvements and reinforcement to a number of existing services including:

- The service coverage of TrueCONNECT™ MPLS VPN has reached over 100 PoPs and new PoPs deployed overseas in Jakarta of Indonesia and Frankfurt of Germany, as well as in Qinhuangdao, Nanjing, Shanghai, Tianjin, Xiamen, Wuxi and Jiaxing in China, in order to develop new market and enhance local service capabilities.
- SmartCLOUD™ DaaS, Desktop-as-a-Service solution, was launched in March 2015. It is the first DaaS solution supported by VMware Horizon® DaaS® in Hong Kong which aims at catering for the need of enterprises in the Asia-Pacific Region for a mobile workforce model and operating multi-offices in different locations. The solution enables team members of an enterprise to work anywhere, anytime, on any operating system and any device by providing a virtual desktop that contains Windows Client Desktop, desktop sharing and Hosted Applications.

Moreover, we strengthened the coverage of our enterprise sales team in different regions including Kuala Lumpur in Malaysia, Chengdu, Wuhan and Hangzhou in China by establishing new sales offices. Through the newly established teams, we are able to offer our integrated ICT solutions to newly developed markets.

To create close synergy with CITIC Networks on our respective advantageous edges

In virtue of China Express Network, the optical fibre backbone network in Mainland China developed by CITIC Networks, a subsidiary of CITIC Group, as well as its equipment based on Ethernet technologies, CPC and CEC started to re-package Wide Area Ethernet services of CITIC Networks into "EtherCONNECT" in early 2015. The product features inter-provincial point-to-point or multi-point high bandwidth connections and provides services covering Nx100Mbps, Nx1Gbps to 10Gbps, which is more flexible and competitive as compared to the old OTN service (1Gbps or 10Gbps). The product is suitable for clients with high bandwidth and high traffic flow such as large-scale enterprises, data centres, content providers and e-commerce. In order to meet the demand for different data capacities and further boost up the sales results, we collaborated with CITIC Networks to carry out a promotion plan which strengthened its competitiveness by way of fine categorisation of EtherCONNECT and price adjustment.

In connection with the backbone, as at the end of 2015, we have assisted CITIC Networks to build 14 nodes for the Wide Area Ethernet, all of which are interconnected using 30Gbps data link, which raises the network capacity significantly and lays a solid foundation for further expansion.

Enterprise solutions of CTM recorded remarkable growth

Strong growth was experienced in the enterprise solutions area, mainly driven by the increase in demand for data services and the awarding of several large projects from customers in the casino, hotel and government sectors. The turnover from enterprise solutions in Macau increased by over 18% year-on-year.

CTM was delighted to be awarded several major projects from the Macau Government and the commercial sector during 2015. The Macau Government chose CTM to continue the "WiFi GO" network expansion. CTM was also chosen by the Macau Government to build up transmission network for city surveillance. In the new resort sectors, CTM was chosen by several sizable hotels for their communication network development projects.

In addition to system solutions, CTM continued to provide its core services in support of such major events as the 12th Asia-Pacific Telecommunication and ICT Development Forum and the 62nd Macau Grand Prix.

FIXED LINE SERVICES

CONTINUOUS DECREASE IN FIXED LINE SERVICES

The fixed telephone line customer base had 155,500 installed lines as at the end of 2015, continuing the long-term downward trend. Similarly international calling minutes from fixed network also declined. This is in line with worldwide trends for fixed network services.

FINANCIAL REVIEW

OVERVIEW

The Group's turnover increased by 2.0% from HK$8,183.6 million for the year ended 31 December 2014 to HK$8,349.8 million for the year ended 31 December 2015. The increase was mainly due to the growth in the Group's mobile sales & services, Internet services and enterprise solutions revenue, which has more than countered the drop in revenue for other more traditional services.

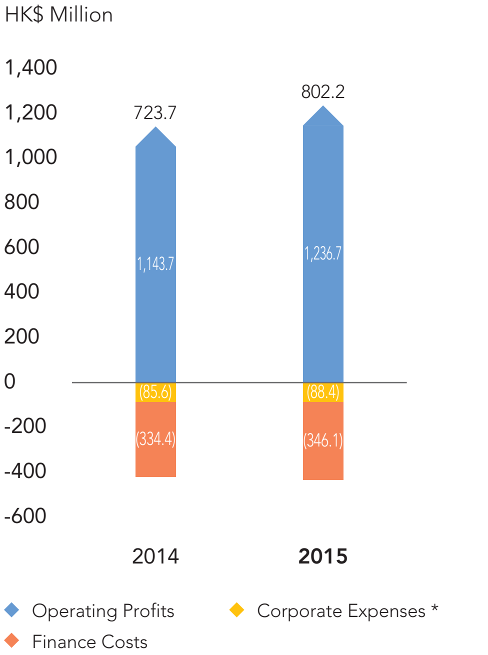
Profit attributable to equity shareholders and basic EPS amounted to HK$802.2 million and HK23.8 cents respectively which represented a year-on-year increase of 10.8% and 9.7% when compared with 2014.

Summary of Financial Results

	Year ended 31 December			
In HK$ million	**2015**	2014	**Increase/(Decrease)**	
Turnover	**8,349.8**	8,183.6	166.2	2.0%
Other revenue and net gain	**20.7**	13.4	7.3	54.5%
Cost of sales and services	**(4,941.8)**	(4,879.9)	61.9	1.3%
Depreciation and amortisation	**(674.0)**	(682.6)	(8.6)	(1.3%)
Staff costs	**(801.6)**	(722.4)	79.2	11.0%
Other operating expenses	**(596.1)**	(663.9)	(67.8)	(10.2%)
Profit from consolidated activities	**1,357.0**	1,248.2	108.8	8.7%
Share of joint venture results	**(0.5)**	0.4	N/A	N/A
Finance costs	**(346.1)**	(334.4)	11.7	3.5%
Income tax	**(195.6)**	(179.3)	16.3	9.1%
Profit for the year	**814.8**	734.9	79.9	10.9%
Less: Non-controlling interests	**(12.6)**	(11.2)	1.4	12.5%
Profit attributable to equity shareholders of the Company	**802.2**	723.7	78.5	10.8%
EBITDA *	**2,022.4**	1,926.8	95.6	5.0%

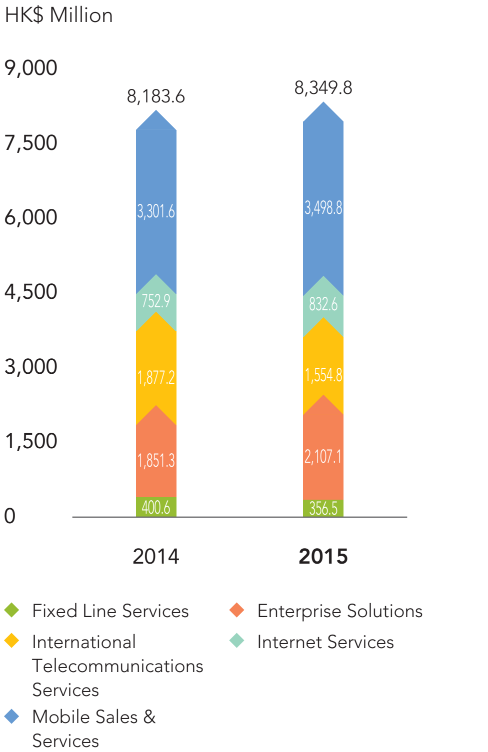
* EBITDA represents earnings before interest, taxes, depreciation and amortisation, and adjusted for gains/losses on disposal of property, plant and equipment.

Profit Attributable to Equity Shareholders of the Company



* Corporate expenses included staff costs for corporate functions, equity-settled share-based payment expenses, listing fee and others.

Turnover by Services



Profit attributable to equity shareholders of the Company for the year ended 31 December 2015 amounted to HK$802.2 million, an increase of HK$78.5 million when compared with 2014. The increase was mainly due to the significant increase in mobile sales & services and enterprise solutions revenue, and the steady growth in the Group's Internet services.

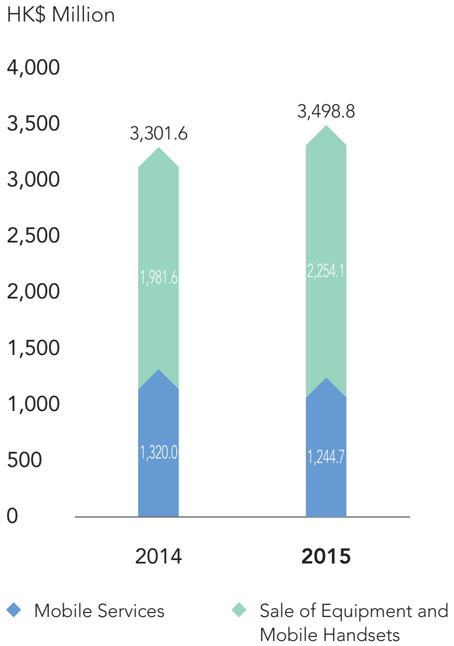
Turnover by Services

The Group provides a large spectrum of services which are classified into five major categories: mobile sales & services, Internet services, international telecommunications services, enterprise solutions and fixed line services.

The Group's turnover achieved an increase of 2.0% from HK$8,183.6 million to HK$8,349.8 million for the year ended 31 December 2015. The increase in turnover was mainly contributed by increase in revenue from mobile sales & services, Internet services and enterprise solutions, which had more than offset the decrease in revenue from international telecommunications services and fixed line services.

The Group's enterprise solutions continued to perform well in both China and Macau markets and have achieved an increase of HK$255.8 million or 13.8% in enterprise solutions revenue for the year. In respect of international telecommunications services, the Group has continued to sustain growth in the corporate SMS business which has partly offset the adverse impact of the continuing decrease in global IDD wholesale traffic, mounting pressures on tariffs, and emerging Internet operations from OTT players.

Turnover
— Mobile Sales & Services



Mobile sales & services

Mobile sales & services revenue includes the revenue from equipment and mobile handsets sales, mobile roaming services, and other mobile value-added services. Total mobile sales & services revenue amounted to HK$3,498.8 million for the year ended 31 December 2015, an increase of 6.0% when compared to last year. The increase was mainly due to the growth in mobile handsets sales and mobile data usage, as well as product differentiation, to better satisfy the needs of customers.

Postpaid ARPU (excluding inbound roaming and rebates adjustment) was up 8.1% to HK$234.2 when compared with last year, while prepaid ARPU dropped by 19.0% to HK$13.9 for 2015 mainly due to the intense price competition in mobile voice revenue, which offset the growth in mobile data revenue. The overall number of subscribers in December 2015 increased by 0.9% as compared to December 2014 to over 821,000 subscribers, and the Group's mobile market share in Macau was around 43.3% at 31 December 2015 (31 December 2014: 43.8%).

Internet services

Internet services revenue including the Group's data centre revenue amounted to HK$832.6 million for the year which represented an increase of HK$79.7 million or 10.6% when compared with 2014. The increase was mainly due to higher revenue from the good uptake of fibre broadband service and increase in data centre revenue. Overall broadband ARPU increased by 5.0% to HK$316.1 for 2015 and the total number of broadband subscribers increased by 4.6% from December 2014 to around 169,000 subscribers. The Group's Internet market share in Macau was around 99.4% while broadband market penetration rate in Macau was around 86.4% in December 2015 (December 2014: 83.3%).

International telecommunications services

The Group's international telecommunications services comprised of voice and SMS services.

Voice services revenue decreased by HK$213.3 million or 14.7% to HK$1,237.5 million for the year ended 31 December 2015 over the same period in 2014, owing to the challenging global voice wholesales market where tariffs and traffic volume are on a decreasing trend. Total traffic of 4.8 billion minutes was handled by the Group, representing a 21.3% reduction compared with 2014. Total China inbound and outbound traffic for the year has decreased by 24.2% and total international traffic dropped by 12.8% when compared to 2014. Despite the intensely competitive market conditions, the Group has continued to focus its efforts in regions with higher profit margins and has managed to achieve a revenue per minute of HK$0.26 which represented an 8.3% increase from 2014.

Overall the SMS market has continued to be adversely impacted by the increasing popularity of social networking applications. With the Group's successful efforts in tailoring its services to customers' needs, the number of Hong Kong domestic and International SMS handled by the Group in 2015 increased by 18.0% and 13.7% respectively. The Group also stepped up its efforts in accelerating the development of corporate SMS which have partly cushioned the substitution impact brought by the growing popularity of Internet applications. SMS services revenue totaled HK$317.3 million and average revenue per SMS was HK$0.21, a decrease of 25.6% and 16.0% respectively when compared with 2014.

Enterprise solutions

Enterprise solutions revenue increased by 13.8% from HK$1,851.3 million in 2014 to HK$2,107.1 million for the year ended 31 December 2015. The increase was contributed by the growth of professional service projects from the government and corporate customers, continuing popularity of VPN services, steady growth in cloud computing services and information security services, as well as the higher demand for leased lines from the carriers and corporate customers. In both 2015 and 2014, around 50% and 40% of the enterprise solutions revenue were derived in Mainland China and in Macau respectively.

The Group continued to expand its Points-of-Presence ("PoPs") for VPN services. The Group has global coverage with over 100 PoPs, including new PoPs located overseas in Frankfurt of Germany and Jakarta of Indonesia, and new PoPs in China (i.e. Qinhuangdao, Nanjing, Shanghai, Tianjin, Xiamen, Wuxi and Jiaxing), which were established in 2015.

Fixed line services

Fixed line services revenue was HK$356.5 million for 2015 which represented a decrease of 11.0% when compared to 2014. The decrease was in-line with the worldwide trends of declining fixed IDD traffic volumes and the decrease in fixed residential lines, which are gradually being replaced by the mobile services. The decrease was partly offset by the increase in business fixed lines revenue.

Profit for the year

The Group achieved HK$814.8 million in profit for the year, an increase of HK$79.9 million when compared with 2014. The increase was mainly due to the combined impact of the following factors:

Turnover

Turnover for the year increased by HK$166.2 million or 2.0% when compared with the same period of last year, largely due to the increase in mobile sales & services, Internet services and enterprise solutions revenue which have countered the decrease in the revenue for international telecommunications services and fixed line services.

Cost of sales and services

Cost of sales and services included costs of goods sold, and network, operations and support expenses. Consistent with the increase in turnover, cost of sales and services amounted to HK$4,941.8 million, an increase of HK$61.9 million when compared with 2014.

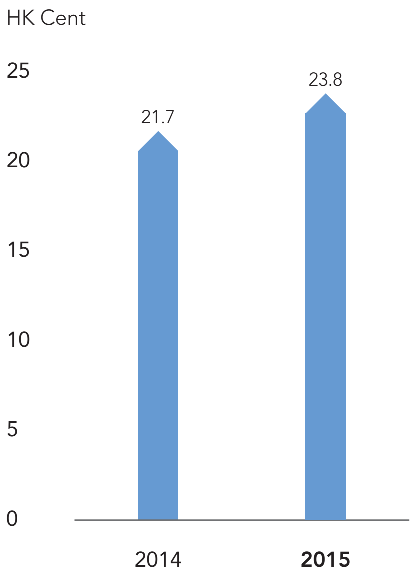
Staff costs

Staff costs for the year increased 11.0% to HK$801.6 million compared with 2014. The increase was mainly due to the increase in staff number and incentive bonuses which was in-line with the expansion of the Group's businesses as well as the equity-settled share-based payment expenses of HK$28.1 million (2014: $nil) recognised during the year.

Depreciation and amortisation

Depreciation and amortisation expenses totaled HK$674.0 million for the year ended 31 December 2015, a decrease of HK$8.6 million or 1.3%. The decrease was mainly contributed by certain aged networks and equipment being fully depreciated in 2014 and 2015.

Basic Earnings per Share



Dividends per Share

Other operating expenses

Other operating expenses for the year amounted to HK$596.1 million, a decrease of 10.2% when compared with 2014, mainly due to the successful efforts in costs saving, which has more than offset the higher utilities charges in relation to the Group's new data centres and the increase in repair and maintenance expenses during the year.

Finance costs

Finance costs for the year increased slightly from HK$334.4 million to HK$346.1 million when compared with 2014 due to the write-off of the prepaid front end fee in relation to the loans that were refinanced during the year.

Income tax

In-line with the increase in profits, the Group's income tax expense for the year ended 31 December 2015 increased by 9.1% to HK$195.6 million compared to last year. If non-taxable/non-deductible items and unrecognised temporary differences were excluded, the effective tax rate for both years ended 31 December 2015 and 2014 would be around 13%.

Earnings per share ("EPS")

Basic EPS and diluted EPS amounted to HK23.8 cents and HK23.6 cents respectively, both representing an increase of around 10% when compared with last year.

Dividends per share

Final dividend of HK9.7 cents per share is proposed for the year ended 31 December 2015.

Cash flows

In HK$ million	Year ended 31 December 2015	2014	Increase/(Decrease)	
Source of cash:				
Cash inflows from business operations	**1,775.8**	1,627.9	147.9	9.1%
Other cash inflows	**57.9**	68.9	(11.0)	(16.0%)
Sub-total	**1,833.7**	1,696.8	136.9	8.1%
Use of cash:				
Net capital expenditure*	**(734.2)**	(717.8)	16.4	2.3%
Dividends paid to equity shareholders and non-controlling interests	**(394.9)**	(353.5)	41.4	11.7%
Acquisitions of equity investment	**–**	(1.2)	(1.2)	(100.0%)
Net cash outflows from borrowings	**(870.5)**	(79.7)	790.8	N/A
Other cash outflows	**(146.1)**	(2.1)	144.0	N/A
Sub-total	**(2,145.7)**	(1,154.3)	991.4	85.9%
Net (decrease)/increase in cash	**(312.0)**	542.5	N/A	N/A

* Included in the amounts are payment for purchase of property, plant and equipment in respect of both current year additions and prior year unsettled purchases, and proceeds from sale of property, plant and equipment.

Profit before taxation amounted to HK$1,010.4 million for the year ended 31 December 2015. The Group maintained a strong cash position, where HK$1,775.8 million cash inflow was generated from operations, an increase of HK$147.9 million or 9.1% when compared with 2014. The use of cash comprised capital expenditure, loans and repayments, dividends distribution to equity shareholders and non-controlling interests and various other payments. In total, the Group generated net cash outflow of HK$312.0 million for the year ended 31 December 2015 as the Group early repaid a loan with its excess cash during the year.

Capital expenditure

In-line with the Group's long term plan, the Group has continued to expand its data centres whereby HK$20.3 million of fitting-out costs were incurred during the year ended 31 December 2015.

The Group's total capital expenditure for the year amounted to HK$818.7 million. Excluding the capital expenditure on data centres, the capital expenditure for the year amounted to HK$798.4 million, an increase of 27.4% compared with 2014. The significant increase was due to more network development and upgrades projects undertaken during the year.

In June 2015, the Group's subsidiary, Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM"), was one of four operators being granted the LTE licence in Macau. In October 2015, CTM officially launched its LTE service in Macau. Over HK$200 million was incurred during the year as capital expenditure for the development of CTM's LTE network.

Net debt

At 31 December 2015, total bank and other borrowings and net debt of the Group were as follows:

	Denomination						
In HK$ million equivalents	**HKD**	**USD**	**MOP**	**RMB**	**Others**	**2015**	2014
Total bank and other borrowings	1,488.8	5,983.7	–	–	–	**7,472.5**	7,967.6
Less: Cash and bank deposits	(558.4)	(242.7)	(167.8)	(194.9)	(59.2)	**(1,223.0)**	(1,396.9)
Net debt/(cash)	**930.4**	**5,741.0**	**(167.8)**	**(194.9)**	**(59.2)**	**6,249.5**	6,570.7

As a result of the stable cash flow from the operating activities, the Group's net debt decreased from HK$6,570.7 million at 31 December 2014 to HK$6,249.5 million at 31 December 2015.

Capital commitments

At 31 December 2015, the Group had outstanding capital commitments of HK$202.1 million, mainly for the acquisition of telecommunications equipment which had yet to be delivered to the Group and construction costs of the networks. Of these commitments, HK$110.3 million were outstanding contractual capital commitments and HK$91.8 million were capital commitments authorised but for which contracts had yet to be entered into.

RISK MANAGEMENT

In accordance with the Board's instruction, the Group has established a risk management system covering all the business segments to monitor, assess and manage various risks in the Group's business activities.

The risk management system of the Group comprises "Four Levels" and "Three Lines of Defence" based on the corporate governance structure. The "Four Levels" are the (i) board of directors, (ii) corporate management, (iii) function management and business units of the Group, and (iv) responsible positions under function management and business units. The "Three Lines of Defence" are the (i) first line of defence comprised by function management and business units of the Group, (ii) second line of defence comprised by the risk management functions of the Group, and (iii) third line of defence comprised by the internal audit functions of the Group.

FINANCIAL RISK

Managing financial risks to which the Group exposed is one of the primary responsibilities of the Group's treasury function. To balance the high degree of financial control and cash management efficiency, each business unit within the Group is responsible for its own cash management which is closely monitored by the headquarter. In addition, the decision of financing activities is centralised at head office level.

1. Debt and leverage

As net debt decreased to HK$6,249.5 million, net gearing ratio decreased from 50% at 31 December 2014 to 47% at 31 December 2015 as illustrated below:

In HK$ million	31 December 2015	31 December 2014
Total bank and other borrowings	**7,472.5**	7,967.6
Less: Cash and bank deposits	**(1,223.0)**	(1,396.9)
Net debt	**6,249.5**	6,570.7
Total equity attributable to equity shareholders of the Company	**7,029.4**	6,568.4
Total capital	**13,278.9**	13,139.1
Net gearing ratio	**47%**	50%

At 31 December 2015, the principal of total outstanding bank and other borrowings amounted to HK$7,537.2 million, of which HK$100.0 million will mature in the coming year, against cash and bank deposits of HK$1,223.0 million.

The maturity profile of the Group's bank and other borrowings in principal amount at 31 December 2015 was as follows:

In HK$ million	2016	2017	2018	2019	2020	2021 & beyond	Total
Bank borrowings	100.0	505.4	2,521.8	312.0	588.0	–	4,027.2
US$450 million 6.1% guaranteed bonds	–	–	–	–	–	3,510.0	3,510.0
	100.0	**505.4**	**2,521.8**	**312.0**	**588.0**	**3,510.0**	**7,537.2**

Note: For illustrative purpose, the above analysis is based on the principal amount of bank and other borrowings, rather than the carrying amount adopted in the consolidated financial statements.

To equilibrate the Group's bank and other borrowings denominated in Hong Kong dollars and United States dollars and reduce the cost of funding, the Group entered into a facility agreement with a group of banks in aggregate amount of HK$3,430.0 million (the "HK$3,430.0 million facility") in December 2015 to refinance the borrowings under a facility agreement entered in 2013 (the "US$540.0 million facility").

During the year, the Group early repaid US$100.0 million (approximately HK$780.0 million), being part of the US$540.0 million facility from its surplus cash. In addition, the Group refinanced part of the US$540.0 million facility for the sum of US$116.0 million (approximately HK$904.8 million) during the year. On 21 January 2016, the Group refinanced the remaining part of the US$540.0 million facility, which amounted to US$324.0 million (approximately HK$2,527.2 million).

Following the above arrangements, the principal of total outstanding bank and other borrowings at 21 January 2016 was HK$7,540.0 million, of which HK$4,030.0 million was denominated in Hong Kong dollars while HK$3,510.0 million (approximately US$450.0 million) was denominated in United States dollars, and the maturity profile of the Group's bank and other borrowings in principal amount was as follows:

In HK$ million	2016	2017	2018	2019	2020	2021 & beyond	Total
Bank borrowings	100.0	–	500.0	312.0	3,118.0	–	4,030.0
US$450 million 6.1% guaranteed bonds	–	–	–	–	–	3,510.0	3,510.0
	100.0	**–**	**500.0**	**312.0**	**3,118.0**	**3,510.0**	**7,540.0**

Available sources of financing

The Group aims to maintain the cash balance and undrawn banking facilities at a reasonable level to meet the debt repayments and capital expenditure requirement in the coming year.

The Group's cash balance at 31 December 2015 are more than sufficient to cover the repayments of principal amount of bank loan of HK$100.0 million in the coming year and contractual capital commitments of HK$110.3 million at 31 December 2015.

At 31 December 2015, the Group had available trade facilities of approximately HK$451.3 million. Approximately HK$231.1 million was utilised as guarantees for performance to customers/the Macau Government, costs payable to telecoms operators and others, and to secure loans extended to a fellow subsidiary by a commercial bank under an offshore-security-onshore-loan arrangement. Around HK$149.1 million of these utilised facilities were required to be secured by pledged deposits.

At 31 December 2015, the type of facilities of the Group was summarised as follows:

In HK$ million	Total available facilities	Amount utilised	Amount unutilised
Committed facilities:			
Term loans	6,457.2	3,927.2	2,530.0
US$450 million 6.1% guaranteed bonds	3,510.0	3,510.0	–
	9,967.2	7,437.2	2,530.0
Uncommitted facilities:			
Short-term facilities	300.0	100.0	200.0
Trade facilities	451.3	231.1	220.2
	751.3	331.1	420.2
Total	**10,718.5**	**7,768.3**	**2,950.2**

2. Liquidity risk management

Each business unit within the Group is responsible for its own cash management, including predetermined short term investment of its cash surpluses. The raising of loans to cover its expected cash demand must be approved by the finance committee or the board of the Company. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

To minimise refinancing risk, the Group arranged long-term borrowings from the capital market, and the term loan with repayment by instalment to meet the funding needs. This ensures that the Group can apply a prudent liquidity risk management approach.

Cash flow is well-planned and reviewed regularly by the management of the Group, so that the Group can meet its funding needs. The strong cash flow from the Group's operating activities can meet its liquidity requirements in the short and longer term.

3. Loan covenants

Committed banking facilities contain certain covenants, undertaking, financial covenants, change in control clause and/or events of default customary, which are commonly found in lending arrangement with financial institutions. If the Group were to breach the covenants or in any case of an event of default, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. At 31 December 2015, the Group was in compliance with the relevant requirements.

4. Contingent liabilities

At 31 December 2015, the Group had no significant contingent liabilities.

5. Performance bonds, guarantees and pledged assets

At 31 December 2015, performance bonds provided to the Macau Government and other customers for which no provision has been made in the consolidated financial statements amounted to approximately HK$82.0 million.

On 5 March 2013, CITIC Telecom International Finance Limited, a wholly-owned subsidiary of the Company, issued US$450 million (approximately HK$3,510.0 million) guaranteed bonds with a maturity of twelve years due on 5 March 2025 and the bonds bore interest at 6.1% per annum. The bonds were unconditionally and irrevocably guaranteed by the Company.

At 31 December 2015, the Company has provided guarantee to its subsidiary in an amount of HK$34.4 million to support its performance under a construction contract.

At 31 December 2015, the Group pledged bank deposits of RMB122.4 million (equivalent to HK$146.1 million) to secure the bank loans of a fellow subsidiary under the offshore-security-onshore-loan arrangement. In addition, bank deposits of approximately HK$3.2 million were pledged to secure parts of the trade facilities of the Group.

Certain property, plant and equipment of Companhia de Telecommunicações de Macau, S.A.R.L. ("CTM") are designated for the provision of basic infrastructure of public telecommunications services. They may need to be shared with other licensed telecommunications operators or the Macau Government with fair compensation, or, upon termination of the concession agreement, assigned in favour of the Macau Government.

6. Interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group manages its interest rate risk exposures in accordance with defined policies and regular review to achieve a balance between minimising the Group's overall cost of fund and managing large interest rate movements, as well as having regard to the floating/fixed rate mix appropriate to its current business portfolio.

Interest rate risk is managed by borrowing fixed rate or through use of interest rate swap, if necessary. At 31 December 2015, approximately 53.4% of the Group's borrowings in principal were linked to floating interest rates. During the year, the Group did not enter into any interest rate swap arrangement.

Average borrowing costs

At 31 December 2015, the average borrowing costs, which is after the inclusion of amortisation of transaction costs, was approximately 4.2%.

7. Foreign currency risk

The major places of operating companies within the Group are located in Hong Kong and Macau, whose functional currency is Hong Kong dollar or Macau Pataca. The Group is exposed to currency risk primarily from currencies other than the functional currency of the operations to which the transactions relate.

A substantial portion of the Group's turnover and cost of sales and services are denominated in United States dollars, Macau Patacas and Hong Kong dollars. The majority of the Group's assets, liabilities and transactions are denominated in United States dollars, Macau Patacas and Hong Kong dollars. As the Hong Kong dollar is linked to the United States dollar and the Macau Pataca is pegged to the Hong Kong dollar, it will not pose significant foreign currency risk to the Group. However, the exchange linkages between these currencies are subject to potential changes due to, among other things, changes in governmental policies and international economic and political developments. Although management considers that the Group's exposure to foreign currency risk is not material, it will continue to monitor closely all possible exchange rate risks and implement the necessary hedging arrangement to mitigate risk from any significant fluctuation in foreign exchange rates.

8. Credit risk

The Group's credit risk is primarily attributable to trade debtors. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors are due within 7 to 180 days from the date of billing. Impairment losses are recorded for those overdue balances where there is objective evidence of impairment.

The Group has certain concentration risk in respect of trade debtors due from the Group's five largest customers who accounted for approximately 39.3% and 48.1% of the Group's total trade debtors at 31 December 2015 and 31 December 2014 respectively. The credit risk exposure to trade debtors balance has been and will continue to be monitored by the Group on an ongoing basis.

9. Counterparty risk

At 31 December 2015, the Group had a significant balance of cash at various financial institutions. To minimise the risk of non-recovery of cash deposits, the Group mainly deals with financial institutions which have good credit ratings with prestigious credit ratings companies (such as Moody's Investors Service, Standard & Poor and Fitch Group) or the note issuing banks in Hong Kong, Macau and Mainland China. At 31 December 2015, the Group has approximately HK$1,210.3 million cash balance in the above-mentioned financial institutions, representing approximately 99.0% of the total cash and bank deposits of the Group. Management does not expect any losses from non-recovery from our financial counterparties.

ECONOMIC ENVIRONMENT

The Group's primary facilities and operations are located in Hong Kong and Macau and the majority of its turnover is derived from Hong Kong, Macau and Mainland China respectively. The Group's results of operations and financial condition therefore depend on the economies of Hong Kong, Macau and Mainland China.

The economies of Hong Kong and Macau are significantly affected by the developments in Mainland China and the Asia-Pacific region. Mainland China's economy may experience negative economic developments, and other regional economies may also deteriorate. Any reduction in telephone calls into and out of Mainland China as a result of diminishing business activities and, to a lesser extent, reduced international travel resulting in a decline in the provision of roaming services, have had and may continue to have a negative impact on the Group's results of operations and financial condition. As tourism is the backbone of Macau's economy, the growth recession of tourism in Macau may have negative impact on the roaming and prepaid card services performance of CTM.

The Group also has significant business across the Asia-Pacific region and part of its growth strategy is to expand into new regions, in particular emerging markets such as Latin America, the Middle East and Africa. These regions have also been adversely affected by the global economic slowdown and any continued slowdown may have an adverse effect on the Group's existing operations in, and planned expansion into, these regions.

OPERATIONAL RISK

The Group provides interoperable interconnections, mobile VAS and data services that are critical to the operations of its customers. The Group's system architecture is integral to its ability to process a high volume of transactions in a timely and effective manner. CTM provides mobile, fixed line and broadband services that are dependent on the performance of its network.

The Group may experience failures or interruptions of its systems and services, or other problems in connection with its operations as a result of, amongst others:

- damage to or failure of its computer software or hardware or its infrastructure and connections;
- data processing errors by its systems;
- computer viruses or software defects;
- physical or electronic break-ins, sabotage, vandalism and similar events; and
- the failure to adapt to rapid technological changes in the telecoms industry.

If the Group cannot adequately ensure the ability of its network services to perform consistently at a high level or otherwise fails to meet its customers' expectations:

- it may experience damage to its reputation, which may adversely affect its ability to attract or retain customers for its existing services, and may also make it more difficult for the Group to market its existing or future services;
- it may be subject to significant damages or customer liability claims, under its contracts or otherwise, including the requirement to pay penalties relating to service level requirements in its contracts;
- it may, in the case of CTM, be subject to penalties imposed by the Macau regulators;
- its operating expenses or capital expenditures may increase as a result of corrective efforts that it must perform;
- its customers may reduce their use of its services; or
- one or more of its significant contracts may be terminated early, or may not be renewed.

These or other consequences would adversely affect the Group's revenues and performance.

SECURITY OR PRIVACY BREACHES

The Group's systems may be vulnerable to physical break-ins, computer viruses, attacks by computer hackers or similar disruptive problems. If unauthorised users gain access to the Group's databases, they may be able to embezzle, publish, delete or modify sensitive information that is stored or transmitted on the Group's networks and which the Group is required by its contracts to keep confidential. A security or privacy breach could result in an interruption of service or a reduced quality of service. Confidential internal information to the Group may also be disclosed to unauthorised personnel who may use such information in a manner adverse to the interests of the Group. The Group may therefore be required to make significant expenditures in connection with corresponding corrective or preventive measures. In addition, a security or privacy breach may harm the Group's reputation and cause its customers to reduce their use of such services, which could harm the Group's revenues and business prospects.

In addition, the Group's revenue may be adversely affected by un-captured usage, in the event that the Group's systems are "hacked" into, resulting in transmissions that may not be detected by its billing system. Further, the increase in traffic as a result of such unauthorised "hacking" may slow or overload the Group's transmission networks, thereby adversely affecting the overall quality of services which the Group provides to its paying customers.

COMPETITIVE MARKETS

The Group operates in highly competitive markets. Failure to compete in terms of product specifications, service quality, reliability or price may have an adverse impact on the Group.

– Increasing liberalisation of the telecoms industry in Hong Kong and China may continue to attract new local and foreign entrants and broaden the variety of telecoms services available in the market, thereby increase the overall level of competition in the industry.

– The fixed telecoms market in Macau is in the process of liberalisation. Moreover, CTM secured 4G network operating licence from the Macau SAR Government, but the 4G network operating licences were also granted to other territory's mobile network operators. It is expected that competition may increase from both existing and new market players. Increased competition may have an adverse effect on the operating performance of CTM and hence affect the value of the business.

– Rapid technological changes may increase competition and render the Group's technologies, products or services obsolete or cause the Group to lose market share.

– The proliferation of Internet-enabled applications may have a negative impact on the Group's SMS segment.

Intensification of competition might result in lower product prices, narrower profit margins as well as loss of market share for the Group.

OTHER EXTERNAL RISKS AND UNCERTAINTIES

1. Impact of laws and regulations

The Group faces local business risks in different countries and regions. Such risks might have significant impacts on the financial condition, operations and business prospects of the Group in the relevant markets. The investments of the Group in countries and regions across the world might at present or in future be affected by changes in local, national or international political, social, legal, tax, regulatory and environmental requirements from time to time. In addition, new government policies or measures, if introducing changes in fiscal, tax, regulatory, environmental or other aspects that may affect competitiveness, could result in an additional or unforeseen increase in operating expenses and capital expenditures, produce risks to the overall return on investments of the Group, and delay or impede its business operations and hence adversely affect revenues and profits.

2. Impact of new accounting standards

The Hong Kong Institute of Certified Public Accountants ("HKICPA") issues new and revised Hong Kong Financial Reporting Standards ("HKFRSs") from time to time. As the accounting standards continue to evolve, HKICPA might further issue new and revised HKFRSs in the future. The new accounting policies, if required to be adopted by the Group, could have a significant impact on its financial condition and operating results.

3. Natural disasters or events and terrorism

The integrity of the Group's data centres and infrastructure, in particular in relation to the Group's PoPs, submarine cable connections, international private lease lines, local lease lines, switches or other circuits connecting the Group with its customers, are important to the Group's provision of services. The Group may not have sufficient backup systems or facilities to allow it to receive, process and/or transmit data in the event of a loss of, or damage to, any of its data centres or infrastructure. Such loss or damage may be caused by power loss, natural disasters such as fires, earthquakes, severe storms, heavy rainfall, floods and typhoons, network software flaws, vandalism, telecoms failures such as transmission cable disruptions or other similar events that could adversely affect its customers' ability to access the Group's hub.

In the event of such loss or damage, the Group may be required to make significant expenditures to repair or replace a data centre and/or its other infrastructure. Any interruption to the Group's operations due to the loss of, or damage to, a data centre and/or its other infrastructure could harm the Group's reputation and cause its customers to reduce their use of the Group's services, which could harm the Group's revenues and business prospects.

The entire Group is committed to constantly improving its risk monitoring and management mechanism in order to implement risk identification and assessment at all levels; strengthen risk assessment and monitoring of major projects and key businesses; and manage counterparty credit risks. The Group stays fully informed of the operations, financial condition and major business progresses of its subsidiaries through off-site monitoring, on-site inspections and other means to assess the risks that may arise. Through risk reports on weaknesses and potential risks, the Group supervises and implements risk management and control measures to improve its comprehensive risk management practices and initiatives across the Group.

FIVE YEAR SUMMARY

			At 31 December		
	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	**2015 HK$'000**
Assets and liabilities					
Property, plant and equipment	668,521	742,376	1,884,339	2,105,909	**2,404,952**
Intangible assets	89,888	105,825	2,342,878	2,167,628	**2,005,221**
Goodwill	363,549	402,456	9,283,688	9,281,625	**9,276,511**
Interest in an associate	1,472,414	1,449,938	–	–	**–**
Interest in a joint venture	43,176	45,950	6,264	6,265	**5,541**
Non-current other receivables and deposits	109,347	174,352	164,974	215,612	**163,862**
Deferred tax assets	19,902	37,451	33,011	33,141	**33,227**
Net current assets	569,159	615,725	552,947	1,109,669	**983,496**
Non-current interest-bearing borrowings and other payables	(95,192)	(87,808)	(7,696,989)	(7,940,626)	**(7,438,148)**
Net defined benefit retirement obligation	–	–	(72,302)	(103,729)	**(117,307)**
Deferred tax liabilities	(61,638)	(65,241)	(310,859)	(281,218)	**(260,297)**
NET ASSETS	3,179,126	3,421,024	6,187,951	6,594,276	**7,057,058**
Capital and reserves					
Share capital and other statutory capital reserves (note)	1,826,317	1,827,687	3,697,638	3,780,941	**3,848,565**
Other reserves (note)	1,352,809	1,605,016	2,465,633	2,787,417	**3,180,822**
Total equity attributable to equity shareholders of the Company	3,179,126	3,432,703	6,163,271	6,568,358	**7,029,387**
Non-controlling interests	–	(11,679)	24,680	25,918	**27,671**
TOTAL EQUITY	3,179,126	3,421,024	6,187,951	6,594,276	**7,057,058**

			For the year ended 31 December		
	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	**2015 HK$'000**
Results					
Turnover	3,196,753	3,609,810	6,018,543	8,183,607	**8,349,811**
Profit before taxation	523,683	505,221	1,201,125	914,294	**1,010,443**
Income tax	(65,437)	(40,232)	(130,826)	(179,339)	**(195,611)**
Profit for the year	458,246	464,989	1,070,299	734,955	**814,832**
Attributable to:					
Equity shareholders of the Company	458,246	461,283	1,067,506	723,734	**802,213**
Non-controlling interests	–	3,706	2,793	11,221	**12,619**
Profit for the year	458,246	464,989	1,070,299	734,955	**814,832**
Basic earnings per share (HK cents)	19.2	19.3	36.5	21.7	**23.8**
Diluted earnings per share (HK cents)	19.2	19.3	36.2	21.5	**23.6**
Dividends per share					
Interim dividend (HK cents)	2.4	2.4	2.4	2.7	**2.8**
Final dividend (HK cents)	7.2	7.2	7.6	8.6	**9.7**
	9.6	9.6	10.0	11.3	**12.5**

Note: As the term "share capital" includes share premium and capital redemption reserve from the commencement date of the new Hong Kong Companies Ordinance of 3 March 2014, but not before that date, presentation of "capital and reserves" has been revised in order to be consistent with the new terminology.

SUSTAINABILITY REPORT

The Group has a strong sense of commitment in fulfilling corporate social responsibility ("CSR") and ensuring that it is part of our core corporate value in our daily operation. It is our belief that a responsible business creates a win-win situation for the Group, its shareholders, customers, employees, business partners, and the community. Therefore, CSR on both workplace practices, community involvement, training and development, and environmental protection, has always been an integral part of the Group's corporate business strategy and philosophy that drives the Group's continued growth. Our CSR is based on "People and Community", which are represented by the followings:

(I) FAIRNESS AND INTEGRITY
(II) CONCERTEDLY BUILDING THE "CITIC TELECOM TEAM"
(III) CARING FOR THE COMMUNITY
(IV) SUPPORT FOR THE COMMUNITY
(V) TRAINING AND DEVELOPMENT
(VI) CARING FOR THE ENVIRONMENT

FAIRNESS AND INTEGRITY

Equal Opportunity

The Group is an equal opportunity employer and adheres to non-discriminatory employment practices and procedures in recognising and respecting individuals' rights. The Group promotes equal opportunities to applicants and existing employees, determining staff promotion and development in accordance with individual performance and job requirements. Discrimination is prohibited. Our people hiring is based on the fundamental principle of "employment is based on talents". Our recruitment process and opportunities for career development are not limited by gender, age, nationality, region, sexual orientation or disability.

Business Ethics

The Group upholds a high standard of business ethics and personal conduct of its employees. Every employee of the Group is required to strictly comply with the Code of Conduct and Conflict of Interest Policy.

The Code of Conduct, Conflict of Interest and Equal Opportunities Policy are structured as a series of policy guidelines on different ethical issues, including bribery, accepting gift, conflicts of interest and equal opportunities. These policy guidelines articulate our commitment to acting in accordance with these values, setting out the standards of behaviour and ethics we expect at all time from each and every staff member.

The Group takes a series of mechanism including report on compliance of Code of Conduct and Whistle-blowing policy. This helps to monitor and ensure that the local law of commercial bribery, extortion and fraud have been strictly followed.

Product and Service Responsibility

Service Excellence is the core value of the Group. We have put high priorities in collecting and analysis of customers' feedback on our products and services. The proper review and enhancement on our service procedures and quality of products/services are made to continuously uplift the overall satisfaction of our customers.

Our subsidiary was awarded the Customer Relationship Excellent (CRE) Awards by Asia Pacific Customer Service Consortium for the 7th consecutive year, in recognition of the effort in providing professional customer services. Our subsidiary in Macau was awarded the title of "The Best Public Mobile Telecom Brand" at "Macau Elite Service Award" organised by Exmoo News and co-organised by TDM Teledifusão de Macau. The subsidiary was honored the certificate of "iPhone Masters" by Apple for the third time, as the sole telecoms operator in the region to be awarded.

Through staff education to continuously increase the awareness and knowledge on personal data protection, communication security and privacy protection, our staff working in a telecommunications entity are professional in handling customer and sensitive information.

Supply Chain Management

The Group was committed to comply with the policies and procedures of our supply chain management during all purchasing activities. The policies and procedures provide clear guidelines on selection of supplier, evaluation of supplier and other purchasing operational process for our staff to implement. In return, the Group could serve our customers towards their satisfaction through the products and services with best service quality.

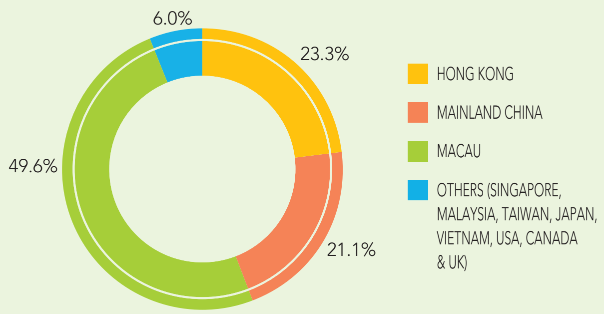
The Group always takes into account of the environmental protection, energy saving and corporate social responsibility during our supply chain management. Great care should be taken to fulfill our environmental responsibility and to achieve better results for energy efficiency and conservation.

CONCERTEDLY BUILDING THE "CITIC TELECOM TEAM"

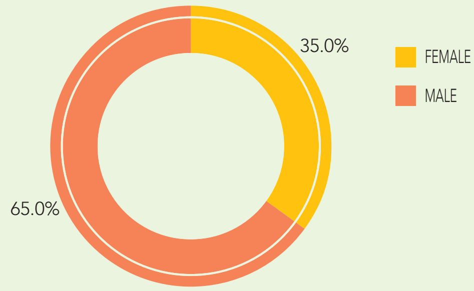
People

As at the end of December 2015, the Group employed a total of 2,184 employees (2014: 2,110) for its headquarter in Hong Kong and its subsidiaries. Number of employees in Hong Kong was 508. Employees in Mainland China and Macau totaled 1,544. Employees in overseas regions totaled 132. The number of employees was increased in line with business need of this year. The diverse workforce offers us the opportunity to learn from one another and to connect with wide range of customers.

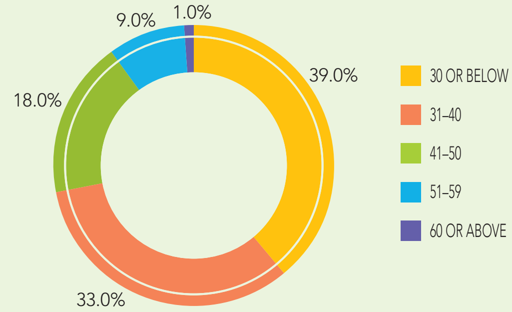
EMPLOYEE NUMBERS BY REGION



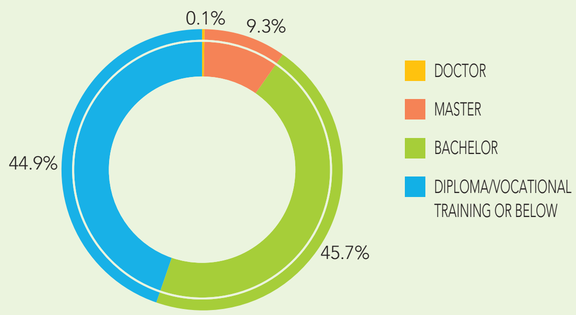
EMPLOYEE NUMBERS BY GENDER



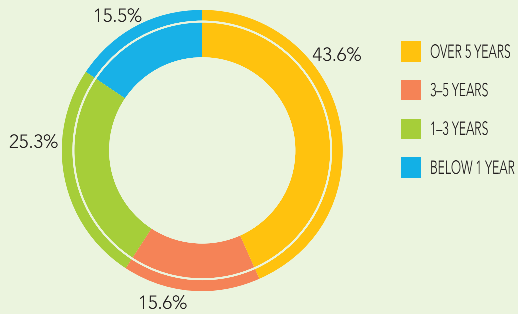
EMPLOYEE NUMBERS BY AGE



EMPLOYEE NUMBERS BY EDUCATIONAL BACKGROUND



EMPLOYEE NUMBERS BY YEARS OF SERVICE



Healthy, Safe Working Environment and Comprehensive Benefits

The Group strives to ensure that our staff enjoy a healthy, safe and positive environment in which to work and interact with others. The comprehensive medical benefits, dental benefits, various leave entitlement, shuttle bus services, staff lunch, gifts celebrating the birth of employees' children and discount purchase will be provided to staff members of Hong Kong headquarter. For the members overseas, in Mainland China and Macau, we will provide the benefits according to the local rules and market requirements. Number of reportable injuries in 2015 was 41 cases.

Work-Life Balance

The Group concerns about the mental health of our staff and we put the objective of the balance of work and daily life into practice so that positive sentiments and motivation could be formed to strengthen their capability to handle difficulties and emotional problems.

The Group supports and organises various kinds of outdoor sports activities and ball games competitions. In 2015, the Group organised "CITIC Telecom International Basketball Championship", "CITIC Telecom International Ping Pong Competition" and Football Friendship Competition. Through the activities, our staff were provided with opportunities to participate and establish team spirit, and to promote the importance of physical exercise.

Our subsidiary continued to demonstrate its full support to "World Challenge Day" for the 9th consecutive year, where the company has encouraged staff to actively participate in sporting event.

The Group has also built the indoor sports centre and multi-functional recreation centre in our headquarter building to allow our staff to enjoy all kinds of leisure and sports activities regardless of the weather conditions. The Group organised a series of Health Talk to promote health awareness for the staff. Our subsidiary also held different interest classes and health programs for staff to join and relax.

The Group organised various outing activities for our employees and their families throughout the year to enhance work-life balance as well as employee relations. We organised a one-day trip to unique parts of Hong Kong for our employees and their families to appreciate the importance of physical exercise and the environmental preservation.

Our subsidiary was awarded the "Happy Company" by the Hong Kong Productivity Council in its "Happiness-at-Work Promotional Scheme" 3 years in a row. The effort to strive for developing a happy and caring working environment, and cultivating a common value of Happiness-at-Work was recognised.

Remuneration Policy

The Group's compensation strategy is to cultivate a pay-for-performance culture to incentivise and reward employee performance that will lead to long-term enhancement of the overall calibre of the Group. The Group reviews the cash compensation and benefit packages provided to its employees to ensure that the total compensation is internally equitable, externally competitive and supports the Group's business strategy.

Retirement Benefits

For Hong Kong employees, the Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme").

The Group's employees in other locations are required to participate in retirement schemes administered and operated by the respective local authorities and contributions are made according to the local requirements.

The Group was awarded "the 2014/15 Good MPF Employer Award" by the Mandatory Provident Fund Authority.

Two-way Communication

The Group recognises that the best way to encourage the work commitment and enthusiasm is to engage wholeheartedly with our staff, communicating openly with them and providing them with respect and opportunities to express their concerns, ideas or suggestions. We have set up a Group intranet platform, suggestion boxes in each office floor and we also run regular staff opinion meeting where staff members can express their concerns to top management and offer their opinions on how to enhance the working environment and efficiency directly. We believe the value in two-way communication: engaging staff is not only about talking, it is also about effective listening which can enable the staff to feel involved in the running of the business and be motivated to perform their very best.

CARING FOR THE COMMUNITY

As a responsible corporate citizen, the Group clearly understands the needs of integrating into the society, creating harmony and making full commitments to social services. The Group has set up the community services team since 2009 and has been active in fulfilling its social responsibility and encouraging its staff to support voluntary services and community activities through various means. In 2015, the Group made charitable donations approximately HK$1.2 million.

Disaster Relief and Donations

Disaster relief is one of the areas of focus in our commitment towards social responsibility. Our subsidiary donated to Oxfam, comprising the funds raised from SMS donation platform and company contribution, to support the Nepal victims who suffered from the severe earthquake that happened in Nepal in April 2015 for the rebuilding work.

The Group has always been committed to participating and supporting local charitable activities. The Group provided assistance for vulnerable populations by organising the program of "Canned Food, Noodles and Stationery Donation" to the "Food Bank"of Kwun Tong Methodist Social Service. Our subsidiary also made a donation in supporting the welfare shop managed by the Macau Holy House of Mercy to provide short-term food assistance for the vulnerable populations in Macau.

Our subsidiary has actively participated in different fund-raising activities like "Walk for a Million", by setting up donation channels through internet and mobile, as well as the "CTM Bonus Point Donation Scheme", aiming at expanding the fund-raising network, hence fostering more fund for the needy.

Staff Volunteerism

As a corporate member of Hong Kong Community Volunteer, the Group supports and encourages staff members to offer their time and care to the people in need in our community. The volunteer service of the Group in this year was over 960 hours. Our volunteer service team visited "Ronald McDonald House" located in Shatin for five consecutive years. We supported "Ronald McDonald House" by providing cleaning of the hostel, meal services and funny games to the kids of sickness. "Ronald McDonald House" was the first organisation in Asia providing temporary housing for kids receiving treatment and their families during their stay in hospitals. We participated "Ronald McDonald House Charities" Raffle Ticket Sale in this year to support the fund-raising program for operating cost of the hostel of "Ronald McDonald House".

The volunteer service team of the Group provided helping hands on re-packaging of rice and stationary for the "Food Bank" of Kwun Tong Methodist Social Service. This will facilitate the delivery of the food and stationary to the families of low income and the needed children under the "Food Bank". We delivered the physical assistance and extended our warmth to the needy through the event. The Group also continuously demonstrated the full support towards ORBIS' sight-saving mission that we formed a team to participate in the "Moonwalkers" held by ORBIS. It raised funds for helping the blind to have the sight again.

Our subsidiary formed a volunteer group to take part in selling the rice packs to support Oxfam's charity work, apart from making use of the e-promotional channels to help further promoting the event. Moreover, our subsidiary jointly organised volunteer activity with Macau Special Olympics (MSO) and Macau Choi Nong Hap Kuan Se in celebration of the Mid-Autumn festival to share the festive joy and warmth with the elderly. We envisaged through the joint activity to let MSO athletes also contributing to the community with their abilities so as to deliver positive energy. Through active participation into different charity activities and visits, we have provided assistance to the needed in the community, through which to extend care and warmth to the underprivileged groups.

Sponsorships

The Group made donations for "Ronald McDonald House Charities" Raffle Ticket Sale for five consecutive years and ORBIS the "Moonwalkers" for the second year.

Our subsidiary in Singapore sponsored and took part in "Frost the Trail 2015", a corporate charity run for donation to "Bright Hill Evergreen Home", a local non-profit nursing home for the destitute elderly. The event was meant to generate deeper awareness of the community issues. The subsidiary also continued to sponsor "CITIC Telecom Scholarship" at Singapore Polytechnic in this year.

Our subsidiary in Macau continued to sponsor "CTM Macau Touring Car Cup" of Grand Prix for thirteen consecutive years. The subsidiary also organised "Close encounter of Grand Prix" community program to express caring and positive energy. The subsidiary established scholarship scheme with local universities and higher educational institutes including the University of Macau, Macau University of Science and Technology and Macau Polytechnic Institute, to recognise students with outstanding performance. To ease the "travel difficult" issue of the underprivileged, elder and disabled persons, the subsidiary made a vehicle donation to Uniao Geral das Associacoes dos Moradores de Macau to support its "Caring Vehicle Service". Our subsidiary continued to support "Macau TrailHiker 2015" by forming 27 teams to take part in this charity event. The subsidiary fully supported the charity climbing fund-raising activity organised by The Women's General Association of Macau, which aimed at rebuilding the school for Tengchong, Yunnan.

Nurturing Youth

The Group has been devoting great efforts to help youngsters for their future development and to nurture local talents. The Group participated and supported the "Pathways to the Future" which was organised by the Hong Kong Council of Social Service. The seminar aimed at helping youngsters better understanding on their abilities and interest for future planning.

This year our subsidiary continuously participated in the "Business-School Partnership Program" organised by the Hong Kong General Chamber of Commerce. The programme not only promoted the use of English outside of schools for the students, but also enhanced students' understanding on the business environment, industry development and career prospect of the Information & Communications Technology (ICT) industry. Under job exploration and job shadowing activities of the programme, there were the opportunities for the students to learn more about the ICT industry. The subsidiary also co-organised with Hong Kong Federation of Youth Group (HKFYG) to provide an opportunity for secondary school students to grasp and understand the working environment and different types of job through the events of job exploration, workplace visit and job shadowing programmes. The subsidiary devoted to nurturing graduates and helping them develop all-rounded knowledge and soft skills through the 2-year Management Trainee Programme with job rotation and intensive trainings.

Our subsidiary organised "Youth Development Program" for two consecutive years, aiming at helping the youngsters to broaden their horizon, unleash the potential and talent, as well as to enhance their confidence, so as to help them to identify positive personal goals and strengthen existing capacities and abilities. In this year, students respectively from Kwong Tai Middle School Macau, Macao Polytechnic Institute and the University of Macau visited our subsidiary in Macau. Our company structure, products and services, new IT Data Centre, IT system & facilities, and the latest mobile application were introduced, through which to further enhance the students' understanding of the telecoms industry.

SUPPORT FOR THE COMMUNITY

The Group has been continuing to work with different organisations for various charitable and meaningful activities with aims to care for the needy and help creating greater harmony in society. Apart from encouraging our staff to actively participate in volunteer work and charitable activities at leisure, the Group continues to utilise our strength on information technology to support the community.

50222 Hiker SMS Tracking Service

The Group continues to support community work in the technology sector. The Group together with mobile operators in Hong Kong have provided full support to the 50222 Hiker SMS Tracking Service. This is a user-friendly and potentially life-saving SMS-based tool available to all users of Hong Kong's country parks as a free service to report their tracks, thereby facilitating the Hong Kong Government's emergency services to more accurately pinpoint their locations in the event of a rescue attempt.

Support to Communications Industry Development

The Group has provided support to the industry organisation – the Communications Association of Hong Kong, which encourages the communications industry in maintaining high standard of business and professional ethics and protects the interests of the society and the public.

The representative of our subsidiary participated in the "2nd World Internet Conference", held by the State Council Information Office, as the only Macau telecoms guest speaker of the event. There were opportunities to explore upcoming development trend of the Internet industry in the world during the event.

Further Promote the Popularity of Information Technology and the Effective Use of Telecoms Services

The Group has been making significant investments to introduce a variety of services and applications with the objective of facilitating the customers as well as community to enjoy the convenience brought by technology. The subsidiary organised both the "Digital City Health Care Briefing" and the "Unveil Digital Lifestyle – Smartphone Briefing" to the elderlies, to deepen their understanding about the use of smartphone to reinforce the communication with the community, so as to enrich their life style through effective use of telecoms services. Moreover, the subsidiary launched the "Students Fiber Broadband charitable program", to provide the students for a period of 24 months for free as referred by four local major welfare organisations, hoping to equip the students with information technology. With our technology strength, the subsidiary launched the "M-School" to provide an effective and convenient channel to facilitate instant communication and information exchange between schools and parents.

Award and Recognition

The Group has been awarded as 5 Years Plus "Caring Company" for our dedication to promote corporate social responsibility through caring for the community, employees and the environment. The Group was awarded "Award for Volunteer Service Commitment 2015" by Agency for Volunteer Service in recognition of our continuous commitment to community services.

The Group was also granted the "Corporate Citizenship Logo" under the "Hong Kong Corporate Citizenship Award Scheme" organised by the Hong Kong Productivity Council in 2015, to recognise our contribution in social responsibilities.

The Group was honored the award of "The Most Touching CSR Project" of the "Hong Kong Corporate Citizenship Award Scheme" for our "CITIC Caring Program – 2015 Children Care & Love".

Further Promote the Development of "Digital Campus"

To explore development for promotion and popularisation of e-education, our subsidiary has actively cooperated with the education sector of Macau, by integrating new information technology into teaching, so as to enhance the quality of teaching and student learning. Meanwhile, the subsidiary has been committed to the development and application of "Educational Cloud", and maintained close exchange and cooperation with the education sector, through cohesion resources on both sides, continued to promote the development of "Digital Campus". The subsidiary has also in-depth exchanged and discussed the e-education development with the representatives of the Chinese Educators Association of Macau through their visit in the office of our subsidiary.

TRAINING AND DEVELOPMENT

Our staff is our greatest asset. The Group continues its effort in staff training and development to support the needs of its business and staff. In respect of training and development, the Group has been adopting "optimisation of professional performance, motivation of staff's potentials, and revitalisation of learning culture" as our approaches. As a result, "training" is based on the increment of knowledge, skills enhancement and improvement in management's capabilities, while "development" is oriented on the sustainable development of the company and our staff.

In 2015, the Group provided various training opportunities, both internally and externally, in order to enhance the competitiveness of the Group. Such training areas and scopes cover advanced management skills, team building, engineering techniques, sales skills and client management, information technology, finance management and language, etc.

Our subsidiary organised different training schemes in this year including leadership, strategic and conceptual

selling, and change management workshop, etc. It helped skills enhancement and ongoing talent development.

To encourage our staff to develop themselves further, the Group launched various policies for culture learning, talents development scheme and advanced training scheme on management skills, etc. The Group also encourages and facilitates knowledge sharing and skill transfer between staff in Hong Kong and other regions to strengthen business integration. The management is determined to nurture elites and enhance their comprehensive working and management capabilities by actively providing potential staff with training opportunities which are important to the Group's success as well as succession planning.

The Group supports ongoing training and development for our senior executives. It is believed that ongoing skills enhancement, attending seminar and international conference will be beneficial to them for industry information exchange, technology update and personal conduct compliance. In return, it helps the Group on enhancing overall work efficiency and effectiveness. The Group will continuously keep on providing training in a systematic and proper manner in addition to the learning through normal work practices and on the job training.

The Group also supports and encourages self-initiated personal development of our employees by providing training subsidies for external training courses to enhance their skills and abilities.

In 2015, the Group provided a variety of training courses to employees, total accumulated over 39,500 hours of training.

The Group launched "2015 Hero – New Idea and Innovation Competition" to promote and encourage our staff on exploring new business ideas and opportunities. It not only cultivates the creative company culture, but also provides the platform for future growth of our staff.

Our subsidiary was continually awarded the "Manpower Developer" in the ERB Manpower Developer Award Scheme launched by Employees Retraining Board in recognition of its outstanding accomplishments in manpower training and development.

Internship Schemes

The Group contributes to the society by providing various working and internship opportunities. Our subsidiary launched university graduates training scheme with talent pool for corporate future growth, including schemes of technical and sales trainees.

Continuous Professional Development for Directors

All board directors also participated in continuous professional training to develop and refresh their knowledge and skills. The training topics included enforcement relating to inside information and insider dealing, risk management and internal controls, environmental, social and governance reporting. This is to ensure that they obtain the updated market information and regulations for decision.

Prospects

Along with the growth and needs of the Group, training no longer focuses on the level of techniques training and on-the-job training solely, but also on the level of personal development of the management, which helps the Group to nurture successors with potential and promote diversified learning culture. Also, staff is encouraged to develop continuously and is well communicated among each other in order to establish well managed team. Looking forward, the Group will lay a solid foundation for optimisation of its management and nurture talents to match corporate development.

CARING FOR THE ENVIRONMENT

Climate change is one of the most important challenges facing mankind. The Group is committed to conduct business in an environmentally responsible manner.

The Group has set up and regularly reviewed our environmental related policies. Here is our Green Policy:

- Set, monitor and review regularly on our environmental targets; take every reasonable and practicable measure to continually improve our environmental performance
- Ensure best use of resources and reduce waste by implementing 4Rs Environmental Management Model incorporating Reduce, Recycle, Reuse and Replace disposable materials
- Comply with all relevant environmental legislation and ensure all staff behave accordingly
- Communicate our environmental policy and performance to all stakeholders
- Raise environmental awareness of our staff through promotion and training programmes; encourage staff's participation on environmental protection

The Group was honored "the Sectoral Award" under the Media and Communications Section of the Hong Kong Awards for Environmental Excellence (HKAEE) which was co-organised by the Environmental Campaign Committee, Environmental Protection Department and other organisations including the Hong Kong Productivity Council. The award is for recognition of our results on both "Green Leadership", "Programme & Performance" and "Partner Synergy". Moreover, the Group was awarded the logo and certificate of "Carbon Reduction" under the HKAEE for our ongoing effort and contribution in reducing carbon.

The Group participated in the Carbon Audit Pilot Fund under the "CarbonSmart Programme" which was co-organised by the Hong Kong Productivity Council, Federation of Hong Kong Industries, Hong Kong General Chamber of Commerce and Business Environment Council in 2015. The Group was honored the "CarbonSmart Achiever Award" and the logo of "CarbonSmart" in recognition of our results on reduction of greenhouse gas (GHG) emissions, environmental protection & energy saving, and continued support for carbon audit.

The Group was awarded "the Better World Company" organised by the Junior Chamber International Hong Kong and "the Green Office Award" presented by the World Green Organisation. The awards were recognition for our commitment on launching green office environment and maintaining a sustainable work place for the community.

香港環境卓越大獎
Hong Kong Awards for Environmental Excellence

卓越減碳
Carbon Reduction
香港環保卓越計劃
Hong Kong Awards for Environmental Excellence

商界減碳建未來
CarbonSmart
Application No. 14-14-249

WORLD GREEN ORGANISATION
Green Office
Awards Labelling Scheme

JCI Hong Kong
Better World Company

The Group continued to be the "Carbon Audit • Green Partner" of Environmental Protection Department in this year. The Group also continuously participated in the "Energy Saving Charter on Indoor Temperature" scheme and was embarking upon a series of measures to reduce GHG emissions. These include improving energy efficiency and energy conservation, encouraging greening and raising public awareness.

During the year, the Group conducted carbon audit again by using an effective and scientific method and under the international recognised standard, to measure GHG emissions of our office areas in Hong Kong Headquarter. It helps identifying and managing risks and opportunities with respect of GHG, as well as to facilitate our tracking of the performance and progress in the reduction of GHG emissions. After the process of the quantification, monitoring, reporting and verification of our GHG emission and removal, the Group continued to gain the certificate of ISO 14064 for our office floors of 20, 23, 25 and 26 of CITIC Telecom Tower.

The results of carbon audit with last year's comparison of our office floors of 20, 23, 25 and 26 of CITIC Telecom Tower of Hong Kong headquarter are as follows:

GHG Emission/Removal Sources	April 2014 – March 2015	April 2013 – March 2014	Difference
GHG Emissions (in tonnes of CO_2-equivalent)			
Scope 1: Direct GHG Emissions			
Stationary Combustion Sources	–	–	–
Mobile Combustion Sources	38.71	39.92	–3.03%
Fugitive Emissions	–	–	–
Scope 2: Energy Indirect GHG Emissions			
Electricity Purchased	316.82	355.03	–10.76%
Towngas Purchased	–	–	–
Scope 3: Other Indirect GHG Emissions			
Methane Generation at Landfill due to Disposal of Paper Waste	8.57	16.53	–48.15%
Electricity for Processing Fresh Water	0.35	0.35	0.00%
Electricity for Processing Sewage	0.15	0.14	7.14%
GHG Offsets/removals (in tonnes of CO_2-equivalent)	–	–	–
Total GHG Emissions (in tonnes of CO_2-equivalent)	**364.60**	**411.97**	**–11.50%**

To achieve our goals on energy saving and carbon reduction, we have taken the following ongoing actions:

Reduce Electricity Consumption and Improve Energy Efficiency

- Replace existing installations by electronics of higher energy efficiency
- Use energy saving T5 fluorescent tubes, LED light bulbs and energy saving light bulbs to reduce energy consumption and heat load
- Separate lighting zones to allow lights to be switched off when not in use
- Switch off air-conditioning, lighting and equipment in office zones not in operation
- Perform regular maintenance and cleaning of air conditioning system and all electrical appliances to optimise energy usage
- Set thermostat of office areas at 25°C
- Encourage and educate staff to save energy through channels such as notice board, reminders and company intranet
- Record electricity usage regularly in order to monitor and control the energy usage

Reduce Paper Consumption

- Utilise intranet, e-mail and e-fax systems for internal and external communications to avoid unnecessary photocopies/printouts
- Minimise photocopying/printing and reinforce double-sided copying/printing
- Encourage staff to reuse one-sided paper for internal printing
- Place collection boxes near copiers to collect single-sided printed documents for internal-reuse
- Use electronic filing whenever possible
- Send e-cards instead of paper type celebration cards
- Encourage staff to reduce of paper use by email
- Record paper usage regularly in order to monitor and control the paper usage

Reduce Water Consumption

- Install water efficient taps in toilet
- Encourage staff to save water in toilet by email
- Record water usage monthly in order to monitor and control the water usage

Reuse and Recycle

- Donate office computers to charitable organisations for reuse
- Reuse stationery such as paper, paper folders, envelopes, paper clips, paper boxes, plastic bags, etc.
- Place boxes beside copiers to collect double-sided non-confidential paper documents, envelopes or magazines and to be collected by recycling dealers regularly. In 2015, we have recycled 1,729 kg wasted papers in the office floors of our headquarter, CITIC Telecom Tower, by reducing greenhouse gas emissions of 8.3 tonnes of CO_2-equivalent
- Recycle computer hardware, toner cartridges and other e-waste

Establish and Maintain Green Environment

- Plant over 100 small to medium size green plants in our indoor green garden and inside office areas

The Singapore office of the Group has continued its effort to protect the environment. The office was succeeded in obtaining re-certification as an Eco-office again upon passing the external audit. The Eco-Office certification is awarded by the Singapore Environment Council to offices which have displayed environmental consciousness in their daily operations.

Our Singapore subsidiary sponsored "the Singapore Environmental Achievement Award" in this year. The award aims to recognise organisations which have imbued a strong sense of environmental stewardship in their organisational operations and aims to influence more corporations down this route. To further the environmental protection effort as well as to help students with financial needs, the subsidiary continued to sponsor "CITIC Telecom Scholarship" at Singapore Polytechnic to help students pursuing the related courses concerning the preservation of the environment.

SUSTAINABILITY REPORT HIGHLIGHTS 2015

JANUARY

- Obtained the logo and certificate of "Carbon Reduction" under the Hong Kong Awards for Environmental Excellence (HKAEE) co-organised by the Hong Kong Productivity Council and Environmental Campaign Committee
- Our subsidiary CTM Volunteer Team shared the seasonal joy with Macau Special Olympic through New Year volunteer services

FEBRUARY

- Participated in the Carbon Audit Pilot Fund under the CarbonSmart Programme held by the Hong Kong Productivity Council
- Our Singapore subsidiary sponsored "CITIC Telecom Scholarship" at Singapore Polytechnic

MARCH

- The Group was honored the 5 Years Plus "Caring Company" in recognition of our dedication to promote corporate social responsibility
- Awarded the "Volunteer Service Award" presented by "Ronald McDonald House Charities"
- Students from Kwong Tai Middle School Macau visited CTM office
- Our Singapore subsidiary was succeeded in obtaining the Eco-Office certification by the Singapore Environment Council

APRIL

- Our volunteer service team visited "Ronald McDonald House" to extend warmth for kids receiving treatment and their families
- Our subsidiary CPC participated in the "Business-School Partnership Program" organised by the Hong Kong General Chamber of Commerce. The programme not only promoted the use of English for the students, but also provided the learning opportunities outside of schools
- CTM hosted the briefing of company introduction and sharing of useful information during the visit of students from Macao Polytechnic Institute

MAY

- Obtained "the Sectoral Award" under the Media and Communications Section of the HKAEE
- CPC co-organised with Hong Kong Federation of Youth Group to provide an opportunity for students to grasp and understand the working environment and different types of job through the events of job exploration, workplace visit and job shadowing programmes
- CTM participated in "World Challenge Day" for the 9th consecutive year
- CTM launche d the "Students Fiber Broadband charitable program"
- CTM raised fund for Oxfam to support Nepal earthquake victims for the rebuilding work
- CTM supported "Oxfam Rice Event"

JUNE

- Organised the volunteer service team to visit and provide helping hands for the "Food Bank" of Kwun Tong Methodist Social Service
- Provided assistance for vulnerable populations by organising the programme of "Canned Food, Noodles and Stationery Donation" to the "Food Bank" of Kwun Tong Methodist Social Service
- Participated in the "Energy Saving Charter on Indoor Temperature" scheme for continued support of environmental protection
- CPC was awarded the "Manpower Developer" in the ERB Manpower Developer Award Scheme launched by Employees Retraining Board
- CPC was honored the "Happy Company" by the Hong Kong Productivity Council
- CPC held "Data Privacy Talk" for the employees
- CTM continually organised the "Youth Development Program"
- CTM made a donation in supporting the welfare shop managed by the Macau Holy House of Mercy to provide short-term food assistance for the vulnerable populations
- CTM organised the caring activity of "Digital City Health Care Briefing" with the Women's General Association of Macau

JULY

- Sponsored and participated the fund-raising event of "Ronald McDonald House Charities" Raffle Ticket Sale
- Hosted the "CITIC Telecom International Basketball Championship"
- Conducted a "Chinese Medicine Talk" for our employees
- The Group was awarded "the Better World Company" organised by the Junior Chamber International Hong Kong and "the Green Office Award" by the World Green Organisation
- CPC organised ICAC Talk for enhancing employees' awareness of ethical governance and corruption prevention

AUGUST

- Organised "CITIC Telecom International Ping Pong Competition"
- "Health Talk: Diet Therapy" was held for CPC employees
- Our Singapore subsidiary participated and sponsored in "Frost the Trail 2015" a charity run for donation to "Bright Hill Evergreen Home"
- Our Singapore subsidiary sponsored for "the Singapore Environmental Achievement Award" to support green activities for environmental protection

SEPTEMBER

- Participated and supported the "Pathways to the Future" which was organised by the Hong Kong Council of Social Service
- Conducted the Football Friendship Competition by the Group and CTM teams
- Organised another "Health Talk" for enhancing employees' health awareness
- CTM jointly organised volunteer activity to the elderly with Macau Special Olympics and Macau Choi Nong Hap Kuan Se in celebration of Mid-Autumn Festival

OCTOBER

- Obtained "the 2014/15 Good MPF Employer Award" presented by the Mandatory Provident Fund Authority
- Granted the "CarbonSmart Achiever Award" and the logo of "CarbonSmart" by the Hong Kong Productivity Council
- Continued to gain the certificate of ISO 14064 under the international recognised standard for our office floors of 20, 23, 25 and 26 of CITIC Telecom Tower of Hong Kong headquarter
- CPC held "Talk on Traditional Chinese Medicine Acupressure Massage" for their employees
- CTM made a vehicle donation to Uniao Geral das Associacoes dos Moradores de Macau to support its "Caring Vehicle Service"
- CTM actively supported and took part in "Macau TrailHiker 2015"

NOVEMBER

- Launched "2015 Hero – New Idea and Innovation Competition" to promote and encourage our staff on exploring new business ideas and opportunities
- Sponsored and formed team to participate in ORBIS the "Moonwalkers"
- Organised outing activity for our employees and their families
- CTM exchanged and discussed the e-education development with the representatives of the Chinese Educators Association of Macau through their visit in CTM office
- CTM supported the charity climbing fund-raising activity of The Women's General Association of Macau
- CTM organised the office visit of students from the University of Macau
- CTM sponsored "CTM Macau Touring Car Cup" of Grand Prix and organised "Close encounter of Grand Prix" community programme

DECEMBER

- The Group was granted the "Corporate Citizenship Logo" under the "Hong Kong Corporate Citizenship Award Scheme" organised by the Hong Kong Productivity Council
- Obtained the award of "The Most Touching CSR Project" of the "Hong Kong Corporate Citizenship Award Scheme"
- CTM conducted "Unveil Digital Lifestyle – Smartphone Briefing" to the elderly to encourage their effective use of new technology products
- CTM participated and supported for "Walk For A Million"

CORPORATE GOVERNANCE

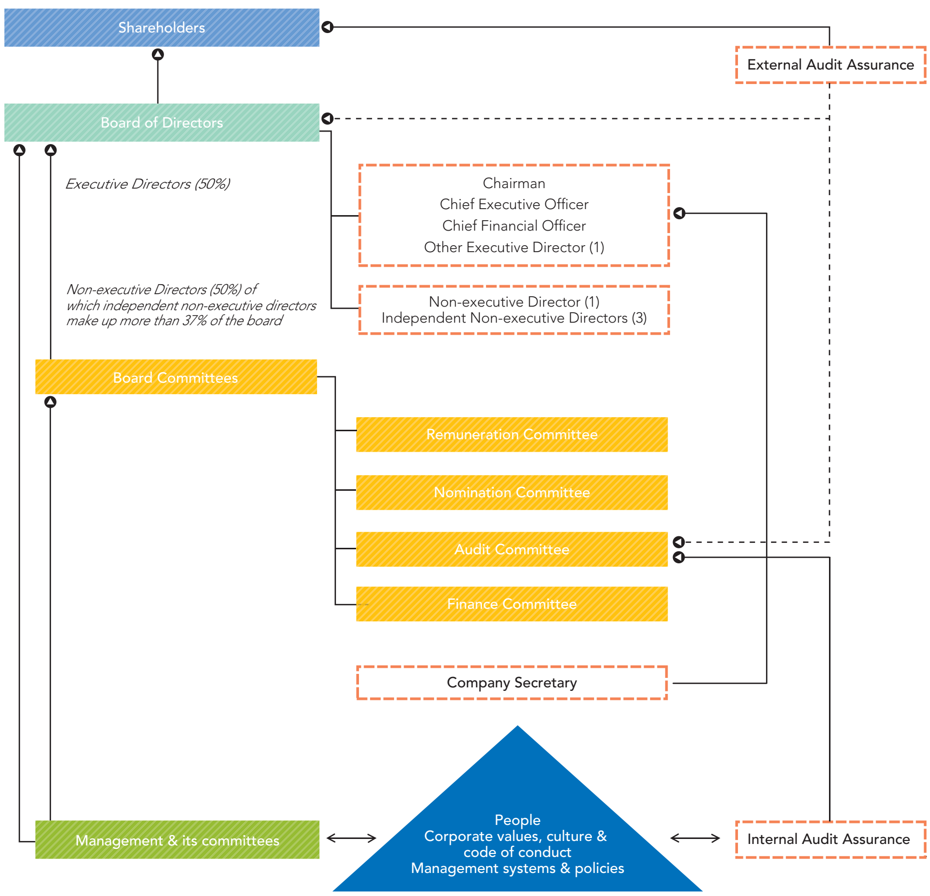
CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. The board of directors of the Company (the "Board") believes that good corporate governance practices are important to promote investor confidence and protect the interest of our shareholders. At CITIC Telecom, we attach importance to our people, our code of conduct, and our corporate policies and standards, which together form the basis of our corporate governance practices. We respect the laws, rules and regulations of each country and area in which we operate, and we strive to ensure for our people a healthy and safe working environment which is our paramount concern. We endeavour to contribute to the sustainable development of the Company, with particular focus on our accountability to shareholders and stakeholders.

This report describes how the Company has applied its corporate governance practices to its everyday activities. Save as disclosed below, the Company has fully complied with the applicable code provisions in the Corporate Governance Code (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year of 2015. In respect of the code provision A.6.7 of the Code, Mr. Luo Ning was unable to attend the annual general meeting of the Company held on 21 April 2015 (the "2015 AGM") and Messrs. Luo Ning, Liu Jifu, Liu Li Qing and Zuo Xunsheng were unable to attend the extraordinary general meeting of the Company held on 23 October 2015 as they had other engagements.

Looking ahead, we will keep our governance practices under continual review to ensure their consistent application and will continue to improve our practices having regard to the latest developments.

CORPORATE GOVERNANCE STRUCTURE



BOARD OF DIRECTORS

Overall Accountability

Members of the Board are individually and collectively accountable to the shareholders for the success and sustainable development of the Company. The Board provides direction and approval in relation to matters concerning the Company's business strategies, policies and plans whilst the day-to-day business operations are delegated to the executive management. The Board is accountable to the shareholders and in discharging its corporate accountability, every director of the Company is required to pursue excellence in the interests of the shareholders and fulfill his fiduciary duties by applying the required level of skill, care and diligence to a standard in accordance with the statutory requirements.

During the year, the Board has performed a self-evaluation of its performance and reviewed the contribution required from a director to perform his responsibilities. The Board is of the view that all directors have given sufficient time and attention to the Group's affairs and the Board operates effectively as a whole.

Board Composition and Changes during 2015

The Board currently comprises four executive and four non-executive directors of whom three are independent as defined in the Listing Rules. Brief biographical particulars of the directors are set out on pages 79 to 81.

Independent non-executive directors constitute more than one-third and non-executive directors constitute half of the Board. The Company has received from each independent non-executive director a confirmation of his independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules (the "Independence Guidelines") and considers that all independent non-executive directors are independent.

Mr. Gordon Kwong Che Keung, an independent non-executive director of the Company since March 2007, has served the Company for more than nine years, and will retire by rotation and, being eligible, has offered himself for re-election at the forthcoming annual general meeting of the Company ("2016 AGM"). The nomination committee considered that his long service will not affect his exercise of independent judgment and was satisfied that he has the required character, integrity and experience to continue fulfilling the role of an independent non-executive director. Taking into consideration the above and Mr. Kwong's confirmation of his independence in accordance with the Independence Guidelines, the Board is of the view that Mr. Kwong remains independent notwithstanding the length of his service and should be re-elected at the 2016 AGM. In accordance with the Code, the re-election of Mr. Kwong will be subject to a separate resolution to be approved at the 2016 AGM.

Each director has entered into an appointment letter with the Company. Under the Articles of Association of the Company, every director, including the non-executive directors, shall be subject to retirement by rotation at least once every three years. Retiring directors are eligible for re-election at the annual general meeting ("AGM") during which they retire. Separate resolutions are proposed for the election of each director. One-third of the directors, or if their number is not a multiple of three, then the number nearest to one-third, must retire from office at each AGM and their re-election is subject to a vote of the shareholders. Also, any director appointed to fill a casual vacancy is subject to re-election at the next following general meeting of the Company.

With effect from 1 January 2015, Mr. Yuen Kee Tong retired from the Board and Dr. Lin Zhenhui was appointed as an executive director and Chief Executive Officer of the Company. Dr. Lin retired and was re-elected at 2015 AGM. Thereafter, he will be subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

Board Responsibilities and Delegation

The Board collectively determines the overall strategies of the Company, monitors performance and the related risks and controls in pursuit of the strategic objectives of the Group. Day-to-day management of the Group is delegated to the executive directors or the officer in charge of each division and function who is required to report back to the Board. Functions reserved to the Board and those delegated to management are reviewed periodically. All Board members have separate and independent access to the senior management, and are provided with full and timely information about the conduct of the business and development of the Group, including reports and recommendations on significant matters. All Board members are provided with monthly management updates of the business operations of the Group. Should separate independent professional advice be considered necessary by the directors, independent professional services would be made available to the directors upon request.

The Board has delegated some of its functions to the Board committees, details of which are set out below. Matters specifically reserved for the Board include approval of financial statements, dividend policy, significant changes in accounting policies, material contracts, changes to appointments such as company secretary and external auditor, terms of reference of Board committees, as well as major corporate policies such as code of conduct and whistle-blowing policy.

To implement the strategies and plans approved by the Board, executive directors and senior management meet on a regular basis to review the performance of the Group and make financial and operational decisions. In addition, a Risk Management Committee, comprising the executive directors and senior management, meets regularly to discuss the risk management of the Group. A Capex Review Board is also set up in which the Chief Executive Officer and the Chief Financial Officer of the Company review the capital investments proposed by the management to ensure that the proposed investments are in the best interests of the Group both commercially and strategically.

The Company has arranged directors and officers liability and company reimbursement insurances for its directors and officers.

Details of the responsibilities, membership, attendance and activities during the year of each Board committee are set out on pages 70 to 74.

Board Meetings and Attendance

The Board meets regularly to review the financial and operating performance of the Group and to discuss future strategy. Four regular Board meetings were held in 2015. At the Board meetings, the Board reviewed significant matters including the Group's annual and interim financial statements, annual budget, proposals for final and interim dividends, annual report and interim report and connected transactions. At least 14 days' notice is given to all directors for all regular Board meetings and all directors are given the opportunity to include matters for discussion in the agenda. The agenda and Board papers for each meeting are sent to all directors at least 3 days in advance of every regular Board meeting. All minutes of the Board meetings are kept by the company secretary and are available to all directors for inspection. During the year, the Chairman of the Company has also held a meeting with the non-executive directors (including the independent non-executive directors) without the presence of executive directors.

The attendance record of each director at the Board meetings and general meetings in 2015 is set out below:

Directors	Attendance/Number of Meetings Board Meeting	General Meeting
Executive Directors		
Mr. Xin Yue Jiang – *Chairman*	4/4	2/2
Dr. Lin Zhenhui – *Chief Executive Officer* (appointed on 1 January 2015)	4/4	2/2
Mr. Luo Ning	4/4	0/2
Dr. David Chan Tin Wai – *Chief Financial Officer*	4/4	2/2
Non-executive Director		
Mr. Liu Jifu	4/4	1/2
Independent Non-executive Directors		
Mr. Liu Li Qing	4/4	1/2
Mr. Gordon Kwong Che Keung	4/4	2/2
Mr. Zuo Xunsheng	4/4	1/2

The Company's external auditor also attended the 2015 AGM.

Chairman and Chief Executive Officer

Mr. Xin Yue Jiang serves as the Chairman of the Company and Dr. Lin Zhenhui as the Chief Executive Officer of the Company. The Chairman and Chief Executive Officer have separate defined responsibilities whereby the Chairman is primarily responsible for leadership and effective functioning of the Board, ensuring all key and appropriate issues are addressed by the Board in a timely manner, as well as providing strategic direction of the Group, and also take primary responsibility for ensuring good corporate governance practices and procedures are established. The Chief Executive Officer is responsible for the day-to-day management of the Group and the effective implementation of corporate strategy and policies. Their respective roles and responsibilities are set out in writing, which have been approved and adopted by the Board.

Directors' Continuing Professional Development Programme

Each newly appointed director is provided with necessary induction and information to ensure that he has a proper understanding of the Group's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations.

Directors' training is an ongoing process. During the year, directors are provided with monthly updates on the Group's performance, position and prospects to enable the Board as a whole and each director to discharge their duties. In addition, all directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices. The training and continuous professional development of directors and senior management during the year has been reviewed by the Board.

During the year, the Company has also organised two briefing sessions conducted by Messrs. Mayer Brown JSM and KPMG respectively for the directors of the Company. The briefing sessions covered topics including enforcement relating to inside information and insider dealing, risk management and internal controls, environmental, social and governance (ESG) reporting and new auditor's report.

According to the record of the directors' participation in the continuous professional development programme kept by the Company, a summary of training received by the directors during the year is as follows:

Directors	Type of continuous professional development programme
Executive Directors	
Mr. Xin Yue Jiang	A, B
Dr. Lin Zhenhui (appointed on 1 January 2015)	A, B
Mr. Luo Ning	A, B
Dr. David Chan Tin Wai	A, B
Non-executive Director	
Mr. Liu Jifu	A, B
Independent Non-executive Directors	
Mr. Liu Li Qing	A, B
Mr. Gordon Kwong Che Keung	A, B
Mr. Zuo Xunsheng	A, B

Notes:

A: attending briefings and/or seminars

B: reading materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements

BOARD COMMITTEES

The Board has appointed a number of committees to discharge the Board functions. Sufficient resources are provided to enable the Board committees to undertake their specific roles. The respective role, responsibilities and activities of each Board committee are set out below:

Remuneration Committee

The principal role of the remuneration committee is to determine and review the remuneration packages of individual executive directors and senior management, including salaries, bonuses, share options and other plans, etc. The remuneration committee reviews and approves the management's remuneration proposals with reference to the Board's corporate goals and objectives and considers salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group, so as to align management incentives with shareholders' interests.

The committee currently comprises three independent non-executive directors and a non-executive director. The Chairman of the committee is Mr. Liu Li Qing, an independent non-executive director. The company secretary of the Company serves as the secretary of the committee. Minutes for the meetings are sent to the committee members within a reasonable time after the meetings. The full terms of reference are available on the Company's website (www.citictel.com) and the Stock Exchange's website.

The composition of the remuneration committee during the year as well as the meeting attendance of the committee members are as follows:

Membership and Attendance

Members	Attendance/ Number of Meeting
Independent Non-executive Directors	
Mr. Liu Li Qing – *Chairman*	1/1
Mr. Gordon Kwong Che Keung	1/1
Mr. Zuo Xunsheng	1/1
Non-executive Director	
Mr. Liu Jifu	1/1

During the year, a resolution in writing was passed and a meeting was held. The remuneration committee has reviewed the remuneration policies and approved, inter alia, the salaries and bonuses of the executive directors and senior management. It has also reviewed and recommended the Board to consider the increase in the fee of the non-executive directors (other than the non-executive director employed by CITIC Pacific Limited, a wholly-owned subsidiary of CITIC Limited which is the controlling shareholder (as defined in the Listing Rules) of the Company); and approved the granting of options under the Company's share option plan. No director took part in any discussion about his own remuneration. The remuneration committee has communicated with the Chairman of the Company about proposals relating to the remuneration packages of other executive directors and senior management.

Details of the Company's remuneration policies are set out in the Sustainability Report on page 49, and directors' emoluments and retirement benefits are disclosed on pages 132 to 133 and 147 to 150. Share options granted under the Company's share option plan are disclosed on pages 94 to 98.

The remuneration paid to the directors of the Company, by name, for the year ended 31 December 2015 is set out in note 8 to the financial statements. The remuneration paid to the senior management, by band, for the year ended 31 December 2015 is set out below:

Remuneration of senior management other than directors for the full year of 2015

Total Remuneration Bands	Number of Executives
HK$3,000,000 or below	1
HK$3,000,001 – HK$6,000,000	2
HK$6,000,001 – HK$9,000,000	1
HK$9,000,001 – HK$12,000,000	0
HK$12,000,001 – HK$15,000,000	1

Audit Committee

The audit committee reviews financial information of the Group, monitors the effectiveness of the external audit and oversees the appointment, remuneration and terms of engagement of the Company's external auditor, as well as their independence. The audit committee is also responsible for reviewing the financial reporting process and the systems of risk management and internal controls, including the internal audit function as well as arrangements for concerns raised by the staff on financial reporting and other matters. The Board also delegated certain corporate governance functions to the audit committee, including, inter alia, the review and monitoring of the Company's policies and practices on compliance with legal and regulatory requirement, the code of conduct of the Company and the Company's policies and practices on corporate governance and its compliance with the Code and disclosures in the Corporate Governance Report, etc.. During the year, the terms of reference setting out the committee's authority and its role and responsibilities were revised mainly in line with the new requirements of the Code relating to risk management and internal controls. The revised terms of reference are available on the Company's website (www.citictel.com) and the Stock Exchange's website.

The audit committee currently consists of three independent non-executive directors having the relevant professional qualifications and expertise. The Chairman of the committee is Mr. Gordon Kwong Che Keung, an independent non-executive director. The company secretary of the Company acts as secretary of the committee. Sufficient resources are made available to the committee when independent legal or professional advice is required.

The audit committee meets at least twice a year. The Chief Financial Officer and the external and internal auditors attend the meetings, take part in the discussions and answer questions from the committee members. By invitation of the audit committee, other directors and senior executives may also attend the meetings. The audit committee Chairman and other committee members also meet once a year in separate private session with the external auditor and internal auditor without the presence of management.

The audit committee held two meetings in 2015 with full attendance by the committee members in person or by video conference. The agenda and accompanying committee papers were sent to the committee members at least 3 days prior to each meeting. The company secretary of the Company prepared full minutes of the audit committee meetings with details of discussions and decisions reached. The draft and final versions of minutes were sent to all committee members within a reasonable time after each meeting.

The composition of the audit committee during the year as well as the meeting attendance of the committee members are as follows:

Membership and Attendance

Members	**Attendance/ Number of Meetings**
Independent Non-executive Directors	
Mr. Gordon Kwong Che Keung – *Chairman*	2/2
Mr. Liu Li Qing	2/2
Mr. Zuo Xunsheng	2/2

During 2015, the audit committee has considered the external auditor's proposed audit fees; discussed with the external auditor their independence and the nature and scope of the audit; reviewed the interim and annual financial statements of the Group, particularly judgmental areas, before submission to the Board; reviewed the internal control system and the internal audit plan, findings and management's response; reviewed the Group's adherence to the code provisions in the Code; and reviewed the amendments to its terms of reference before submission to the Board. The audit committee recommended the Board to adopt the interim and annual financial statements for 2015. The audit committee has also performed the corporate governance duties as set out in its terms of reference.

Nomination Committee

The nomination committee is authorised by the Board to determine the policy for the nomination of directors, to set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship. The nomination committee is also responsible for reviewing the structure, size and diversity of the Board. The full terms of reference are available on the Company's website (www.citictel.com) and the Stock Exchange's website.

The board diversity policy of the Company sets out the approach to achieve diversity in the Board which will include and make good use of the differences in skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of service and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and all Board appointments will be based on merit, having due regard to the overall effective functioning of the Board as a whole. The ultimate decision will be based on merit against objective criteria and with due regard for the benefits of diversity on the Board. The Company believes that diversity can strengthen the performance of the Board, promote effective decision-making and better corporate governance and monitoring. The nomination committee also monitors the implementation of this policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under this policy.

The committee currently comprises five members, a majority of whom are independent non-executive directors and is chaired by the Chairman of the Board. The company secretary of the Company serves as secretary of the nomination committee. Minutes for the meetings are sent to the nomination committee members within a reasonable time after the meetings.

A meeting was held and a resolution in writing was passed in 2015. The composition of the nomination committee during the year as well as the meeting attendance of the committee members are as follows:

Membership and Attendance

Members	**Attendance/ Number of Meeting**
Executive Director	
Mr. Xin Yue Jiang – *Chairman*	1/1
Non-executive Director	
Mr. Liu Jifu	1/1
Independent Non-executive Directors	
Mr. Liu Li Qing	1/1
Mr. Gordon Kwong Che Keung	1/1
Mr. Zuo Xunsheng	1/1

In 2015, the nomination committee has made recommendations to the Board on the re-election of the directors retiring at the 2015 AGM and reviewed the structure, size and diversity of the Board and discussed the measurable objectives, including knowledge, appropriate professional qualifications, relevant business background and experience, skills, related management expertise and independence of directors and agreed that these measurable objectives were achieved for the diversity on the Board which contributed to the corporate strategy and the business development of the Company.

Finance Committee

The finance committee is delegated the powers of the Board to establish or renew financial and credit facilities and undertake financial and credit transactions such as loans, deposits, commercial papers, bills of exchange and foreign exchange, etc..

The finance committee comprises three executive directors, namely, Mr. Xin Yue Jiang, Dr. Lin Zhenhui and Dr. David Chan Tin Wai. In 2015, five resolutions in writing were passed by the finance committee to approve opening of bank accounts and other financial transactions such as acceptance of banking facilities.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board recognises the importance of integrity of financial information and acknowledges its responsibility for preparing financial statements that give a true and fair view of the Group's affairs and its results and cash flows in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance"). In presenting the financial information, as well as price-sensitive announcements and other financial disclosures as required by regulations, the Board endeavours to present in a timely manner to shareholders and other stakeholders a balanced and understandable assessment of the Group's performance, position and prospects. Accordingly, appropriate accounting policies are selected and applied consistently, and judgments and estimates made by the management for financial reporting purpose are prudent and reasonable. Prior to the adoption of the financial statements and the related accounting policies, the relevant financial information is discussed between the external auditor and the management, and then submitted to the audit committee for review.

The Board considers that the adoption of amended financial reporting standards has not had a significant impact on the Group's financial statements, details of which are disclosed in notes 1(a) and 1(c) to the financial statements.

The responsibilities of the external auditor with respect to the financial statements for the year ended 31 December 2015 are set out in the Independent Auditor's Report on page 105.

External Auditor and their Remuneration

The external audit provides an objective assessment of the financial information presented by the management, and is considered one of the essential elements to ensure effective corporate governance. Since 2005, KPMG has been engaged as the Company's external auditor. Their independence and audit process are reviewed and monitored by the audit committee which considers the scope of the audit work, audit fees, non-audit services as well as their appointment and retention.

During the year, the fees charged by KPMG for the audit of the Company and its subsidiaries amounted to approximately HK$5,282,000. In addition, approximately HK$1,318,000 was charged by KPMG for non-audit services. The non-audit services mainly consist of taxation services, interim review, advisory and other professional services. The fees charged by other auditors of the Group for audit services and non-audit services during the year amounted to approximately HK$357,000 and HK$25,000 respectively.

Internal Controls

The Board has overall responsibility for maintaining an adequate system of internal control and reviewing its effectiveness. The internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. It provides reasonable, but not absolute, assurance against material misstatement or loss, and management rather than elimination of risks associated with its business activities.

During the year, the audit committee, as delegated by the Board, has reviewed the adequacy and effectiveness of the Group's internal controls, including financial, operational and compliance controls and risk management. It has also considered the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting functions and their training programmes and budgets.

The management regularly assessed the risks and the internal controls with reference to the five components of The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") internal control framework. The result of the review has been summarised and reported to the audit committee and the Board.

In addition, the Internal Audit Department of CITIC Pacific Limited conducts regular and independent reviews of the effectiveness of the Group's internal control system. The audit committee reviews the findings and opinion of the Internal Audit Department on the effectiveness of the Group's internal control system and reports to the Board on such reviews.

Risk Management

The Stock Exchange has made amendments to the Code relating to the risk management and internal control, which has come into effect for accounting periods beginning on or after 1 January 2016. Accordingly, the Group has established a risk management system covering all the business units to monitor, assess and manage various risks in the Group's business activities and the Board has approved the relevant risk management policy.

The risk management system of the Group is established along the core concepts of *Enterprise Risk Management – Integrated Framework* issued by COSO, and the *Basic Standard for Enterprise Internal Control* jointly issued by five ministries and commissions (Ministry of Finance, China Securities Regulatory Commission, National Audit Office, China Banking Regulatory Commission and China Insurance Regulatory Commission) in 2008 as well as the relevant guidelines and government policies.

Internal Audit

The Group has continued to engage the Internal Audit Department to perform internal audits for the Group. The Internal Audit Department performs independent internal audit reviews for all business units and functions in the Group on a systematic and ongoing basis. The frequency of review of individual business units or functions is determined after an assessment of the risks involved. The audit committee endorses the internal audit plan annually. The Internal Audit Department has unrestricted access to all parts of the business and direct access to any level of management including the Chairman of the Company and the Chairman of the audit committee as it considers necessary. It submits regular reports for the audit committee's review in accordance with the approved internal audit plan. Concerns which have been reported by the Internal Audit Department are monitored by management by taking appropriate remedial actions. During the year, the internal audit of a major subsidiary of the Group was completed on a co-sourcing basis with a leading professional accounting firm to increase the internal audit value.

Business Ethics

Code of conduct

To ensure the highest standard of integrity in our business, the Group adopted a Code of Conduct defining the ethical standards expected of all employees as well as non-discriminatory employment practices. Briefings on the Code of Conduct are held regularly for new employees during orientation sessions. A set of Code of Conduct would be distributed to employees and can be accessed through the Company's intranet. The audit committee receives reports on the execution of the Code of Conduct and its compliance at least once a year.

Whistle-blowing policy

The Group considers the whistle-blowing channels as a useful means of identifying possible misconduct or fraud risks of a particular operation or function by encouraging employees to raise concerns in good faith. The Company has established a whistle-blowing policy setting out principles and procedures for guiding the directors and employees of the Group in reporting cases of fraud, corruption or misconduct in a fair and proper manner.

According to the whistle-blowing policy, concerns can be raised in writing, to any of the (i) Chairman or Chief Executive Officer, (ii) Chairman of the audit committee, (iii) Head of Human Resources & Administration Department, (iv) Head of Finance Department, (v) Head of Internal Control and Compliance Department. All allegations received shall be registered and will be evaluated to determine the credibility, materiality and verifiability. To this end, the allegation will be evaluated to determine whether there is a legitimate basis to warrant an investigation. Member of corporate management and the above department heads will handle the investigation and directly report to the Chairman of the Group. Those who have conflict of interest will not be included.

Price-sensitive Information

With respect to the procedures and internal controls for the handling and dissemination of price-sensitive information, the Company is aware of its obligations under Part XIVA of the Securities and Futures Ordinance and the Listing Rules and has established the inside information/price-sensitive information disclosure policy with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. All directors confirmed that they have complied with the required standard set out in the Model Code throughout 2015. The interests held by individual directors in the Company's securities at 31 December 2015 are set out in the Directors' Report on page 99.

COMMUNICATION WITH SHAREHOLDERS

The Company considers effective communication with shareholders essential to enable them to have a clear assessment of the Group's performance as well as accountability of the Board. Major means of communication with shareholders of the Company are as follows:

Information Disclosure on Corporate Website

The Company endeavours to disclose all material information about the Group to all interested parties as widely and timely as possible. The Company maintains a corporate website at www.citictel.com where important information about the Group's activities and corporate matters such as annual reports and interim reports to shareholders, announcements, business development and operations, corporate governance practices and other information is available for review by shareholders and other stakeholders.

During 2015, the Company has issued announcements in respect of, inter alia, some connected and discloseable transactions which can be viewed on the Company's website (www.citictel.com).

General Meetings with Shareholders

The Company's AGM provides a useful platform for direct communication between the Board and shareholders. Separate resolutions are proposed on each substantially separate issue at the general meetings.

Voting by Poll

Resolutions put to vote at the general meetings of the Company (other than on procedural and administrative matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the websites of the Stock Exchange and the Company respectively on the same day as the poll.

Investor Relations

The Company recognises its responsibility to explain its activities to those with a legitimate interest and to respond to their questions. Investors are received and visited at appropriate times to explain the Group's business. In addition, questions received from the general public and individual shareholders are answered promptly. In all cases great care is taken to ensure that price-sensitive information is not disclosed selectively. When announcements are made through the Stock Exchange, the same information will be made available on the Company's website (www.citictel.com).

Shareholders' Rights

Set out below is a summary of certain rights of the shareholders of the Company as required to be disclosed pursuant to the mandatory disclosure requirement under the Code:

Convening of extraordinary general meeting on requisition by shareholders

In accordance with Sections 566 to 568 of the Companies Ordinance, shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company, may require the directors of the Company to convene an extraordinary general meeting ("EGM"). The written requisition must state the general nature of the business to be dealt with at the EGM and must be signed by the shareholder(s) concerned and deposited at the registered office of the Company at 25th Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong for the attention of the company secretary in hard copy form or sent to the Company in electronic form. The requisition may consist of several documents in like form, each signed by one or more of the shareholders concerned.

If the directors of the Company do not within 21 days after the date on which the written requisition is received by the Company proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholder(s) concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, provided that the EGM so convened shall not be held after the expiration of 3 months from the date of the original requisition.

The EGM convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the directors of the Company.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows:

The Company Secretary
CITIC Telecom International Holdings Limited
25th Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong
Email: contact@citictel.com
Tel No.: +852 2377 8888
Fax No.: +852 2918 4838

The company secretary of the Company shall forward the shareholders' enquiries and concerns to the Board and/or relevant Board committees of the Company, where appropriate, to answer the shareholders' questions.

Procedures for putting forward proposals at general meetings by shareholders

Shareholders are requested to follow the requirements and procedures of the Companies Ordinance for including a resolution at an AGM, which are set out below:–

(i) Any number of shareholders representing at least 2.5% of the total voting rights of all shareholders having a right to vote on the resolution at an AGM to which the requisition relates, or at least 50 shareholders having a right to vote on the resolution at an AGM to which the requisition relates, may submit a requisition in writing to put forward a resolution which may properly be moved at an AGM.

(ii) The Company shall not be bound by the Companies Ordinance to give notice of the proposed resolution or to circulate a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution to shareholders of the Company entitled to receive notice of an AGM unless a copy of the requisition specifying the resolution of which notice is to be given and signed by the shareholders concerned (or 2 or more copies which between them contain the signatures of all the shareholders concerned) is deposited at the registered office of the Company at 25th Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong for the attention of the company secretary in hard copy form or is sent to the Company in electronic form not less than (i) 6 weeks before an AGM to which the requisition relates; or (ii) if later, the time at which notice is given of that AGM.

Pursuant to Article 108 of the Company's Articles of Association, no person other than a retiring director shall, unless recommended by the Board for election, be eligible for election to the office of director at any general meeting, unless a shareholder shall have given a notice in writing of the intention to propose that person for election as a director and also a notice in writing by that person of his willingness to be elected shall have been given to the Company in the period commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than 7 days prior to the date of such meeting, provided that the minimum length of such notice period shall be at least 7 days. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules of the Stock Exchange.

Constitutional Documents

There are no changes in the constitutional documents of the Company in 2015.

Non-Competition Undertaking

CITIC Limited has executed a deed of non-competition dated 21 March 2007 ("Non-competition Undertaking") in favour of the Company, details of which are set out in the prospectus of the Company, mainly to the effect that at any time during which the shares of the Company are listed on the Stock Exchange and CITIC Limited and/or its associates are regarded as a controlling shareholder of the Company under the Listing Rules, (i) CITIC Limited will not engage and will procure its subsidiaries not to engage in the provisions of telecommunications hub-based service ("Restricted Activity") globally or in any other business that may compete with the Restricted Activity, and (ii) in the event that any opportunity is made available to CITIC Limited to invest in any independent third party's business engaging in the Restricted Activity, CITIC Limited will use its best efforts to procure that such investment opportunity is offered to the Group and the Group shall have a first right of refusal.

CITIC Limited has reviewed its business and businesses of its subsidiaries and advised that their businesses do not compete with the Restricted Activity and that during the year, there was no opportunity made available to CITIC Limited to invest in any independent third party which was engaged in the Restricted Activity. CITIC Limited has given a written confirmation to the Company that it had fully complied with the terms of the Non-competition Undertaking. The independent non-executive directors of the Company have reviewed the confirmation and concluded that CITIC Limited has made the compliance.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

#^ **Mr. Xin Yue Jiang**, aged 67, has been appointed as the Chairman of the Company from 19 March 2009. He joined the Company in January 2008 as executive director and Vice Chairman of the Board. Mr. Xin is also the Chairman of Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") and CITIC Telecom International CPC Limited ("CPC"), both being subsidiaries of the Company. Mr. Xin graduated from China Naval Aeronautic Engineering Institute and Central University of Finance and Economics and obtained a Master degree in Economics and Management from the Graduate School of Chinese Academy of Social Sciences. After serving a substantial period of time in the government of the People's Republic of China ("PRC") in which Mr. Xin was involved in the administration of science, technology information and economics, Mr. Xin joined in succession various major conglomerates as senior management, researcher or chief engineer. When Mr. Xin was with China Netcom (Hong Kong) Operations Limited, he held the position of Senior Vice President and Senior Consultant. Mr. Xin had also participated in the planning, implementation and management of many different important state projects. Mr. Xin thus possesses extensive knowledge and experience in science and technology information, business operation and management, and capital market operation. Since 1985, Mr. Xin has joined many different overseas studies and visits, and gained many valuable experiences in promoting co-operation with overseas enterprises, technology exchange, product research and development, and product marketing. Mr. Xin has long participated in the study and research of corporate governance and corporate culture, in particular the characteristics of Western economy and the corporate governance practices adopted by overseas enterprises, and has made significant achievement in that regard.

^ **Dr. Lin Zhenhui**, aged 53, has been an executive director and the Chief Executive Officer ("CEO") of the Company since 1 January 2015. Dr. Lin is also the Vice Chairman of CTM and China Enterprise ICT Solutions Limited ("CEC", a subsidiary of the Company), and a director of CPC. Dr. Lin is a professorate senior engineer. He obtained a Bachelor degree of Engineering from the Beijing University of Posts and Telecommunications, a Master degree of Business Administration from the Australian National University and a Doctor degree of Business Administration from The Hong Kong Polytechnic University. Dr. Lin was formerly the Deputy Managing Director of Guangdong China Mobile Co., Ltd.® (廣東移動有限責任公司) and Chairman and General Manager of China Mobile Group Yunnan Company Limited. Before joining the Company, Dr. Lin was the Chairman of China Mobile Hong Kong Company Limited and the Chairman and CEO of China Mobile International Limited. Dr. Lin has been conferred the national science and technology progress award (second class) and China provincial management innovation award (first class). Dr. Lin is also a director of Hong Kong Applied Science and Technology Research Institute Company Limited.

Mr. Luo Ning, aged 56, was appointed as a non-executive director of the Company in February 2013 and has been re-designated as an executive director of the Company since April 2014. Mr. Luo is currently an assistant president of CITIC Group Corporation ("CITIC Group", the ultimate holding company of the Company) and CITIC Limited (listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the controlling shareholder of the Company and a subsidiary of CITIC Group), a Vice Chairman of CITIC Guoan Group, the Chairman of 中信網絡有限公司 (CITIC Networks Co., Ltd.) and CEC. He is also the Chairman of CITIC Guoan Information Industry Company Limited (listed on the Shenzhen Stock Exchange in the PRC). He is also the Deputy Chairman of Frontier Services Group Limited and a non-executive director of Asia Satellite Telecommunications Holdings Limited (both of which are listed on the Stock Exchange). Mr. Luo is also a non-executive director of Lajin Entertainment Network Group Limited (listed on the Stock Exchange) since 23 November 2015. He also holds directorships in several other subsidiaries of CITIC Group. Mr. Luo previously served as an executive director and the Vice Chairman of CITIC 21CN Company Limited (now known as Alibaba Health Information Technology Limited) (listed on the Stock Exchange). Mr. Luo has extensive experience in telecommunications business and holds a bachelor degree in Communication Speciality from The Wuhan People's Liberation Army Institute of Communication Command (武漢解放軍通信指揮學院). He graduated from the Party School of the Central Committee of the Communist Party of China (中共中央黨校) as a professional postgraduate of the modern history of the PRC.

^ **Dr. Chan Tin Wai, David**, aged 51, is the Chief Financial Officer of the Company and he joined the Company in June 2006. Dr. Chan is also a director of CTM, CEC and CPC. Dr. Chan obtained a LLB (Hons) degree and a Master degree of Law from the University of London in the United Kingdom, a Master degree of Accounting from Curtin University in Australia and a Doctor degree of Business Administration from the University of Newcastle in Australia. He is a member of the Institute of Chartered Accountants in England and Wales and also a fellow member of the Association of Chartered Certified Accountants, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong and the Hong Kong Institute of Chartered Secretaries. Dr. Chan worked in CITIC Limited during the period from 1994 to 2000. He had worked in several multi-national and Hong Kong blue chip companies and has over 25 years of experience in overseeing corporate finance, merger and acquisition activities, accounting, company secretarial, administration, human resources and legal matters.

NON-EXECUTIVE DIRECTOR

△# **Mr. Liu Jifu**, aged 72, has been a director of the Company since November 2010. He is also the Chairman of the Supervisory Board of CTM. Mr. Liu is a director of CITIC Pacific Limited, CITIC Hong Kong (Holdings) Limited and CITIC International Financial Holdings Limited (all of these three companies are subsidiaries of CITIC Group). Mr. Liu previously served as an executive director of CITIC Limited. He was with the Financial and Economics Research Institute in the Chinese Academy of Social Sciences, an executive director of China Everbright Group Limited, and the Chairman of China Everbright Travel Inc and China PINGHE Import & Export Co., Ltd.

INDEPENDENT NON-EXECUTIVE DIRECTORS

*△# **Mr. Liu Li Qing**, aged 75, joined the Company as an independent non-executive director in March 2007. Mr. Liu, a senior economist, graduated from Management Engineering in Beijing University of Posts and Telecommunications in 1963. Mr. Liu served as a Vice Minister of Ministry of Posts and Telecommunications during the period from 1996 to 1998 and the Head of State Postal Bureau from March 1998 to April 2003. Mr. Liu previously served as the Deputy Director of the Committee for Economic Affairs of the Tenth National Committee of the Chinese People's Political Consultative Conference as well as the Chairman of China Association of Communications Enterprises and now is the Honorary Chairman of China Association of Communications Enterprises.

*△# **Mr. Kwong Che Keung, Gordon**, aged 66, joined the Company as an independent non-executive director in March 2007. Mr. Kwong is also an independent non-executive director of a number of companies listed on the Stock Exchange, including NWS Holdings Limited, OP Financial Investments Limited, Global Digital Creations Holdings Limited, China Power International Development Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Agile Property Holdings Limited, China COSCO Holdings Company Limited and Chow Tai Fook Jewellery Group Limited. He is also an independent non-executive director of FSE Engineering Holdings Limited (listed on the Stock Exchange) since 18 November 2015. Mr. Kwong previously served as an independent non-executive director of China Chengtong Development Group Limited (listed on the Stock Exchange) and a supervisor of Beijing Capital International Airport Company Limited (listed on the Stock Exchange). Mr. Kwong has a Bachelor of Social Science degree from the University of Hong Kong and is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. From 1984 to 1998, he was a partner of Price Waterhouse and was a council member of the Stock Exchange from 1992 to 1997.

*△# **Mr. Zuo Xunsheng**, aged 65, joined the Company as an independent non-executive director in April 2014. He obtained an EMBA degree from Guanghua School of Management of Peking University in 2004. From July 1993 to October 1997, Mr. Zuo served as the Director of the former Bureau of Telecommunications of Jinan City, Shandong Province. From October 1997 to May 2000, he served as the Director of the former Posts and Telecommunications Bureau of Shandong Province. He was the President of the former Shandong Telecommunications Company from May 2000 to April 2002.

Mr. Zuo served as the Vice President of China Network Communications Group Corporation from April 2002 to May 2008. He was the Senior Vice President of China Netcom Group Corporation (Hong Kong) Limited ("CNC HK") since July 2004; Chief Operating Officer of CNC HK since December 2005; an Executive Director and Chief Executive Officer of CNC HK from May 2006 to October 2008 and Chairman of CNC HK from May 2008 to October 2008. From October 2008 to March 2011, Mr. Zuo was the Vice Chairman and Vice President of China United Network Communications Group Company Limited; Director and Senior Vice President of China United Network Communications Corporation Limited; and Director of China United Network Communications Limited (listed on the Shanghai Stock Exchange in the PRC). Mr. Zuo also served as an Executive Director of China Unicom (Hong Kong) Limited (listed on the Stock Exchange) from October 2008 to March 2011.

In addition, Mr. Zuo served as a Non-Executive Director and Deputy Chairman of PCCW Limited (listed on the Stock Exchange) from July 2007 to November 2011. Mr. Zuo is well experienced in telecommunications operations and has rich management experience.

* Member of the Audit Committee
△ Member of the Remuneration Committee
Member of the Nomination Committee
^ Member of the Finance Committee

◎ *for identification purpose only*

SENIOR MANAGEMENT

Mr. Cheung Yuet Pun, aged 43, is the Chief Technology Officer of the Company. He joined the Company in February 2002 and was responsible in areas such as product marketing, development and management within the organisation. Mr. Cheung obtained a Bachelor of Science degree of Electrical Engineering from Queen's University at Kingston, Canada in 1995 and also completed the Master of Science (MSc) in Financial Analysis and the Executive Diploma in Management at the Hong Kong University of Science and Technology in 2010 and 2006 respectively. From his professional certification aspect, he was granted the Professional Engineer Licence of Ontario, Canada in 1999. Mr. Cheung previously held various positions within Nortel Networks Corporation during 1996 to 2002, responsible for software design, technical support, and sales and marketing. To date, Mr. Cheung has about 20 years of operational experience in the telecoms industry.

He is the President of Internet Service & Content Provider Group of Communications Association of Hong Kong (CAHK) and a member of the Telecommunications Regulatory Affairs Advisory Committee (TRAAC) of Office of the Communications Authority (OFCA). He has also been appointed as the incu-Apps admission panel member for Hong Kong Science & Technology Parks Corporation (HKSTPC) to foster technology and innovation advancement in Hong Kong. He is also participating in the Steering Committee of i3 Forum, which comprised more than 55 telecommunications operators representing a combined retail base in excess of one billion customers in over 80 countries. Previously, he was a committee member of the Cyberport IncuTrain Centre Vetting Committee.

Mr. Wong Ching Wa, aged 41, is the President, head of China business of the Company. He joined the Company in January 2008 as director of Chinese business department and was responsible for China market and business development. Mr. Wong is a director of CEC. Mr. Wong obtained a Bachelor degree of Telecom Engineering Management from Beijing Information Technology College in 1996 and a Master degree of Engineering Management from Sichuan University in 2002. Mr. Wong previously held management positions in different telecoms and technology companies in the PRC. Before joining the Company, he was the General Manager of operations management department of China Netcom (Hong Kong) Operations Limited. To date, Mr. Wong has more than 19 years experience in the telecoms industry.

Mr. Cai Dawei, aged 38, is the Chief Information Officer of the Company and is primarily responsible for the development and management of Business Support System (BSS), Management Support System (MSS), Routing planning, and Data Centre business. Mr. Cai joined the Company in August of 2009. Since then, Mr. Cai has led team to accomplish development, upgrade, integration of BSS for Voice, SMS, Mobile and retail services, and implementation of Business Intelligent system (BI) and Enterprise Resources Planning system (ERP), which facilitate company management, business operation and service innovation. Since the year of 2012, Mr. Cai has been responsible for Data Centre business of the Company, where he successfully promoted the development of Data Centre resources and business, and established cooperation with customers from various industries, such as Finance, Internet and Telecom Carriers, etc. From June 2013, Mr. Cai has been acted as Director of CTM and he actively participated in development planning, quality improvement, and governmental liaison of CTM. Mr. Cai obtained a Bachelor degree in Telecom Engineering from Beijing University of Posts and Telecommunications in 1998, and received a Master degree in Business Administration from the University of International Business and Economics in 2005. Previously he held various positions within China Telecommunications Corporation, China Netcom Corporation during 1998 to 2009, responsible for network operations, resources management, business support and Secretariat of Board of Directors, and he was Vice President of China Netcom (Hong Kong) Operations Limited. To date, Mr. Cai has about 17 years' experience in technical development, business innovation and network management in the telecoms industry.

Mr. Ho Wai Chung, Stephen, aged 57, is the CEO of CPC. He joined CITIC Pacific Communications Limited, a wholly-owned subsidiary of CITIC Limited, as Executive Vice President in April 2001. Mr. Ho was appointed CEO of CPC in 2002 and was transferred to the Group in 2007 when CPC was acquired by the Group. Mr. Ho was also appointed as President of CEC in 2010. Mr. Ho holds an Honor Bachelor Degree in Electrical Engineering specialising in digital communications from McGill University of Canada. Prior to joining the CITIC Limited Group, Mr. Ho held senior positions at Cable and Wireless Systems Limited, Hong Kong Telecom CSL Limited, Hong Kong Telecommunications Limited ("Hong Kong Telecom") and iAdvantage Limited. Mr. Ho carries with him more than 30 years of extensive industry experience. He was the project director for numerous important telecommunications projects on public transportation in both Hong Kong and Taiwan. His experience spans marketing and sales of telecommunications products and services, logistics and strategic purchasing management, operations and technical management for the Hong Kong Telecom engineering support unit at the Hong Kong Kai Tak International Airport and other Hong Kong Government facilities. Mr. Ho also led Hong Kong Telecom's regional market development in mainland China, Taiwan, Singapore, Korea and Japan in the early 90s. He is a founder of two Internet Data Centres between 1999 and 2001.

Mr. Ho has been named to several leaderships awards, including "The CEO of the Year 2007" by Asia Pacific Customer Service Consortium and "Outstanding Entrepreneurship Awards 2011 & 2012" by Enterprise Asia. He served as the President and Chair on the Board of Governors of the US Pacific Telecommunications Council (PTC) for 2014 & 2015. Mr. Ho has been the Chairman of the Communications Association of Hong Kong (CAHK) since 2012 and the Vice-Chairman of IT Management Club of The Hong Kong Management Association since 2015. In 2016, he also serves as a Founding Board Member of the Smart City Consortium.

Mr. Poon Fuk Hei, Vandy, aged 50, is the CEO and Chairman of the Executive Committee of CTM, which became a subsidiary of the Group since June 2013. Mr. Poon has joined CTM for over 28 years. With the extensive experience in managing the operation in the telecoms industry, Mr. Poon became the CEO of CTM from 2007, until now, Mr. Poon has been playing a pivotal role for the sustainable development of CTM and contributing to consolidate the leadership position in the telecoms arena.

Under Mr. Poon's active participation in the discussion, in 2009, CTM signed the "Macau Public Telecommunications Services Mid-term Review Notarization Contract" with the MSAR Government. Under Mr. Poon's leadership, with the visionary strategy and commitment to serving the Macau community, CTM has overcome the challenges and mastered the opportunities in a rapidly changing market, making it always staying at the forefront in the industry. In 2007, CTM was the pioneer to introduce 3G service to Macau. In October 2015, CTM took the lead again to launch 4G+ service integrating with cutting-edge technology and diversified services, ushering the Macau community into a new era of telecommunications.

Mr. Poon is committed to innovation and the development of "Digital Macau", leveraging the strength of CTM's network and resources to popularise the application of information technology in various aspects of people's daily life, CTM has been an enabler for the residents to lead a new digital lifestyle. Led by Mr. Poon, CTM has achieved significant projects for network infrastructure and construction last year, including the launch of CTM 4G service, continued expansion of CTM Wi-Fi hotspots, 100% coverage of FTTH (Fiber To the Home), which has laid a solid foundation for the realisation of "Digital Macau" and leading the local telecoms industry towards a new era.

DIRECTORS' REPORT

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

PRINCIPAL PLACE OF BUSINESS

CITIC Telecom International Holdings Limited (the "Company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 25/F, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in note 14 to the financial statements. A fair review of the business of the Company and further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, important events affecting the Group occurred since the end of the financial year 2015, if any, and indication of likely future developments of the Group's business, can be found in the Chairman's Statement, the Business Review, the Financial Review and the Risk Management set out on pages 12 to 17, pages 20 to 27, pages 28 to 34 and pages 35 to 42 of this Annual Report respectively. This discussion forms part of this Directors' Report.

The environmental, employees, customers and suppliers matters and compliance with relevant laws and regulations that have a significant impact on the Company can be found in the Risk Management, the Sustainability Report and Corporate Governance set out on pages 35 to 42, pages 44 to 65 and pages 66 to 78 of this Annual Report respectively.

DIVIDENDS

The directors declared an interim dividend of HK2.8 cents (2014: HK2.7 cents) per share in respect of the year ended 31 December 2015 which was paid on 30 September 2015. The directors recommended, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on 16 May 2016 (the "Annual General Meeting"), the payment of a final dividend of HK9.7 cents (2014: HK8.6 cents) per share in respect of the year ended 31 December 2015 payable on 2 June 2016 to shareholders on the Register of Members at the close of business on 24 May 2016.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	5.4%	
Five largest customers in aggregate	14.2%	
The largest supplier		39.1%
Five largest suppliers in aggregate		60.0%

So far as the directors of the Company are aware, the directors of the Company, their close associates or any shareholder of the Company (which to the knowledge of the directors of the Company own more than 5% of the Company's total number of issued shares) do not have any interest in these major customers and suppliers during the year.

FINANCIAL STATEMENTS

The Group's financial performance for the year ended 31 December 2015 and the financial position of the Group as at the date are set out in the financial statements on pages 106 to 169.

TRANSFER TO RESERVES

The amounts and particulars of transfer to reserves during the year are set out in the consolidated statement of changes in equity.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK$1,190,000 (2014: HK$686,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements of property, plant and equipment are set out in note 11 to the financial statements.

DIRECTORS

The directors of the Company who held office during the year ended 31 December 2015 and up to the date of this report were:

Mr. Xin Yue Jiang
Dr. Lin Zhenhui (appointed with effect from 1 January 2015)
Mr. Luo Ning
Dr. David Chan Tin Wai
Mr. Liu Jifu
Mr. Liu Li Qing
Mr. Gordon Kwong Che Keung
Mr. Zuo Xunsheng

Pursuant to Article 104(A) of the Articles of Association of the Company, Mr. Xin Yue Jiang, Mr. Luo Ning and Mr. Gordon Kwong Che Keung shall retire by rotation in the Annual General Meeting. All, being eligible, offer themselves for re-election. Mr. Gordon Kwong Che Keung, an independent non-executive director since March 2007, has served the Company for more than nine years. Pursuant to the Corporate Governance Code of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), his re-election will be subject to a separate resolution to be approved at the Annual General Meeting.

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31 December 2015 or during the period from 1 January 2016 to the date of this Report are available on the Company's website at www.citictel.com.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2015, there were no service contracts which were not determinable by the employer within one year without payment of compensation (other than statutory compensation) between any company in the Group and any director of the Company proposed for re-election at the Annual General Meeting.

PERMITTED INDEMNITY PROVISION

The Company's Articles of Association provides that every director of the Company is entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto so far as its provisions are not avoided by the Hong Kong Companies Ordinance. In this respect, the Company has arranged directors and officers liability and company reimbursement insurances for its directors and officers.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

COMPETING INTERESTS

Save as disclosed below, none of the directors of the Company and their respective associates had any direct or indirect interest in a business which competes or may compete with the business of the Group:

Mr. Luo Ning, an executive director of the Company, is a vice chairman of CITIC Guoan Group and the chairman of 中信網絡有限公司 (CITIC Networks Co., Ltd.) ("CITIC Networks").

CITIC Guoan Group is one of the major operating subsidiaries of CITIC Group Corporation ("CITIC Group") in the People's Republic of China (the "PRC"), which is engaged in information industry operations (including cable television network investment and management, value added telecommunications, satellite communications, network system integration and software development, etc.), high-technology and resources development, and real estate.

CITIC Networks is also a wholly-owned subsidiary of CITIC Group. It possesses licenses for operation of basic telecommunications services and value added services under which CITIC Networks is permitted to conduct the lease or sale of network elements and lease or sale of satellite transponder and ISP (Internet Service Provider) services, etc. in the PRC. It now possesses a nation-wide optical fibre backbone network.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected transactions disclosed in accordance with the Listing Rules on the Stock Exchange are as follows:

1. On 25 April 2014, the Company and CITIC Networks entered into the funding and loan support agreement (the "Funding and Loan Support Agreement") in relation to the provision of financial assistance by the Company to CITIC Networks in respect of the operation of the nation-wide optical fibre backbone network of the PRC (the "China Express Network").

   On 22 April 2015, the Company and CITIC Networks entered into a supplemental agreement to the Funding and Loan Support Agreement (the "Funding Supplemental Agreement") to extend the term of the Funding and Loan Support Agreement from the original two years to three years from the date of the Funding and Loan Support Agreement. The parties agreed that, during the term of the Funding Supplemental Agreement, the Company (or its subsidiary(ies) as procured by the Company) shall provide the funds (with a maximum amount of RMB200 million) to CITIC Networks if and when a shortage of funds arises in the operation of the China Express Network at any time during the three years commencing on the date of the Funding and Loan Support Agreement. Under the Funding Supplemental Agreement, the Company and CITIC Networks agreed that the finance cost shall be charged by the Company as and when the Company is permitted to provide the funding and loan support to CITIC Networks directly in the capacity of lender under the relevant PRC laws and regulations.

   CITIC Networks is a wholly-owned subsidiary of CITIC Group, the ultimate holding company of the Company, and, therefore, is a connected person of the Company.

2. On 24 August 2015, CITIC Group and the Company agreed to implement the acquisition arrangement (the "Acquisition Arrangement"), whereby CITIC Group has proposed to sell, and the Company has proposed to bid (or to procure its subsidiary including CITIC Telecom International CPC Limited ("CPC") to bid) for, in an open tender process at China Beijing Equity Exchange (北京產權交易所), up to 39% equity interest in CITIC Networks (the "Sale Interest") from CITIC Group (the "Acquisition").

   Under the Acquisition Arrangement, assuming the Sale Interest equals to the maximum 39% equity interest in CITIC Networks, the corresponding intended consideration for the Sale Interest is set at RMB1,170 million (the "Proposed Consideration") which, the parties acknowledged, will be subject to adjustment with reference to an independent appraisal of the Sale Interest as filed with and approved by the Ministry of Finance of the PRC (the "Appraised Consideration"). At present, the Company intends to only proceed with the bidding and the Acquisition if the Appraised Consideration does not exceed RMB1,287 million, being 110% of the Proposed Consideration. If the Company (or its subsidiary) is successful in the open tender process, the purchase price in winning the bid (the "Final Consideration") shall be payable in cash by the Company (or its subsidiary).

   The obligation of the Company (or its subsidiary) to submit the bidding application to China Beijing Equity Exchange is subject to certain conditions precedent, including inter alia, the obtaining of requisite consents and approvals of the relevant regulatory authorities in Hong Kong or elsewhere being fulfilled or waived by the Company on or before 30 June 2017, or such later date as CITIC Group and the Company may agree in writing.

   Under the Acquisition Arrangement, CITIC Group agreed to procure CITIC Networks to implement certain reorganisation, such that all assets and business not related to the China Express Network shall be hived off from CITIC Networks (the "Reorganisation"). It is expected that upon completion of the Reorganisation, CITIC Networks shall then hold China Express Network together with the telecoms licenses as its main asset and engage mainly in the operation of the China Express Network.

   Subject to the Company (or its subsidiary) having been confirmed and determined by China Beijing Equity Exchange as the successful transferee in the open tender process, CITIC Group and the Company (or its subsidiary) will enter into a share transfer agreement and obtain the necessary consents and approvals of the relevant PRC governmental authorities to effect the Acquisition.

   In connection with the Acquisition, on 24 August 2015, CITIC Group and the Company entered into a share subscription agreement (the "Share Subscription Agreement") whereby CITIC Group has conditionally agreed to subscribe (or to procure its wholly-owned subsidiaries as its nominees to subscribe) for not more than 520,713,219 new shares of the Company (the "Subscription Shares") at the subscription price of HK$3.00 per Subscription Share (the "Share Subscription"), subject to the terms and conditions of the Share Subscription Agreement.

   The total consideration of the Share Subscription (the "Subscription Consideration") would be the Hong Kong dollar equivalent for the amount of the Final Consideration (to be converted at the central parity exchange rate between RMB and Hong Kong dollar as published by the People's Bank of China as of the date of the payment of the Subscription Consideration), but in any event not exceeding HK$1,562,139,658.

Continuing connected transactions disclosed in accordance with the Listing Rules are as follows:

1. Pursuant to the exclusive service agreement dated 24 November 2010 (the "Exclusive Service Agreement") entered into between China Enterprise ICT Solutions Limited ("CEC", presently a non-wholly owned subsidiary of the Company and in which CITIC Group holds 45.09% interest), China Enterprise Netcom Corporation Limited ("CEC-HK", presently a wholly-owned subsidiary of the Company) and CPC (another wholly-owned subsidiary of the Company) (as supplemented by an agreement supplemental to the Exclusive Service Agreement dated 7 August 2013 (the "First Supplemental Agreement") and an agreement supplemental to the First Supplemental Agreement dated 19 February 2014 (the "Second Supplemental Agreement")), CEC shall provide technical and support services to the customers of CEC-HK and CPC in the PRC for a term up to 23 June 2015, to facilitate the provision of value-added telecoms services to these customers. CEC will be responsible for arranging, operating and maintaining all necessary technical and support services exclusively in the PRC to serve the customers of CEC-HK and CPC in the PRC. A service fee shall be payable to CEC monthly with reference to CEC's costs in servicing such customers provided that CEC-HK and CPC shall be entitled to retain the first 30% of the corresponding sales proceeds from customers such that the service fee shall not in any event exceed 70% of the relevant sales proceeds. If CEC's costs shall be less than 70% of the corresponding sales proceeds, CEC on one hand and CEC-HK and CPC on the other shall be entitled to share the surplus equally. In accordance with the Listing Rules, CEC is an associate of CITIC Group, and, therefore, is a connected person of the Company.

   As the Second Supplemental Agreement expired on 23 June 2015, CEC, CEC-HK and CPC had on 22 April 2015 entered into an agreement supplemental to the Second Supplemental Agreement (the "Third Supplemental Agreement") to continue to engage CEC as service provider for the provision of technical and support services in the PRC to customers of CPC and CEC-HK for a further term of three years until 23 June 2018.

   The annual caps for the transactions under the Third Supplemental Agreement are US$38,650,000, US$42,520,000, US$44,650,000 and US$23,440,000 for the financial year ended 31 December 2015 (which covered both the period from 1 January 2015 to 23 June 2015 under the Second Supplemental Agreement and the period from 24 June 2015 to 31 December 2015 under the Third Supplemental Agreement), the financial year ending 31 December 2016, the financial year ending 31 December 2017 and the period from 1 January 2018 to 23 June 2018 respectively.

   The aggregate service fee paid by CEC-HK and CPC to CEC under the Second Supplemental Agreement and the Third Supplemental Agreement for the year ended 31 December 2015 was approximately RMB233,121,000 (equivalent to approximately US$37,591,000).

2. On 24 October 2012, CITIC Telecom International Limited ("CITIC Telecom", a wholly-owned subsidiary of the Company) entered into a tenancy agreement (the "First Ap Lei Chau Tenancy Agreement") with Tendo Limited ("Tendo"), pursuant to which CITIC Telecom leased from Tendo the premises comprising the whole of the 5th floor, a portion of the ground floor, a portion of the 3rd floor podium, a portion of the roof floor, and an area for cable duct and trunking (the "Ap Lei Chau Premises") at the building located at No.111 Lee Nam Road, Ap Lei Chau, Hong Kong (the "Ap Lei Chau Building") for a term of no more than three years commencing from the earlier of 20 September 2012 or the delivery of vacant possession of the Ap Lei Chau Premises to CITIC Telecom and expiring on 19 September 2015, with an aggregate monthly rental of approximately HK$553,920. CITIC Telecom shall also pay its share of management fee in respect of the Ap Lei Chau Premises, being approximately HK$57,740 per month, subject to revision. CITIC Telecom shall also be responsible for the payment of its own utility charges and government rates and government rent in respect of the Ap Lei Chau Premises during the term of the First Ap Lei Chau Tenancy Agreement. Tendo is a wholly-owned subsidiary of CITIC Limited, and, therefore, is a connected person of the Company.

   In addition, CITIC Telecom shall have the right to take a lease of the whole of the 3rd and/or 4th floors of the Ap Lei Chau Building during the term of the First Ap Lei Chau Tenancy Agreement.

On 25 April 2014, CITIC Telecom further entered into the following tenancy agreements with Tendo:

a) the second supplemental tenancy agreement (the "Second Ap Lei Chau Supplemental Agreement") in relation to the leasing of a certain portion of the 3rd floor podium of the Ap Lei Chau Building (the "Additional Space") to CITIC Telecom by Tendo for a term commencing from 20 May 2014 and expiring on 19 September 2015, with a monthly rental of approximately HK$11,300. CITIC Telecom shall also pay its share of management fee in respect of the Additional Space, being approximately HK$3,400 per month, subject to revision. CITIC Telecom shall also be responsible for the payment of its own utility charges and government rates and government rent in respect of the Additional Space during the term of the Second Ap Lei Chau Supplemental Agreement; and

b) a tenancy agreement (the "Second Ap Lei Chau Tenancy Agreement") in relation to the leasing of the Mezzanine floor (including the store room) of the Ap Lei Chau Building (the "Other Premises") to CITIC Telecom by Tendo for a term commencing from 20 May 2014 and expiring on 19 September 2015. In addition to a monthly rental of approximately HK$62,200, CITIC Telecom shall pay its share of management fee as well as air-conditioning charges in respect of the Other Premises during the term of the Second Ap Lei Chau Tenancy Agreement, being approximately HK$4,200 per month and HK$11,000 per month respectively, subject to revision. CITIC Telecom shall also be responsible for the payment of its own utility charges and government rates and government rent in respect of the Other Premises during the term of the Second Ap Lei Chau Tenancy Agreement. Pursuant to the terms of the Second Ap Lei Chau Tenancy Agreement, CITIC Telecom should also contribute to construction works carried out at the Other Premises in the amount of approximately HK$536,900, which should be payable upon the signing of the Second Ap Lei Chau Tenancy Agreement.

The expected maximum amounts (including the rentals, the management fees, CITIC Telecom's contribution to construction works, the air-conditioning charges and other outgoings such as rentals for car parking spaces to be leased by Tendo to CITIC Telecom from time to time) payable by CITIC Telecom to Tendo under (i) the First Ap Lei Chau Tenancy Agreement as supplemented by the Second Ap Lei Chau Supplemental Agreement; and (ii) the Second Ap Lei Chau Tenancy Agreement for the period from 1 January 2015 to 19 September 2015 will be approximately HK$6,500,000.

Incidental to the First Ap Lei Chau Tenancy Agreement, the Second Ap Lei Chau Supplemental Agreement and the Second Ap Lei Chau Tenancy Agreement, Tendo and CITIC Telecom also entered into the following agreements (collectively, the "Renewal Option Agreements"):

a) the first supplemental agreement on 24 October 2012 pursuant to which Tendo has granted to CITIC Telecom three consecutive options to renew the First Ap Lei Chau Tenancy Agreement for a further term of three years each upon the expiration of the First Ap Lei Chau Tenancy Agreement; and

b) two further agreements on 25 April 2014 pursuant to each of which Tendo has granted to CITIC Telecom three consecutive options to renew the Second Ap Lei Chau Supplemental Agreement and the Second Ap Lei Chau Tenancy Agreement (as the case may be) for a further term of three years each upon the expiration of the Second Ap Lei Chau Supplemental Agreement and the Second Ap Lei Chau Tenancy Agreement (as the case may be).

In the event that CITIC Telecom shall have duly exercised its option to renew for the first new term, the First Ap Lei Chau Tenancy Agreement, the Second Ap Lei Chau Supplemental Agreement and/or the Second Ap Lei Chau Tenancy Agreement will be renewed at the then current open market rent. In the event that CITIC Telecom shall have duly exercised its options to renew for the second and the third new terms, the First Ap Lei Chau Tenancy Agreement, the Second Ap Lei Chau Supplemental Agreement and/or the Second Ap Lei Chau Tenancy Agreement will be renewed at a new rent to be mutually agreed by the parties.

On 21 August 2015, CITIC Telecom exercised its options under the Renewal Option Agreements to renew each of the First Ap Lei Chau Tenancy Agreement, the Second Ap Lei Chau Supplemental Agreement and the Second Ap Lei Chau Tenancy Agreement for the first new term of three years each upon the expiration of such tenancy agreements and entered into the following renewal tenancy agreements with Tendo:

a) the main premises renewal tenancy agreement (the "Main Premises Renewal Tenancy Agreement") in relation to the leasing of the main premises (the "Main Premises") comprising the whole of the 5th floor, a portion of the ground floor, a portion of the 3rd floor podium, a portion of the roof floor, and an area for cable duct and trunking at the Ap Lei Chau Building to CITIC Telecom by Tendo for a term of three years commencing from 20 September 2015 and expiring on 19 September 2018 (both days inclusive), with an aggregate monthly rental of approximately HK$774,865. CITIC Telecom shall also pay its share of management fee in respect of the Main Premises, being approximately HK$69,738 per month, subject to revision. CITIC Telecom shall also be responsible for the payment of its own utility charges and government rates and government rent in respect of the Main Premises; and

b) other premises renewal tenancy agreement (the "Other Premises Renewal Tenancy Agreement") in relation to the leasing of the Other Premises to CITIC Telecom by Tendo for a term of three years commencing from 20 September 2015 and expiring on 19 September 2018 (both days inclusive). In addition to a monthly rental of approximately HK$72,141, CITIC Telecom shall pay its share of management fee as well as air-conditioning charges in respect of the Other Premises during the term of the Other Premises Renewal Tenancy Agreement, being approximately HK$4,515 per month and HK$11,000 per month respectively, subject to revision. CITIC Telecom shall also be responsible for the payment of its own utility charges and government rates and government rent in respect of the Other Premises.

Incidental to the Main Premises Renewal Tenancy Agreement and the Other Premises Renewal Tenancy Agreement, CITIC Telecom and Tendo also entered into two further agreements (the "Further Agreements") on 21 August 2015 pursuant to which (i) by entering into the Further Agreements, the Renewal Option Agreements were terminated with immediate effect; and (ii) Tendo has granted to CITIC Telecom two consecutive options to renew the Main Premises Renewal Tenancy Agreement and the Other Premises Renewal Tenancy Agreement respectively for a further term of three years each upon the expiration of the Main Premises Renewal Tenancy Agreement and the Other Premises Renewal Tenancy Agreement (as the case may be) at a new rent to be mutually agreed by the parties.

The expected maximum amounts (including the rentals, the management fees, the air-conditioning charges and other outgoings such as rentals for car parking spaces to be leased by Tendo to CITIC Telecom from time to time) payable by CITIC Telecom to Tendo under the (i) Main Premises Renewal Tenancy Agreement; and (ii) Other Premises Renewal Tenancy Agreement for the financial year ended 31 December 2015, the two financial years ending 31 December 2016 and 2017 and the period from 1 January 2018 to 19 September 2018 will be approximately HK$3,500,000, HK$12,000,000, HK$12,000,000 and HK$8,500,000 respectively.

The aggregate amounts paid by CITIC Telecom to Tendo under (i) the First Ap Lei Chau Tenancy Agreement as supplemented by the Second Ap Lei Chau Supplemental Agreement and the Second Ap Lei Chau Tenancy Agreement for the period from 1 January 2015 to 19 September 2015; and (ii) the Main Premises Renewal Tenancy Agreement and the Other Premises Renewal Tenancy Agreement for the period from 20 September 2015 to 31 December 2015 were approximately HK$6,160,000 and HK$3,151,000 respectively.

3. On 7 August 2013, CEC and CITIC Networks, a wholly-owned subsidiary of CITIC Group and therefore a connected person of the Company, entered into a telecoms services agreement (the "Telecoms Services Agreement"), pursuant to which CEC shall engage CITIC Networks as service provider for the provision of various telecoms services, such as leasing of circuits and racks for data networking, to CEC for a term of three years. An estimated basic monthly service fee of approximately RMB620,000, subject to adjustment based on actual usage, shall be payable to CITIC Networks by CEC. The annual caps for the transactions under the Telecoms Services Agreement for the financial year ended 31 December 2015 and the period from 1 January 2016 to 6 August 2016 are HK$48,000,000 and HK$46,300,000 respectively.

   The aggregate service fee paid by CEC to CITIC Networks under the Telecoms Services Agreement for the financial year ended 31 December 2015 was approximately HK$18,712,000.

4. On 19 February 2014, CEC and 廣東盈通網絡投資有限公司 (Guangdong Eastern Fibernet Investment Company Limited) ("Guangdong Eastern Fibernet") entered into a services agreement (the "Services Agreement"), pursuant to which CEC shall engage Guangdong Eastern Fibernet as service provider for the provision of Synchronous Digital Hierarchy ("SDH", a kind of telecommunications technology for signal transmission) circuit services, such as leasing of circuits and racks for data networking to CEC for a term of three years until 18 February 2017. For each service order under the Services Agreement, the service fee includes (i) a one-off set-up fee; and (ii) a monthly service fee, the amount of which will depend on the location and bandwidth of the SDH circuits provided by Guangdong Eastern Fibernet based on the business needs of CEC. An estimated total basic monthly service fee of approximately RMB730,000, subject to adjustment based on actual usage, shall be payable to Guangdong Eastern Fibernet by CEC on a monthly prepayment basis. Guangdong Eastern Fibernet, of which CITIC Group held more than 30% equity interest, is a connected person of the Company.

   The service fees payable by CEC to Guangdong Eastern Fibernet for the term of the Services Agreement are subject to annual caps of RMB14,210,000, RMB17,050,000 and RMB3,410,000 for the financial year ended 31 December 2015, the financial year ending 31 December 2016 and the period from 1 January 2017 to 18 February 2017 respectively.

   The aggregate service fee paid by CEC to Guangdong Eastern Fibernet under the Services Agreement for the financial year ended 31 December 2015 was approximately RMB7,124,000.

5. Pursuant to the tenancy agreement dated 28 March 2014 entered into between CEC and 北京中信國際大廈物業管理有限公司 (CITIC Building Management Co., Ltd.) ("CB Management Co.", a wholly-owned subsidiary of CITIC Group, and, therefore, a connected person of the Company) (as supplemented by a supplemental agreement dated 19 August 2014 (the "Supplemental Agreement")) (collectively, the "Tenancy Agreement"), CB Management Co., as agent of CITIC Group (the owner of the Beijing Premises (as defined below)), leased to CEC the premises comprising part of the first floor and the third to fifth floors of #5 Building of the CITIC Building in Beijing, the PRC (the "Beijing Premises") for a term of two years commencing from 1 September 2014 and expiring on 31 August 2016. A monthly rental of approximately RMB450,000, which covers air-conditioning charges during normal business hours, shall be payable quarterly in advance. CEC shall have a right of first offer to lease the Beijing Premises for a further term subject to the terms and conditions to be agreed between the parties.

   CEC and CB Management Co. also entered into other related agreements relating to, inter alia, the leasing of car parking spaces at the CITIC Building and the provision of management services in respect of certain utility facilities at the Beijing Premises to CEC during the term of the tenancy. The fees payable by CEC to CB Management Co. under such other related agreements include (i) one-off installation fees for telephone and Internet facilities; (ii) monthly fees for the use of telephone and Internet facilities; (iii) air-conditioning (outside normal business hours only) and electricity charges, the amount of which is based on actual usage; and/or (iv) monthly rental for car parking spaces. It is estimated that the total monthly fees payable by CEC to CB Management Co. under such related agreements will be approximately RMB50,000.

The annual caps for the transactions under the Tenancy Agreement (including the monthly management fees and monthly rental payable during the term of the tenancy, and the fees payable under other related agreements) for the financial year ended 31 December 2015 and the period from 1 January 2016 to 31 August 2016 are approximately HK$7,790,000 and HK$5,326,000* respectively.

The aggregate amount paid by CEC to CB Management Co. under the Tenancy Agreement and other related agreements for the financial year ended 31 December 2015 was approximately HK$7,143,000.

* As disclosed in the Company's 2014 Annual Report, due to the delay in handing over of the Beijing Premises by CB Management Co. to CEC, CB Management Co. and CEC had entered into the Supplemental Agreement whereby, inter alia, the term of Tenancy Agreement was revised so as to commence from 1 September 2014 to 31 August 2016 (instead of 1 August 2014 to 31 July 2016). Accordingly, this annual cap has been adjusted to cover the period from 1 January 2016 to 31 August 2016.

6. On 25 April 2014, the Company and CITIC Networks had also entered into the management consultancy and technical service agreement (the "Management Service Agreement") pursuant to which CITIC Networks engaged the Company to provide technical support, business support and relevant consultancy services relating to the China Express Network (the "Management Consultancy and Technical Services") at an annual service fee of RMB10 million for a term of two years.

   During the term of the Management Service Agreement, the Company and CITIC Networks shall enter into specific agreements in which the detailed scope, manner and standard requirement of technical services or consultancy services to be provided shall be specified. A consultancy and management committee comprising committee members nominated jointly by CITIC Networks and the Company shall also be established to report regularly to the board of directors of CITIC Networks.

   The service fee payable by CITIC Networks to the Company during the term of the Management Service Agreement in each of the financial year ended 31 December 2015 and the financial year ending 31 December 2016 shall be subject to an annual cap of RMB10 million. The service fee will only be payable upon the China Express Network achieving the pre-defined standards requirement through the provision of Management Consultancy and Technical Services as confirmed by CITIC Networks.

   On 22 April 2015, the Company and CITIC Networks entered into a supplemental agreement to the Management Service Agreement to extend the term of the Management Service Agreement from the original two years to three years from the date of the Management Service Agreement. The Company and CITIC Networks agreed that the proposed service fee payable (inclusive of the PRC value added tax) by CITIC Networks to the Company for the provision of the Management Consultancy and Technical Services for the year ending 31 December 2017 shall not exceed the maximum amount of RMB10 million.

   During the year ended 31 December 2015, a service fee (inclusive of the PRC value added tax) of approximately RMB7,414,000 under the Management Service Agreement was charged to CITIC Networks by the Company, as CITIC Networks has confirmed that the service performed by the Company has achieved the relevant standard requirements.

7. On 15 September 2014, CPC and CEC entered into a funding support agreement (the "Funding Support Agreement"), pursuant to which CPC agreed to provide funding support of not more than RMB50 million to CEC if and when a shortage of funds arises in the operation of the cloud data centre to be established by CEC in Shanghai, the PRC during the three years from the date of the Funding Support Agreement. CPC shall provide funds by way of shareholder's loans and the interest rate shall be equivalent to the RMB benchmark interest rates for loans of financial institutions as announced by the People's Bank of China for the same period.

   The maximum amount of funding support to be provided by CPC to CEC for each of the financial year ended 31 December 2015 and the financial year ending 31 December 2016 and the period from 1 January 2017 to 14 September 2017 shall not exceed RMB50 million.

   CEC is a non-wholly owned subsidiary of the Company and also an associate of CITIC Group, and, therefore, is a connected person of the Company.

   For the year ended 31 December 2015, the aggregate amount of the funds advanced by CPC to CEC under the Funding Support Agreement was RMB50 million.

Review of the Continuing Connected Transactions:

The independent non-executive directors of the Company have reviewed the aforesaid continuing connected transactions conducted in the financial year ended 31 December 2015 and confirmed that the transactions had been entered into

- in the ordinary and usual course of business of the Group;

- on normal commercial terms; and

- in accordance with the relevant agreements on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was 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 auditor has issued an unqualified letter containing the findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Group on pages 88 to 93 of the annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Related Party Transactions:

Details of material related party transactions undertaken in the normal course of business are provided under note 28 to the financial statements. None of these related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules, except for those described in the section of "Connected Transactions and Continuing Connected Transactions", in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

SHARE OPTION PLAN

The Company adopted a share option plan (the "Plan") on 17 May 2007. The major terms of the Plan are as follows:

1. The purpose of the Plan is to attract and retain the best quality personnel for the development of the Company's businesses; to provide additional incentives to Employees (as defined here below); and to promote the long term financial success of the Company by aligning the interests of grantees to shareholders.

2. The grantees of the Plan are any person employed by the Company or any of its subsidiaries and any person who is an officer or director (whether executive or non-executive) of the Company or any of its subsidiaries (the "Employees") as the Board may, in its absolute discretion, select.

3. The total number of shares of the Company (the "Shares") issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each grantee must not exceed 1% of the Shares in issue. Where any further grant of options to a grantee would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be subject to separate approval by the shareholders of the Company in general meeting.

4. The exercise period of any option granted under the Plan must not be more than ten years commencing on the date of grant.

5. The acceptance of an offer of the grant of the options must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee.

6. The subscription price determined by the Board will not be less than the higher of (i) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; and (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

7. The Plan shall be valid and effective till 16 May 2017.

As approved at the annual general meeting held on 25 April 2014, the mandate limit is refreshed so that taking into account the overriding limit of the Plan, the total number of Shares which may be issued upon the exercise of all options to be granted under the Plan, together with all outstanding options granted and yet to be exercised under the Plan, shall not exceed 333,505,276 Shares, being 10% of the number of Shares in issue as at the date of approval of the refreshment of the mandate limit. As at 25 February 2016, the maximum number of Shares available for issue under the Plan is 132,375,919, representing approximately 3.91% of the Shares in issue.

Since the adoption of the Plan, the Company has granted the following share options:

Date of grant	Number of share options	Exercise period	Exercise price per share HK$
23 May 2007	18,720,000	23 May 2007 to 22 May 2012	3.26
17 September 2009	17,912,500	17 September 2010 to 16 September 2015	2.10
17 September 2009	17,912,500	17 September 2011 to 16 September 2016	2.10
19 August 2011	24,227,500	19 August 2012 to 18 August 2017	1.54
19 August 2011	24,227,500	19 August 2013 to 18 August 2018	1.54
26 June 2013	81,347,000	26 June 2013 to 25 June 2018	2.25
24 March 2015	43,756,250	24 March 2016 to 23 March 2021	2.612
24 March 2015	43,756,250	24 March 2017 to 23 March 2022	2.612

Upon completion of the rights issue of the Company on 7 June 2013, the exercise price and the number of shares to be allotted and issued upon full exercise of the subscription rights attaching to the outstanding share options of the Company as at 6 June 2013 have been adjusted (the "Adjustments") in the following manner:

	Before Adjustments		After Adjustments	
Date of grant	Number of outstanding share options	Exercise price per share HK$	Number of outstanding share options	Exercise price per share HK$
17 September 2009	19,451,000	2.10	21,438,072	1.91
19 August 2011	32,332,500	1.54	35,635,462	1.40

The closing price of the Company's shares immediately before the grant on 24 March 2015 was HK$2.59. All options granted on 24 March 2015 were accepted except for options for 398,000 shares.

The share options granted on 23 May 2007 have expired at the close of business on 22 May 2012 and the first 50% of the share options granted on 17 September 2009 have expired at the close of business on 16 September 2015. The remaining options granted and accepted under the Plan can be exercised in whole or in part within 5 years from the date of commencement of the exercise period.

A summary of the movements of the share options during the year ended 31 December 2015 is as follows:

A. Directors of the Company *(Note 1)*

		Number of share options					
Name of director	Date of grant	Balance as at 1.1.2015	Granted during the year ended 31.12.2015	Exercised during the year ended 31.12.2015	Lapsed during the year ended 31.12.2015	Balance as at 31.12.2015	Percentage to the number of issued shares %
Xin Yue Jiang	17.9.2009	991,944	–	991,000 *(Note 2)*	944	–	
	17.9.2009	991,945	–	–	–	991,945	
	19.8.2011	1,377,701	–	–	–	1,377,701	
	19.8.2011	1,377,701	–	–	–	1,377,701	
	26.6.2013	3,575,000	–	–	–	3,575,000	
	24.3.2015	–	1,787,500	–	–	1,787,500	
	24.3.2015	–	1,787,500	–	–	1,787,500	
						10,897,347	0.322
Lin Zhenhui	24.3.2015	–	1,573,000	–	–	1,573,000	
	24.3.2015	–	1,573,000	–	–	1,573,000	
						3,146,000	0.093
Luo Ning	26.6.2013	400,000	–	–	–	400,000	
	24.3.2015	–	500,000	–	–	500,000	
	24.3.2015	–	500,000	–	–	500,000	
						1,400,000	0.041
David Chan Tin Wai	17.9.2009	771,512	–	771,512 *(Note 3)*	–	–	
	17.9.2009	771,513	–	–	–	771,513	
	19.8.2011	1,047,052	–	–	–	1,047,052	
	19.8.2011	1,047,053	–	–	–	1,047,053	
	26.6.2013	2,717,000	–	–	–	2,717,000	
	24.3.2015	–	1,358,500	–	–	1,358,500	
	24.3.2015	–	1,358,500	–	–	1,358,500	
						8,299,618	0.245
Liu Jifu	24.3.2015	–	1,000,000	–	–	1,000,000	
	24.3.2015	–	1,000,000	–	–	1,000,000	
						2,000,000	0.059
Liu Li Qing	24.3.2015	–	200,000	–	–	200,000	
	24.3.2015	–	200,000	–	–	200,000	
						400,000	0.012

Name of director	Date of grant	Number of share options					Percentage to the number of issued shares
		Balance as at 1.1.2015	Granted during the year ended 31.12.2015	Exercised during the year ended 31.12.2015	Lapsed during the year ended 31.12.2015	Balance as at 31.12.2015	%
Gordon Kwong Che Keung	26.6.2013	400,000	–	–	–	400,000	
	24.3.2015	–	200,000	–	–	200,000	
	24.3.2015	–	200,000	–	–	200,000	
						800,000	0.024
Zuo Xunsheng	24.3.2015	–	200,000	–	–	200,000	
	24.3.2015	–	200,000	–	–	200,000	
						400,000	0.012

B. Employees of the Company working under continuous contracts (as defined in the Employment Ordinance), other than the Directors

Date of grant	Number of share options					
	Balance as at 1.1.2015	Granted during the year ended 31.12.2015	Exercised during the year ended 31.12.2015 *(Note 4)*	Cancelled during the year ended 31.12.2015	Lapsed during the year ended 31.12.2015 *(Note 6)*	Balance as at 31.12.2015
17.9.2009	7,304,571	–	3,732,923	–	44,086	3,527,562
19.8.2011	15,123,980	–	3,441,251	–	59,555	11,623,174
26.6.2013	48,729,817	–	13,190,000	–	135,000	35,404,817
24.3.2015	–	73,574,500	–	398,000 *(Note 5)*	1,385,000	71,791,500

C. Others *(Note 7)*

Date of grant	Number of share options Balance as at 1.1.2015	Granted during the year ended 31.12.2015	Exercised during the year ended 31.12.2015 *(Note 8)*	Cancelled during the year ended 31.12.2015	Lapsed during the year ended 31.12.2015 *(Note 6)*	Balance as at 31.12.2015
17.9.2009	1,880,210	–	1,797,000	–	2,157	81,053
19.8.2011	2,645,689	–	2,444,000	–	503	201,186
26.6.2013	3,326,000	–	300,000	–	180,000	2,846,000
24.3.2015	–	300,000	–	–	–	300,000

Notes:

1. None of the options granted to the directors of the Company was cancelled during the year ended 31 December 2015.

2. The weighted average closing price of the shares immediately before the date on which Mr. Xin Yue Jiang exercised the options was HK$2.90.

3. The weighted average closing price of the shares immediately before the date on which Mr. David Chan Tin Wai exercised the options was HK$2.55.

4. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$3.22.

5. These are in respect of options granted to employees under continuous contracts who had not accepted the options. These options had been cancelled during the year ended 31 December 2015.

6. These are in respect of options granted to some employees under continuous contracts who have subsequently resigned. Such options have lapsed during the year ended 31 December 2015.

7. These are in respect of options granted to (i) some employees under continuous contracts who subsequently retired before 1 January 2015, including a former director who served as senior consultant of the Company; (ii) some employees under continuous contracts who have subsequently resigned in 2014; and (iii) an officer who is not an employee under continuous contract of the Company.

8. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$3.26.

DIRECTORS' INTERESTS IN SECURITIES

The interests of the directors of the Company in shares of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as at 31 December 2015 as recorded in the register required to be kept under section 352 of the SFO were as follows:

1. Shares in the Company and Associated Corporations

	Number of shares	
	Personal interests (unless otherwise stated)	**Percentage to the number of issued shares** %
CITIC Telecom International Holdings Limited		
David Chan Tin Wai	774,262	0.0229
CITIC Limited, an associated corporation		
David Chan Tin Wai	40,000	0.0001
Liu Jifu	840,000	0.0029
Gordon Kwong Che Keung	70,000 *(Note 1)*	0.0002
Dah Chong Hong Holdings Limited, an associated corporation		
David Chan Tin Wai	5,279	0.0003
China CITIC Bank Corporation Limited (H shares), an associated corporation		
David Chan Tin Wai	3,000 *(Note 2)*	0.00002

Notes:

1. 20,000 shares are in respect of personal interests and 50,000 shares are in respect of corporate interests.

2. These 3,000 shares are in respect of family interests.

2. Share Options in the Company

The interests of the directors of the Company in the share options (being regarded as unlisted physically settled equity derivatives) of the Company are stated in detail in the preceding section of "Share Option Plan".

Save as disclosed above, as at 31 December 2015, none of the directors of the Company had nor were they taken to or deemed to have, under Part XV of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

Save as disclosed above, at no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party or parties to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, the interests of the substantial shareholders, other than the directors of the Company or their respective associates, in the shares of the Company as recorded in the register of interests in shares and short positions required to be kept under section 336 of the SFO were as follows:

Name	Number of shares of the Company	Percentage to the number of issued shares %
CITIC Group	1,987,678,508	58.766
CITIC Polaris Limited	1,987,678,508	58.766
CITIC Glory Limited	1,987,678,508	58.766
CITIC Limited	1,987,678,508	58.766
CITIC Corporation Limited	1,987,678,508	58.766
CITIC Investment (HK) Limited	1,987,678,508	58.766
Silver Log Holdings Ltd.	1,987,678,508	58.766
CITIC Pacific Limited ("CITIC Pacific")	1,987,678,508	58.766
Crown Base International Limited	1,987,678,508	58.766
Effectual Holdings Corp.	1,987,678,508	58.766
CITIC Pacific Communications Limited	1,987,678,508	58.766
Douro Holdings Inc.	1,987,678,508	58.766
Ferretti Holdings Corp.	1,987,678,508	58.766
Ease Action Investments Corp.	1,987,678,508	58.766
Peganin Corp.	1,987,678,508	58.766
Richtone Enterprises Inc.	1,987,678,508	58.766
FIL Limited	169,586,000	5.014

CITIC Group is the direct holding company of CITIC Polaris Limited and CITIC Glory Limited, which in turn hold CITIC Limited. CITIC Limited is the direct holding company of CITIC Corporation Limited and CITIC Pacific. CITIC Corporation Limited is the direct holding company of CITIC Investment (HK) Limited, which in turn holds Silver Log Holdings Ltd.. CITIC Pacific is the direct holding company of Crown Base International Limited, which is the direct holding company of Effectual Holdings Corp.. Effectual Holdings Corp. in turn holds CITIC Pacific Communications Limited, which is then the direct holding company of Douro Holdings Inc.. Douro Holdings Inc. is the direct holding company of Ferretti Holdings Corp. and Peganin Corp.. Ferretti Holdings Corp. is the direct holding company of Ease Action Investments Corp. and Peganin Corp. is the direct holding company of Richtone Enterprises Inc.. Accordingly, the interests of CITIC Group in the Company and the interests in the Company of all its direct and indirect subsidiaries as described above duplicate each other.

On 18 December 2012, CITIC Investment (HK) Limited entered into an agreement (the "Sale and Purchase Agreement") with CITIC Limited and Onway Assets Holdings Ltd. (a wholly-owned subsidiary of CITIC Limited) for acquiring 444,500,000 shares of the Company by acquiring the entire issued share capital of Silver Log Holdings Ltd. and on 21 February 2013, Ease Action Investments Corp., Richtone Enterprises Inc. and Silver Log Holdings Ltd. entered into a management rights agreement (the "Management Rights Agreement") to regulate their relationship with each other in respect of their shareholdings in the Company. The Sale and Purchase Agreement and the Management Rights Agreement constitute agreements under section 317 of the SFO. For the purposes of the duty of disclosure, in the case of an agreement to which section 317 applies, each party to the agreement is deemed to be interested in any shares comprised in the relevant share capital in which any other party to the agreement is interested apart from the agreement.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

The Company and the controlling shareholders of the Company have entered into the following contracts of significance which were subsisting during the year ended 31 December 2015:

1. Deed of non-competition dated 21 March 2007 executed by CITIC Limited in favour of the Company, mainly to the effect that at any time during which the shares of the Company are listed on the Stock Exchange and CITIC Limited and/or its associates are regarded as a controlling shareholder of the Company under the Listing Rules, (i) CITIC Limited will not engage and will procure its subsidiaries not to engage in the provisions of telecommunications hub-based service (the "Restricted Activity") globally or in any other business that may compete with the Restricted Activity, and (ii) in the event that any opportunity is made available to CITIC Limited to invest in any independent third party's business engaging in the Restricted Activity, CITIC Limited will use its best efforts to procure that such investment opportunity is offered to the Group and the Group shall have a first right of refusal.

2. Deed of Indemnity dated 21 March 2007 given by CITIC Limited in favour of the Company (and its subsidiaries), pursuant to which CITIC Limited will keep the Company and its subsidiaries indemnified against any taxation falling on it resulting from or by reference to any revenue, income, profits or gains granted, earned, accrued, received or made on the listing date of the Company or any event, transaction, act or omission occurring or deemed to occur on or before the listing date of the Company.

3. Trademark licence agreement dated 17 November 2013 entered into between the Company and CITIC Group, pursuant to which CITIC Group agreed to licence, on a non-exclusive basis, the trademarks "中信", "CITIC" and "" for use by the Company. The agreement is for a term of three years up till 16 November 2016, and may be renewed thereafter. No consideration is payable by the Company to CITIC Group for the use of the aforesaid trademarks.

4. Administrative services agreement dated 20 August 2014 (the "Administrative Services Agreement") entered into between the Company and CITIC Pacific, a controlling shareholder of the Company, pursuant to which CITIC Pacific and the Company will share the company secretarial services and the internal audit services with retrospective effect from 1 July 2014. The amount payable by the Company to CITIC Pacific for the services received shall be determined on costs basis with payment terms to be agreed between the parties from time to time. The Administrative Services Agreement may be terminated if CITIC Limited, the immediate holding company of CITIC Pacific, shall hold less than 30% of the shares of the Company and is terminable by giving a six months' prior notice in writing by either party. Mr. Liu Jifu is a director of CITIC Pacific and therefore has indirect interests in the Administrative Services Agreement. A copy of the Administrative Services Agreement will be available for inspection at the Annual General Meeting.

Apart from the above and the transactions as mentioned in the section of "Connected Transactions and Continuing Connected Transactions", none of the Company or any of its subsidiaries has entered into any other contract of significance with the Company's controlling shareholders or their subsidiaries which were subsisting during the year ended 31 December 2015.

EQUITY-LINKED AGREEMENTS

Save for the share option plan of the Company and the Share Subscription Agreement as set out above in the sections of "Share Option Plan" and "Connected Transactions and Continuing Connected Transactions" respectively, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year, or subsisted at the end of the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this report, the Company has maintained the amount of public float as required under the Listing Rules.

BORROWINGS AND ISSUE OF GUARANTEED BONDS

On 6 March 2013, CITIC Telecom International Finance Limited ("CITIC Finance"), a wholly-owned subsidiary of the Company, issued US$450 million 6.1% guaranteed bonds due 2025 (the "Bonds") to professional investors pursuant to a subscription agreement made between the Company (as guarantor), CITIC Finance and CITIC Securities Corporate Finance (HK) Limited, Deutsche Bank AG, Singapore Branch, Standard Chartered Bank and UBS AG, Hong Kong Branch on 26 February 2013 for financing part of the consideration paid by the Company in respect of the acquisition of 79% interest in Companhia de Telecomunicações de Macau, S.A.R.L. The Bonds are listed on the Stock Exchange on 6 March 2013. All of the Bonds remained outstanding at 31 December 2015.

Particulars of borrowings of the Company and the Group at 31 December 2015 are set out in notes 20 and 21 to the financial statements.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

In accordance with the requirements under Rule 13.21 of the Listing Rules, the Directors report details of loan facilities, which existed during the year ended 31 December 2015 and included conditions relating to specific performance of the controlling shareholder of the Company, as follows:

On 12 December 2013, the Company entered into the facility agreement (the "Facility Agreement") with a group of banks for term loan facilities in an aggregate amount of up to US$540 million. A tranche of the loan facilities in the aggregate amount of up to US$216 million will mature and become payable on 12 December 2016 and another tranche of the loan facilities in the aggregate amount of up to US$324 million will be repayable in four instalments, the last instalment of which will mature and become payable on 12 December 2018.

The Facility Agreement includes, inter alia, an undertaking by the Company to procure CITIC Group to hold, legally and beneficially (directly and/or indirectly) the largest percentage of the issued share capital of the Company. A breach of such undertaking may constitute an event of default under the Facility Agreement, whereby the lenders may, inter alia, cancel the loan facilities and declare that all sums accrued or outstanding (including accrued interest) under the Facility Agreement be immediately due and payable. As at 31 December 2015, there was no breach of the covenants.

During the year, the Company has early repaid US$100 million (approximately HK$780.0 million) of the aforesaid term loan facilities and refinanced part of it for the sum of US$116 million (approximately HK$904.8 million). In addition, on 21 January 2016, the Company has refinanced the remaining part of the aforesaid term loan facilities, which amounted to US$324 million (approximately HK$2,527.2 million).

SHARE CAPITAL

During the year ended 31 December 2015, a total of 26,667,686 shares of the Company were issued upon the exercise of share options granted under the Plan as mentioned in the section of "Share Option Plan".

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31 December 2015 and the Company has not redeemed any of its shares during the year ended 31 December 2015.

CONFIRMATION OF INDEPENDENCE

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to the independence guidelines under the Listing Rules and that the Company still considers such directors to be independent.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 43 of the annual report.

RETIREMENT SCHEMES

The Group operates a defined benefit retirement plan and several defined contribution retirement plans. Particulars of the retirement schemes are set out in note 22 to the financial statements.

UPDATE ON DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in monthly salaries for the following executive directors of the Company under their respective service contracts are set out below:

Name of director	Previous monthly salary	Monthly salary (with effect from 1 January 2016)
Xin Yue Jiang	HK$293,090	HK$307,750
Lin Zhenhui	HK$285,000	HK$299,250
David Chan Tin Wai	HK$202,890	HK$213,040

Note: For information in relation to the 2015 full year emoluments of the directors of the Company, please refer to note 8 to the financial statements.

AUDITOR

KPMG retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the Annual General Meeting.

By Order of the Board
Xin Yue Jiang
Chairman

Hong Kong, 25 February 2016

FORWARD LOOKING STATEMENTS

This Annual Report contains certain forward looking statements with respect to the financial condition, results of operations and business of the Group. These forward looking statements represent the Company's current expectations, beliefs, assumptions or projections concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Forward looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ, in some instances materially, from those expressed, implied or anticipated in any forward looking statement or assessment of risk.

None of the Company, the directors, employees or agents assumes (a) any obligation to correct or update any forward looking statements or opinions contained in this Annual Report; and (b) any liability arising from any forward looking statements or opinions that do not materialise or otherwise prove to be incorrect.

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent auditor's report to the members of CITIC Telecom International Holdings Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of CITIC Telecom International Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 106 to 169, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 February 2016

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2015 (Expressed in Hong Kong dollars)

	Note	2015 $'000	2014 $'000
Turnover	3	**8,349,811**	8,183,607
Other revenue	4	**8,372**	4,157
Other net gain	5	**12,351**	9,216
		8,370,534	8,196,980
Cost of sales and services		**(4,941,830)**	(4,879,929)
Depreciation and amortisation	6(c)	**(674,007)**	(682,619)
Staff costs	6(b)	**(801,632)**	(722,378)
Other operating expenses		**(596,087)**	(663,763)
		1,356,978	1,248,291
Finance costs	6(a)	**(346,070)**	(334,350)
Share of (loss)/profit of a joint venture		**(465)**	353
Profit before taxation	6	**1,010,443**	914,294
Income tax	7(a)	**(195,611)**	(179,339)
Profit for the year		**814,832**	734,955
Attributable to:			
Equity shareholders of the Company		**802,213**	723,734
Non-controlling interests		**12,619**	11,221
Profit for the year		**814,832**	734,955
Earnings per share (HK cents)	10		
Basic		**23.8**	21.7
Diluted		**23.6**	21.5

The notes on pages 111 to 169 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 24(b).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2015 (Expressed in Hong Kong dollars)

	Note	2015 $'000	2014 $'000
Profit for the year		**814,832**	734,955
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit obligation:			
– actuarial loss	22(a)(v)	**(15,350)**	(33,914)
– deferred tax recognised on the actuarial loss	7(c)	**1,918**	4,130
		(13,432)	(29,784)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments:			
– exchange differences on translation of financial statements of operations outside Hong Kong, net of $Nil tax		**(24,315)**	(10,270)
		(24,315)	(10,270)
Other comprehensive income for the year		**(37,747)**	(40,054)
Total comprehensive income for the year		**777,085**	694,901
Attributable to:			
Equity shareholders of the Company		**764,584**	683,954
Non-controlling interests		**12,501**	10,947
Total comprehensive income for the year		**777,085**	694,901

The notes on pages 111 to 169 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2015 (Expressed in Hong Kong dollars)

	Note	2015 $'000	2014 $'000
Non-current assets			
Property, plant and equipment	11	**2,404,952**	2,105,909
Intangible assets	12	**2,005,221**	2,167,628
Goodwill	13	**9,276,511**	9,281,625
Interest in a joint venture	15	**5,541**	6,265
Non-current other receivables and deposits	17	**163,862**	215,612
Deferred tax assets	7(c)	**33,227**	33,141
		13,889,314	13,810,180
Current assets			
Inventories	16	**174,163**	198,931
Trade and other receivables and deposits	17	**1,689,517**	1,906,539
Current tax recoverable	7(b)	**6,497**	28,005
Cash and bank deposits	18(a)	**1,222,979**	1,396,892
		3,093,156	3,530,367
Current liabilities			
Trade and other payables	19	**1,767,454**	2,088,566
Bank loans	20	**100,000**	100,000
Current tax payable	7(b)	**242,206**	232,132
		2,109,660	2,420,698
Net current assets		**983,496**	1,109,669
Total assets less current liabilities		**14,872,810**	14,919,849
Non-current liabilities			
Interest-bearing borrowings	21	**7,372,492**	7,867,586
Non-current other payables	19	**65,656**	73,040
Net defined benefit retirement obligation	22(a)	**117,307**	103,729
Deferred tax liabilities	7(c)	**260,297**	281,218
		7,815,752	8,325,573
NET ASSETS		**7,057,058**	6,594,276
CAPITAL AND RESERVES			
Share capital	24(c)	**3,848,565**	3,780,941
Reserves		**3,180,822**	2,787,417
Total equity attributable to equity shareholders of the Company		**7,029,387**	6,568,358
Non-controlling interests		**27,671**	25,918
TOTAL EQUITY		**7,057,058**	6,594,276

Approved and authorised for issue by the board of directors on 25 February 2016.

Xin Yue Jiang
Director

Lin Zhenhui
Director

The notes on pages 111 to 169 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015 (Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company								
	Note	Share capital (note 24(c)) $'000	Share premium (note 24(d)) $'000	Capital reserve (note 24(e)) $'000	Capital redemption reserve (note 24(d)) $'000	Exchange reserve (note 24(f)) $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2014		332,324	3,363,280	71,143	2,034	9,736	2,384,754	6,163,271	24,680	6,187,951
Changes in equity for 2014:										
Profit for the year		–	–	–	–	–	723,734	723,734	11,221	734,955
Other comprehensive income for the year		–	–	–	–	(10,295)	(29,485)	(39,780)	(274)	(40,054)
Total comprehensive income for the year		–	–	–	–	(10,295)	694,249	683,954	10,947	694,901
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	(9,709)	(9,709)
Shares issued under share option plan before 3 March 2014	23(b)(ii)	678	16,371	(3,695)	–	–	–	13,354	–	13,354
Transition to no-par value regime on 3 March 2014	24(c)	3,381,685	(3,379,651)	–	(2,034)	–	–	–	–	–
Shares issued under share option plan on and after 3 March 2014	23(b)(ii)	66,254	–	(14,638)	–	–	–	51,616	–	51,616
Dividends approved in respect of the previous financial year	24(b)(ii)	–	–	–	–	–	(253,474)	(253,474)	–	(253,474)
Release upon lapse of share options	23(b)(ii)	–	–	(333)	–	–	333	–	–	–
Dividends approved in respect of the current financial year	24(b)(i)	–	–	–	–	–	(90,363)	(90,363)	–	(90,363)
		3,448,617	(3,363,280)	(18,666)	(2,034)	–	(343,504)	(278,867)	(9,709)	(288,576)
Balance at 31 December 2014		3,780,941	–	52,477	–	(559)	2,735,499	6,568,358	25,918	6,594,276
Balance at 1 January 2015		**3,780,941**	**–**	**52,477**	**–**	**(559)**	**2,735,499**	**6,568,358**	**25,918**	**6,594,276**
Changes in equity for 2015:										
Profit for the year		**–**	**–**	**–**	**–**	**–**	**802,213**	**802,213**	**12,619**	**814,832**
Other comprehensive income for the year		**–**	**–**	**–**	**–**	**(24,331)**	**(13,298)**	**(37,629)**	**(118)**	**(37,747)**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**(24,331)**	**788,915**	**764,584**	**12,501**	**777,085**
Dividend paid to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(10,748)**	**(10,748)**
Shares issued under share option plan	23(b)(ii)	**67,624**	**–**	**(15,103)**	**–**	**–**	**–**	**52,521**	**–**	**52,521**
Equity-settled share-based transactions	6(b)	**–**	**–**	**28,120**	**–**	**–**	**–**	**28,120**	**–**	**28,120**
Dividends approved in respect of the previous financial year	24(b)(ii)	**–**	**–**	**–**	**–**	**–**	**(289,536)**	**(289,536)**	**–**	**(289,536)**
Release upon lapse of share options	23(b)(ii)	**–**	**–**	**(238)**	**–**	**–**	**238**	**–**	**–**	**–**
Dividends approved in respect of the current financial year	24(b)(i)	**–**	**–**	**–**	**–**	**–**	**(94,660)**	**(94,660)**	**–**	**(94,660)**
		67,624	**–**	**12,779**	**–**	**–**	**(383,958)**	**(303,555)**	**(10,748)**	**(314,303)**
Balance at 31 December 2015		**3,848,565**	**–**	**65,256**	**–**	**(24,890)**	**3,140,456**	**7,029,387**	**27,671**	**7,057,058**

The notes on pages 111 to 169 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2015 (Expressed in Hong Kong dollars)

	Note	2015 $'000	2014 $'000
Operating activities			
Cash generated from operations	18(d)	**1,959,223**	1,815,617
Tax paid:			
– Hong Kong Profits Tax paid		**(42,532)**	(52,999)
– Tax paid for jurisdictions outside Hong Kong		**(157,004)**	(137,151)
Tax refunded:			
– Hong Kong Profits Tax refunded		**16,091**	763
– Tax refunded for jurisdictions outside Hong Kong		**–**	1,654
Net cash generated from operating activities		**1,775,778**	1,627,884
Investing activities			
Payment for the purchase of property, plant and equipment		**(734,461)**	(719,074)
Proceeds from sale of property, plant and equipment		**345**	1,275
Payment for transaction costs for the acquisitions of equity investment		**–**	(1,167)
Increase in pledged deposits		**(146,097)**	(2,072)
Interest received		**5,341**	3,916
Net cash used in investing activities		**(874,872)**	(717,122)
Financing activities			
Proceeds from new bank loans		**1,170,000**	230,000
Proceeds from new shares issued under share option plan	24(c)(ii)	**52,521**	64,970
Payment for transaction costs on bank loans		**(43,125)**	(1,682)
Repayment of bank loans		**(1,684,800)**	–
Other borrowing costs paid		**(312,576)**	(308,022)
Dividends paid to equity shareholders of the Company		**(384,196)**	(343,837)
Dividend paid to non-controlling interests		**(10,748)**	(9,709)
Net cash used in financing activities		**(1,212,924)**	(368,280)
Net (decrease)/increase in cash and cash equivalents		**(312,018)**	542,482
Cash and cash equivalents at 1 January	18(a)	**1,393,486**	854,742
Effect of foreign exchange rate changes		**(7,785)**	(3,738)
Cash and cash equivalents at 31 December	18(a)	**1,073,683**	1,393,486

The notes on pages 111 to 169 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise CITIC Telecom International Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") and the Group's interest in a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis, except as otherwise stated in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

– Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*

– *Annual Improvements to HKFRSs 2010-2012 Cycle*

– *Annual Improvements to HKFRSs 2011-2013 Cycle*

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 19, Employee benefits: Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial statements as the defined benefit plan operated by the Group are wholly funded by contributions from the Group and do not involve contributions from employees or third parties.

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures*, has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (Continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)).

(e) Joint ventures

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(j)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition-date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(j)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(j)).

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is initially recognised in the consolidated statement of financial position at cost less impairment losses (see note 1(j)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. Those costs which are not eligible for capitalisation under accounting standards are recognised as expenses in the period in which they are incurred.

No depreciation is provided in respect of construction in progress. Upon completion and commissioning for operation, depreciation will be provided at the appropriate rates specified below.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Buildings situated on freehold land are depreciated over their estimated useful lives, being no more than 50 years after the date of completion.

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

– Telecommunications equipment is depreciated over 2 to 20 years.

– Other assets are depreciated over 2 to 5 years.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment (Continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(h) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(j)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Trade names/trademarks	1–27 years
– Customer relationships	5–15 years
– Indefeasible rights of use ("IRU") of telecommunications capacity	10 years
– Order backlog	5 years
– Computer software	3 years

Both the period and method of amortisation are reviewed annually.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except for land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Leased assets (Continued)

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property or is held for development for sale.

(j) Impairment of assets

(i) Impairment of investments in equity securities and trade and other receivables and deposits

Investments in equity securities and current and non-current trade and other receivables and deposits that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investment in a joint venture accounted for under equity method in the consolidated financial statements (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(j)(ii).

– For trade and other receivables and deposits carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (Continued)

(i) Impairment of investments in equity securities and trade and other receivables and deposits (Continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables and deposits, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that property, plant and equipment, intangible assets, goodwill and investments in subsidiaries in the Company's statement of financial position may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (Continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Inventories

(i) Sales of goods

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in-first-out cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Business solution projects

The revenue recognition policy for revenue from business solution projects is set out in note 1(s)(iii). When the outcome of a project can be estimated reliably, project costs are recognised as an expense by reference to the stage of completion of the project at the end of the reporting period. When it is probable that total project costs will exceed total project revenue, the expected loss is recognised as an expense immediately. When the outcome of a project cannot be estimated reliably, project costs are recognised as an expense in the period in which they are incurred.

Business solution projects at the end of the reporting period are recorded in the consolidated statement of financial position at the net amount of costs incurred plus recognised profit less recognised losses and progress billings. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customers.

(l) Trade and other receivables and deposits

Trade and other receivables and deposits are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(r)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss and allocated by nature as part of "staff costs", "other operating expenses" or "finance costs". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality government bonds that have maturity dates approximating the terms of the Group's obligations.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained profits. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits (Continued)

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax (Continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group or the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group or the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group or the Company issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Financial guarantees issued, provisions and contingent liabilities (Continued)

(i) Financial guarantees issued (Continued)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(r)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group or the Company under the guarantee, and (ii) the amount of that claim on the Group or the Company is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Revenue from telecommunications services

Revenue from telecommunications services is recognised on the basis of minutes of traffic processed and/or contracted fees for telecommunications services that have been provided and based on the relative fair value of the services rendered and bonus points issued under the customer loyalty programme.

(ii) Sale of equipment and mobile handsets

Revenue from the sale of equipment and mobile handsets is recognised when the goods are delivered to the customers which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

(iii) Revenue from business solution projects

Revenue from business solution projects is recognised in proportion to the stage of completion of the projects at the end of the reporting period. The stage of completion is assessed by reference to the surveys of work performed. When the outcome of a project cannot be estimated reliably, project revenue is recognised only to the extent of project costs incurred where its recoverability is probable.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue recognition (Continued)

(iv) Customer loyalty programme

The Group has a customer loyalty programme whereby customers are awarded credits known as "bonus point" entitling customers to redeem cash coupons and gifts. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the bonus point and the other components of the sale. The amount allocated to the bonus points is estimated by reference to the fair value of the cash coupons and gifts. The fair value of the cash coupons and gifts is estimated based on the amount of the face value, adjusted to take into account the expected forfeiture rate. Such amount is deferred and revenue is recognised when the bonus points are redeemed and the Group has fulfilled its obligations to supply the cash coupons and gifts. The amount of revenue recognised in those circumstances is based on the number of bonus points that have been redeemed in exchange for the cash coupons and gifts, relative to the total number of bonus points that is expected to be redeemed. Deferred revenue is also released to revenue when it is no longer considered probable that the bonus points will be redeemed.

(v) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into Hong Kong dollars ("HKD") at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations, are translated into HKD at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Deferred revenue

Deferred revenue represents the service fees received in advance for the provision of telecommunications services, which is amortised over the remaining service period based on the service pattern.

(y) Deferred expenditure

Deferred expenditure represents the service fees prepaid for telecommunications services, which is amortised over the remaining service period based on the service pattern.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

Notes 13, 22, 23 and 25 contain information about the assumptions and their risk factors relating to goodwill impairment, defined benefit retirement obligation, fair value of share options granted and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Depreciation and amortisation

Property, plant and equipment and intangible assets are depreciated and amortised on a straight-line basis over its estimated useful lives. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimation.

(b) Impairment

In considering the impairment losses that may be required for certain assets of the Group, the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of its fair value less costs of disposal and value in use. It is difficult to precisely estimate fair value because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of turnover and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as turnover and operating costs.

Impairment losses for doubtful debts are assessed and provided based on the directors' regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer.

An increase or decrease in the above impairment losses would affect the net profit in future years.

(c) Income tax

The Group is subject to income tax in various jurisdictions. Significant judgement is required in determining the worldwide provision for income tax. There are transactions during the ordinary course of business, for which calculation of the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and requires significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the financial results in future years.

2 ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(d) Business solution projects

As explained in notes 1(k)(ii) and 1(s)(iii) revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the business solution contract, as well as the work done to date. Based on the Group's recent experience and the nature of the business solution activities undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached, the accrued revenue included in trade and other receivables and deposits will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total costs or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

3 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The Group is principally engaged in the provision of telecommunications services, including mobile services, Internet services, international telecommunications services, enterprise solutions and fixed line services, and sale of equipment and mobile handsets.

Turnover represents fees from the provision of telecommunications services and sale of equipment and mobile handsets. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2015 $'000	2014 $'000
Mobile services	1,244,673	1,319,971
Internet services	832,557	752,916
International telecommunications services	1,554,795	1,877,226
Enterprise solutions	2,107,124	1,851,253
Fixed line services	356,517	400,643
Fees from the provision of telecommunications services	6,095,666	6,202,009
Sale of equipment and mobile handsets	2,254,145	1,981,598
	8,349,811	8,183,607

(b) Segment reporting

The Group manages its businesses by business operations. The financial results of the Group are reported to the Group's most senior executive management as one operating segment for the purposes of resource allocation and performance assessment.

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified only one operating segment, i.e. telecommunications operations.

3 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources, the Group's senior executive management monitors the results, assets and liabilities attributable to the reportable segment on the following bases:

– Segment assets include all assets, with the exception of interest in a joint venture, deferred tax assets, current tax recoverable, and other corporate assets. Segment liabilities include trade and other payables and net defined benefit retirement obligation attributable to the operating activities of the segment.

– Revenue and expenses are allocated to the reportable segment with reference to sales generated by the segment and the expenses incurred by the segment or which otherwise arise from the depreciation or amortisation of assets attributable to the segment.

(ii) Reconciliation of reportable segment profit

	2015 $'000	2014 $'000
Profit		
Reportable segment profit	**2,111,230**	2,012,075
Net (loss)/gain on disposal of property, plant and equipment	**(226)**	272
Depreciation and amortisation	**(674,007)**	(682,619)
Finance costs	**(346,070)**	(334,350)
Share of (loss)/profit of a joint venture	**(465)**	353
Interest income	**8,372**	4,157
Unallocated head office and corporate expenses	**(88,391)**	(85,594)
Consolidated profit before taxation	**1,010,443**	914,294

(iii) Reconciliation of reportable segment assets and liabilities

	2015 $'000	2014 $'000
Assets		
Reportable segment assets	**16,863,217**	17,194,560
Interest in a joint venture	**5,541**	6,265
Deferred tax assets	**33,227**	33,141
Current tax recoverable	**6,497**	28,005
Unallocated head office and corporate assets	**73,988**	78,576
Consolidated total assets	**16,982,470**	17,340,547
Liabilities		
Reportable segment liabilities	**1,915,068**	2,222,259
Bank loans	**100,000**	100,000
Current tax payable	**242,206**	232,132
Non-current interest-bearing borrowings	**7,372,492**	7,867,586
Deferred tax liabilities	**260,297**	281,218
Unallocated head office and corporate liabilities	**35,349**	43,076
Consolidated total liabilities	**9,925,412**	10,746,271

3 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(iv) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's property, plant and equipment, intangible assets, goodwill and interest in a joint venture ("specified non-current assets"). The geographical location of revenue is based on the physical location of assets through which the services were provided or the location at which the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interest in a joint venture.

	Revenue from external customers		Specified non-current assets	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Hong Kong (place of domicile)	**2,607,841**	2,765,912	**986,323**	1,063,574
Macau	**5,015,893**	4,708,046	**12,411,793**	12,206,892
Others	**726,077**	709,649	**294,109**	290,961
	8,349,811	8,183,607	**13,692,225**	13,561,427

4 OTHER REVENUE

	2015	2014
	$'000	$'000
Interest income from bank deposits	**8,260**	3,945
Other interest income	**112**	212
	8,372	4,157

5 OTHER NET GAIN

	2015	2014
	$'000	$'000
Net (loss)/gain on disposal of property, plant and equipment	**(226)**	272
Net foreign exchange gain	**12,577**	8,944
	12,351	9,216

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		2015 $'000	2014 $'000
(a)	**Finance costs**		
	Interest on bank and other borrowings		
	– wholly repayable within five years	**95,873**	93,867
	– not wholly repayable within five years	**214,110**	214,110
		309,983	307,977
	Other finance charges	**32,704**	23,441
	Other interest expense (note 22(a)(v))	**3,383**	2,932
		346,070	334,350
(b)	**Staff costs (including directors' remuneration (note 8))**		
	Contributions to defined contribution retirement plans	**41,225**	36,660
	Expenses recognised in respect of defined benefits retirement plan (note 22(a)(v))	**10,011**	8,523
	Total retirement costs	**51,236**	45,183
	Equity-settled share-based payment expenses (note 23(b)(iv))	**28,120**	–
	Salaries, wages and other benefits	**722,276**	677,195
		801,632	722,378
(c)	**Other items**		
	Operating lease charges		
	– leased circuits	**771,120**	723,659
	– land and buildings	**97,533**	94,509
	Depreciation (note 11(a))	**496,838**	507,028
	Amortisation (note 12)	**177,169**	175,591
		674,007	682,619
	Impairment losses		
	– trade debtors, net (note 17(b))	**12,447**	26,798
	Auditors' remuneration		
	– audit services	**5,639**	5,554
	– non-audit services	**1,343**	1,332

7 INCOME TAX

(a) Income tax in the consolidated income statement represents:

	2015 $'000	2014 $'000
Current tax		
Hong Kong Profits Tax		
– Provision for the year	**55,136**	50,949
– Under/(over)-provision in respect of prior year	**178**	(896)
	55,314	50,053
Jurisdictions outside Hong Kong		
– Provision for the year	**162,087**	155,295
– Over-provision in respect of prior year	**(1,717)**	(358)
	160,370	154,937
Deferred tax		
Origination and reversal of temporary differences (note 7(c))	**(20,073)**	(25,651)
	195,611	179,339

The provision for Hong Kong Profits Tax for 2015 is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the year taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2014-15 subject to a maximum reduction of $20,000 for each business (2014: a maximum reduction of $10,000 was granted for the year of assessment 2013-14 and was taken into account in calculating the provision for 2014).

Taxation for jurisdictions outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

Reconciliation between actual tax expense and accounting profit at applicable tax rates:

	2015 $'000	2014 $'000
Profit before taxation	**1,010,443**	914,294
Calculated at the Hong Kong Profits Tax rate of 16.5% (2014: 16.5%)	**166,723**	150,858
Tax effect of non-taxable income and non-deductible expenses	**66,690**	72,072
Tax effect of unused tax losses not recognised	**20,887**	7,655
Tax effect of temporary differences and unused tax losses previously not recognised	**(4,904)**	–
Tax effect of different tax rates of operations in other jurisdictions	**(51,397)**	(50,084)
Over-provision in respect of prior years	**(1,539)**	(1,254)
Others	**(849)**	92
Actual tax expense	**195,611**	179,339

7 INCOME TAX (CONTINUED)

(b) Current taxation in the consolidated statement of financial position represents:

	2015 $'000	2014 $'000
Hong Kong Profits Tax		
Provision for the year	55,136	50,949
Provisional profits tax paid	(38,463)	(43,956)
Profits tax provision/(recoverable) relating to prior years	3,210	(16,056)
	19,883	(9,063)
Jurisdictions outside Hong Kong		
Provision for the year	162,087	155,295
Profits tax paid	(5,448)	(2,445)
Balance of profits tax provision relating to prior years	59,844	59,930
Exchange adjustments	(657)	410
	215,826	213,190
	235,709	204,127
Representing:		
Current tax recoverable	(6,497)	(28,005)
Current tax payable	242,206	232,132
	235,709	204,127

(c) Deferred tax assets and liabilities recognised:

The components of deferred tax liabilities/(assets) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Intangible assets arising from business combination $'000	Depreciation allowances in excess of the related depreciation $'000	Defined benefit retirement obligation $'000	Future benefits of tax losses $'000	Others $'000	Total $'000
Deferred tax arising from:						
At 1 January 2014	279,344	79,697	(8,676)	(71,916)	(601)	277,848
(Credited)/charged to profit or loss (note 7(a))	(27,528)	3,659	360	(2,142)	–	(25,651)
Credited to reserves	–	–	(4,130)	–	–	(4,130)
Exchange adjustments	(27)	–	–	37	–	10
At 31 December 2014	251,789	83,356	(12,446)	(74,021)	(601)	248,077
At 1 January 2015	251,789	83,356	(12,446)	(74,021)	(601)	248,077
(Credited)/charged to profit or loss (note 7(a))	(11,372)	(6,166)	287	(2,822)	–	(20,073)
Credited to reserves	–	–	(1,918)	–	–	(1,918)
Exchange adjustments	212	–	–	772	–	984
At 31 December 2015	240,629	77,190	(14,077)	(76,071)	(601)	227,070

7 INCOME TAX (CONTINUED)

(c) Deferred tax assets and liabilities recognised: (Continued)

Reconciliation to the consolidated statement of financial position

	2015 $'000	2014 $'000
Net deferred tax assets recognised in the consolidated statement of financial position	(33,227)	(33,141)
Net deferred tax liabilities recognised in the consolidated statement of financial position	260,297	281,218
	227,070	248,077

(d) Deferred tax assets not recognised

In accordance with the accounting policies set out in note 1(q), the Group has not recognised deferred tax assets in respect of unused tax losses of $230,365,000 (2014: $118,533,000) at 31 December 2015 as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities. $207,882,000 (2014: $91,695,000) of the tax losses do not expire under the current tax legislation, and $22,483,000 (2014: $26,838,000) of the tax losses will expire after 3 to 20 years.

8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2015						
	Directors' fees $'000	Basic salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payments $'000	Total $'000
Executive directors							
Xin Yue Jiang	–	3,878	4,128	–	8,006	1,565	9,571
Lin Zhenhui (appointed on 1 January 2015)	–	3,771	3,715	18	7,504	1,377	8,881
Luo Ning	–	–	500	–	500	438	938
Chan Tin Wai, David	–	2,702	3,322	18	6,042	1,189	7,231
Non-executive director							
Liu Jifu	–	–	–	–	–	875	875
Independent non-executive directors							
Liu Li Qing	340	–	–	–	340	175	515
Kwong Che Keung, Gordon	340	–	–	–	340	175	515
Zuo Xunsheng	340	–	–	–	340	175	515
Total	1,020	10,351	11,665	36	23,072	5,969	29,041

8 DIRECTORS' REMUNERATION (CONTINUED)

	2014						
	Directors' fees $'000	Basic salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payments $'000	Total $'000
Executive directors							
Xin Yue Jiang	–	3,696	3,931	–	7,627	–	7,627
Yuen Kee Tong (retired on 1 January 2015)	–	4,087	3,538	166	7,791	–	7,791
Luo Ning*	–	–	500	–	500	–	500
Chan Tin Wai, David	–	2,531	3,163	17	5,711	–	5,711
Non-executive directors							
Liu Jifu	–	–	–	–	–	–	–
Luo Ning*	48	–	–	–	48	–	48
Independent non-executive directors							
Yang Xianzu (retired on 25 April 2014)	99	–	–	–	99	–	99
Liu Li Qing	310	–	–	–	310	–	310
Kwong Che Keung, Gordon	310	–	–	–	310	–	310
Zuo Xunsheng (appointed on 26 April 2014)	211	–	–	–	211	–	211
Total	978	10,314	11,132	183	22,607	–	22,607

* Mr Luo Ning was re-designated as an executive director of the Company with effect from 26 April 2014.

The above remuneration is included in staff costs as presented in note 6(b).

A number of the Company's directors were granted share options of the Company and CITIC Limited, an intermediate holding company of the Company. Details of the share option plans are set out in note 23.

The discretionary bonuses of the Group were determined and approved by the Company's board of directors (the "Board") with reference to the performance of the Group and the respective directors.

During the years ended 31 December 2015 and 2014, no emoluments were paid by the Company to any of the directors as an inducement to join or upon joining the Company or as compensation for loss of office and none of the directors has waived or agreed to waive any emoluments.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2014: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2014: two) individuals are as follows:

	2015 $'000	2014 $'000
Salaries and other emoluments	6,585	6,272
Discretionary bonuses	10,289	11,401
Share-based payments	1,220	–
Retirement scheme contributions	514	490
	18,608	18,163

The emoluments of the two (2014: two) individuals with the highest emoluments are within the following bands:

	2015 Number of individuals	2014 Number of individuals
$		
5,000,001 – 5,500,000	–	1
6,000,001 – 6,500,000	1	–
12,500,001 – 13,000,000	1	1

During the years ended 31 December 2015 and 2014, no emoluments were paid by the Company to any of the highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office.

10 EARNINGS PER SHARE

	2015 $'000	2014 $'000
Profit attributable to equity shareholders of the Company	802,213	723,734

The weighted average number of ordinary shares in issue during the year, is calculated as follows:

	Number of shares 2015 '000	2014 '000
Issued ordinary shares at 1 January	3,355,674	3,323,242
Effect of share options exercised	16,619	15,742
Weighted average number of ordinary shares (basic) at 31 December	3,372,293	3,338,984
Effect of deemed issue of shares under the Company's share option plan	33,576	32,848
Weighted average number of ordinary shares (diluted) at 31 December	3,405,869	3,371,832
Basic earnings per share (HK cents)	23.8	21.7
Diluted earnings per share (HK cents)	23.6	21.5

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Land and buildings held for own use (note (b)) $'000	Tele-communications equipment $'000	Other assets (note (c)) $'000	Construction in progress $'000	Total $'000
Cost:					
At 1 January 2014	265,595	2,375,163	210,223	252,065	3,103,046
Additions	–	78,027	42,695	610,182	730,904
Disposals	–	(335,863)	(3,217)	–	(339,080)
Reclassification and transfer to intangible assets (note 12)	–	525,560	10,142	(536,358)	(656)
Exchange adjustments	–	(2,439)	(818)	(3)	(3,260)
At 31 December 2014	265,595	2,640,448	259,025	325,886	3,490,954
At 1 January 2015	**265,595**	**2,640,448**	**259,025**	**325,886**	**3,490,954**
Additions	**–**	**87,505**	**21,381**	**709,854**	**818,740**
Disposals	**(292)**	**(63,585)**	**(1,298)**	**–**	**(65,175)**
Reclassification and transfer to intangible assets (note 12)	**–**	**794,634**	**14,026**	**(824,697)**	**(16,037)**
Exchange adjustments	**–**	**(13,512)**	**(3,345)**	**–**	**(16,857)**
At 31 December 2015	**265,303**	**3,445,490**	**289,789**	**211,043**	**4,211,625**
Accumulated depreciation:					
At 1 January 2014	20,737	1,080,421	117,549	–	1,218,707
Charge for the year (note 6(c))	11,254	459,923	35,851	–	507,028
Written back on disposals	–	(335,233)	(2,844)	–	(338,077)
Exchange adjustments	–	(2,035)	(578)	–	(2,613)
At 31 December 2014	31,991	1,203,076	149,978	–	1,385,045
At 1 January 2015	**31,991**	**1,203,076**	**149,978**	**–**	**1,385,045**
Charge for the year (note 6(c))	**11,417**	**449,774**	**35,647**	**–**	**496,838**
Written back on disposals	**(292)**	**(63,082)**	**(1,230)**	**–**	**(64,604)**
Exchange adjustments	**–**	**(9,567)**	**(1,039)**	**–**	**(10,606)**
At 31 December 2015	**43,116**	**1,580,201**	**183,356**	**–**	**1,806,673**
Net book value:					
At 31 December 2015	**222,187**	**1,865,289**	**106,433**	**211,043**	**2,404,952**
At 31 December 2014	233,604	1,437,372	109,047	325,886	2,105,909

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) The analysis of net book value of properties is as follows:

	2015 **$'000**	2014 $'000
Situated in Hong Kong and held under medium-term leases	**135,337**	139,633
Situated outside Hong Kong and held under medium-term leases	**86,850**	93,971
	222,187	233,604
Representing:		
Land and buildings carried at cost	**222,187**	233,604

(c) Other assets include electronic data processing equipment, furniture and fixtures, motor vehicles and office equipment.

(d) Certain property, plant and equipment of Companhia de Telecomunicações de Macau S.A.R.L. ("CTM") are designated for the provision of basic infrastructure of public telecommunications services. They may need to be shared with other licensed telecommunications operators or the Macau Government with fair compensation, or, upon termination of the concession agreement, assigned in favour of the Macau Government.

12 INTANGIBLE ASSETS

	Customer relationships $'000	Order backlog $'000	Trade names/ trademarks $'000	IRU of tele-communications capacity $'000	Computer software $'000	Total $'000
Cost:						
At 1 January 2014	1,674,020	18,743	790,605	626	9,170	2,493,164
Transfer from property, plant and equipment (note 11(a))	–	–	–	–	656	656
Disposals	–	–	–	–	(29)	(29)
Exchange adjustments	(929)	(18)	(49)	–	–	(996)
At 31 December 2014	1,673,091	18,725	790,556	626	9,797	2,492,795
At 1 January 2015	**1,673,091**	**18,725**	**790,556**	**626**	**9,797**	**2,492,795**
Transfer from property, plant and equipment (note 11(a))	**–**	**–**	**–**	**–**	**16,037**	**16,037**
Disposals	**–**	**–**	**–**	**–**	**(2,271)**	**(2,271)**
Exchange adjustments	**(2,122)**	**(311)**	**(836)**	**–**	**–**	**(3,269)**
At 31 December 2015	**1,670,969**	**18,414**	**789,720**	**626**	**23,563**	**2,503,292**
Accumulated amortisation:						
At 1 January 2014	118,670	8,621	20,130	622	2,243	150,286
Charge for the year (note 6(c))	137,700	4,038	30,176	4	3,673	175,591
Written back on disposals	–	–	–	–	(29)	(29)
Exchange adjustments	(682)	–	–	–	1	(681)
At 31 December 2014	255,688	12,659	50,306	626	5,888	325,167
At 1 January 2015	**255,688**	**12,659**	**50,306**	**626**	**5,888**	**325,167**
Charge for the year (note 6(c))	**137,348**	**4,035**	**30,173**	**–**	**5,613**	**177,169**
Written back on disposals	**–**	**–**	**–**	**–**	**(2,271)**	**(2,271)**
Exchange adjustments	**(1,619)**	**(196)**	**(179)**	**–**	**–**	**(1,994)**
At 31 December 2015	**391,417**	**16,498**	**80,300**	**626**	**9,230**	**498,071**
Net book value:						
At 31 December 2015	**1,279,552**	**1,916**	**709,420**	**–**	**14,333**	**2,005,221**
At 31 December 2014	1,417,403	6,066	740,250	–	3,909	2,167,628

13 GOODWILL

	2015 $'000	2014 $'000
Cost and carrying amount:		
At 1 January	**9,281,625**	9,283,688
Exchange adjustments	**(5,114)**	(2,063)
At 31 December	**9,276,511**	9,281,625

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units identified as follows:

	2015 $'000	2014 $'000
Telecoms business – Macau	**8,892,097**	8,892,097
International telecommunications services	**267,650**	270,596
Enterprise solutions (outside Macau)	**116,764**	118,932
	9,276,511	9,281,625

The recoverable amounts of the cash-generating units are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three-year period.

Key assumptions used for the value-in-use calculations are as follows:

	2015	2014
Long term growth rate	**0% – 3%**	0% – 7%
Discount rate	**9%**	9%

The long term growth rates used are based on past performance and management's expectation for market development. The discount rate used is pre-tax and reflects specific risks relating to the respective cash-generating units.

14 INTERESTS IN SUBSIDIARIES

(a) The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of company	Place of incorporation/ operation	Particulars of issued and fully paid-up capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activity
China Enterprise ICT Solutions Limited ("CEC")	The People's Republic of China ("PRC")	Renminbi ("RMB") 84,620,000	–	49% (note(i))	Provision of value-added telecommunications services
China Enterprise Netcom Corporation Limited	Hong Kong	HK$100*	–	100%	Provision of telecommunications leasing and technology services
CITIC 1616 Holdings Limited	Hong Kong	HK$1,000* and HK$38,000,000#	100%	–	Equipment holding
CITIC Telecom International (Concept) Limited	Hong Kong	HK$2*	–	100%	Provision of systems integration services
CITIC Telecom International (Data) Limited	Hong Kong	HK$2*	–	100%	Provision of data and other telecommunications services
CITIC Telecom International Finance Limited	British Virgin Islands	United States Dollar ("US$")1*	100%	–	Provision of financing services
CITIC Telecom International Limited	Hong Kong	HK$2*	100%	–	Provision of telecommunications services
CITIC Telecom International (Japan) Ltd.	Japan	Japanese Yen ("JPY") 10,000,000*	–	100%	Provision of telecommunications services
CITIC Telecom International (SEA) Pte. Ltd.	Republic of Singapore	Singaporean Dollars ("SG$") 19,233,002*	–	100%	Provision of telecommunications services
CITIC Telecom International CPC Limited	Hong Kong	HK$402,712,186*	–	100%	Provision of telecommunications services
CITIC Telecom International CPC Japan Limited	Japan	JPY10,000,000*	–	100%	Provision of telecommunications services
CITIC Telecom International CPC (Malaysia) Sdn. Bhd.	Malaysia	Malaysian Ringgit 500,000*	–	100%	Provision of telecommunications services
CITIC Telecom International CPC (Singapore) Pte. Ltd.	Republic of Singapore	SG$2,000,000*	–	100%	Provision of telecommunications services

14 INTERESTS IN SUBSIDIARIES (CONTINUED)

(a) (Continued)

Name of company	Place of incorporation/ operation	Particulars of issued and fully paid-up capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activity
CITIC Telecom International CPC (USA) LLC	United States of America	N/A##	–	100%	Provision of operational support services
CITIC Telecom (UK) Limited	United Kingdom	£2*	–	100%	Provision of telecommunications services
ComNet Investment Limited	Hong Kong	HK$2*	–	100%	Property and equipment holding
ComNet Telecom (Canada) Ltd.	Canada	Canadian Dollars 100** and 1 common share without par value∆	–	100%	Provision of telecommunications services
ComNet Telecom (HK) Limited	Hong Kong	HK$2*	–	100%	Provision of telecommunications services
ComNet Telecom International Limited	Hong Kong	HK$2*	–	100%	Provision of telecommunications services
ComNet Telecom (Singapore) Pte. Ltd.	Republic of Singapore	SG$100,000*	–	100%	Provision of telecommunications services
ComNet (USA) LLC	United States of America	N/A***	–	100%	Provision of telecommunications services
Companhia de Telecomunicações de Macau, S.A.R.L.	Macau	Macau Patacas ("MOP") 150,000,000*	99%	–	Provision of telecommunications services
Nebular Telecom Japan K.K.	Japan	JPY10,000,000*	–	100%	Provision of telecommunications services

Notes:

(i) The Group has consolidated the results of CEC as the Group is exposed and has rights to variable returns from its involvement with CEC and has the ability to affect those returns through its power over CEC.

* Represents ordinary shares.

\# Non-voting deferred shares – the rights, privileges and restrictions of which are set out in the Articles of Association of CITIC 1616 Holdings Limited.

\## Capital contribution for CITIC Telecom International CPC (USA) LLC amounted to US$100,000.

** Class A preference shares – the rights of which are set out in the Articles of ComNet Telecom (Canada) Ltd.

∆ Common share – the rights of which are set out in the Articles of ComNet Telecom (Canada) Ltd.

*** Capital contribution for ComNet (USA) LLC amounted to US$10,000.

14 INTERESTS IN SUBSIDIARIES (CONTINUED)

(b) The Group had no subsidiaries which have material non-controlling interests for the years ended 31 December 2015 and 2014.

15 INTEREST IN A JOINT VENTURE

Details of the Group's interest in the joint venture, of which is an unlisted corporate entity whose quoted market price is not available, are as follows:

				Proportion of ownership interest		
Name of joint venture	Form of business structure	Place of incorporation/ operation	Particulars of issued and fully paid-up capital	Group's effective interest	Held by the Company	Principal activity
Cheer Harvest Holdings Limited	Incorporated	Samoa	370,000 shares of US$1 each	85%	–	Investment holding

Cheer Harvest Holdings Limited has a wholly-owned subsidiary, E-Tone Network Corporation, which is incorporated in Taiwan and is principally engaged in the provision of telecommunications services in Taiwan.

The equity interest in Cheer Harvest Holdings Limited is accounted for as a joint venture in the consolidated financial statements under the equity method as the Group and the other shareholder of Cheer Harvest Holdings Limited share joint control over the entity and have rights to the net assets of the entity.

16 INVENTORIES

Inventories in the consolidated statement of financial position mainly comprise telecommunications equipment, including project parts and mobile handsets.

The amount of inventories recognised as an expense and included in profit or loss for the year ended 31 December 2015 is $2,741,364,000 (2014: $2,361,576,000).

17 TRADE AND OTHER RECEIVABLES AND DEPOSITS

	2015 $'000	2014 $'000
Trade debtors	**1,247,787**	1,608,801
Less: allowance for doubtful debts	**(45,567)**	(113,347)
	1,202,220	1,495,454
Other receivables and deposits	**651,159**	626,697
	1,853,379	2,122,151
Represented by:		
Non-current portion	**163,862**	215,612
Current portion	**1,689,517**	1,906,539
	1,853,379	2,122,151

All of the current trade and other receivables and deposits are expected to be recovered or recognised as expense within one year except for utility and rental deposits at 31 December 2015 amounted to $26,143,000 (2014: $33,215,000) which will not be recovered within a year.

At 31 December 2015 and 2014, included in other receivables and deposits were the following:

(i) deferred expenditure of $64,991,000 (2014: $71,562,000) for the prepayment of certain telecommunications services. Such costs are deferred and amortised on a straight-line basis over the underlying service period of 15 years; and

(ii) an advance payment paid to the ultimate holding company for the acquisition of the remaining equity interest in a subsidiary of RMB61,987,000 (equivalent to approximately $73,988,000) (2014: RMB61,987,000 (equivalent to approximately $78,576,000)).

(a) Ageing analysis

At the end of the reporting period, the ageing analysis of trade debtors (before allowance for doubtful debts and included in trade and other receivables and deposits) based on the invoice date is as follows:

	2015 $'000	2014 $'000
Within 1 year	**1,069,220**	1,267,839
Over 1 year	**178,567**	340,962
	1,247,787	1,608,801

Trade debtors are due within 7 to 180 days from the date of billing. Further details on the Group's credit policy are set out in note 25(a).

17 TRADE AND OTHER RECEIVABLES AND DEPOSITS (CONTINUED)

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(j)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2015 $'000	2014 $'000
At 1 January	**113,347**	93,186
Impairment loss recognised	**14,072**	39,004
Impairment loss reversed	**(1,625)**	(12,206)
Uncollectible amounts written off	**(78,637)**	(6,201)
Exchange adjustments	**(1,590)**	(436)
At 31 December	**45,567**	113,347

At 31 December 2015, trade debtors of $121,423,000 (2014: $225,225,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of $45,567,000 (2014: $113,347,000) were recognised. The Group does not hold any collateral over these balances.

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	2015 $'000	2014 $'000
Within 1 year	**978,716**	1,132,416
Over 1 year	**147,648**	251,160
	1,126,364	1,383,576

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

18 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2015 $'000	2014 $'000
Cash at bank and in hand	**900,267**	742,534
Time deposits with banks	**322,712**	654,358
Cash and bank deposits in the consolidated statement of financial position (note (b))	**1,222,979**	1,396,892
Less: pledged deposits (note (c))	**(149,296)**	(3,406)
Cash and cash equivalents in the consolidated cash flow statement	**1,073,683**	1,393,486

(b) Included in cash and bank deposits were $38,247,000 (2014: $65,173,000) placed in financial institutions in the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the PRC Government.

(c) At 31 December 2015, the Group pledged deposits of RMB122,400,000 (equivalent to approximately $146,097,000) to a commercial bank to secure loans extended to a fellow subsidiary by the commercial bank under an offshore-security-onshore-loan arrangement (see notes 27(c) and 28(a)(iv)).

At 31 December 2015, bank deposits of $3,199,000 (2014: $3,406,000) were pledged to secure parts of the trade facilities of the Group.

(d) Reconciliation of profit before taxation to cash generated from operations:

	Note	2015 $'000	2014 $'000
Profit before taxation		**1,010,443**	914,294
Adjustments for:			
Depreciation and amortisation	6(c)	**674,007**	682,619
Net loss/(gain) on disposal of property, plant and equipment	5	**226**	(272)
Share of loss/(profit) of a joint venture		**465**	(353)
Finance costs	6(a)	**346,070**	334,350
Interest income	4	**(8,372)**	(4,157)
Equity-settled share-based payment expenses	6(b)	**28,120**	–
Foreign exchange gain		**(3,097)**	(2,735)
		2,047,862	1,923,746
Changes in working capital:			
Decrease/(increase) in inventories		**24,768**	(71,801)
Decrease/(increase) in trade and other receivables and deposits		**252,861**	(177,529)
(Decrease)/increase in trade and other payables		**(361,113)**	146,619
Decrease in net defined benefit retirement obligation		**(5,155)**	(5,418)
Cash generated from operations		**1,959,223**	1,815,617

19 TRADE AND OTHER PAYABLES

	2015 $'000	2014 $'000
Trade creditors	**768,978**	1,082,228
Other payables and accruals	**1,064,132**	1,079,378
	1,833,110	2,161,606
Represented by:		
Non-current portion	**65,656**	73,040
Current portion	**1,767,454**	2,088,566
	1,833,110	2,161,606

At 31 December 2015, other payables included a deferred revenue of $73,040,000 (2014: $80,424,000) for an amount received from a customer for the provision of certain telecommunications services. Such amount has been deferred and amortised on a straight-line basis over the underlying service period of 15 years.

All current trade and other payables are expected to be settled or recognised as income within one year.

At the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables) based on the invoice date is as follows:

	2015 $'000	2014 $'000
Within 1 year	**506,173**	643,509
Over 1 year	**262,805**	438,719
	768,978	1,082,228

20 BANK LOANS

At 31 December 2015, bank loans were repayable and secured as follows:

	2015 $'000	2014 $'000
Within 1 year or on demand	**100,000**	100,000
After 1 year but within 2 years	**502,405**	1,896,128
After 2 years but within 5 years	**3,389,989**	2,494,618
	3,992,394	4,490,746
Represented by:		
Unsecured		
– Current	**100,000**	100,000
– Non-current (note 21(a))	**3,892,394**	4,390,746
	3,992,394	4,490,746

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position and financial performance ratios, as are commonly found in lending arrangement with financial institutions. If the Group were to breach the covenants or in any case of an event of default, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 25(b). At 31 December 2015 and 2014, the Group was in compliance with the relevant requirements.

21 NON-CURRENT INTEREST-BEARING BORROWINGS

(a) The analysis of the carrying amount of non-current interest-bearing borrowings is as follows:

	2015 $'000	2014 $'000
Unsecured bank loans (note 20)	**3,892,394**	4,390,746
Guaranteed bonds at 6.1% due 2025 (note (b))	**3,480,098**	3,476,840
	7,372,492	7,867,586

All of the non-current interest-bearing borrowings are carried at amortised cost. None of the non-current interest-bearing borrowings is expected to be settled within one year.

(b) On 5 March 2013, a wholly-owned subsidiary of the Company issued US$450,000,000 (approximately $3,510,000,000) bonds with a maturity of twelve years due on 5 March 2025 (the "Guaranteed Bonds"). The Guaranteed Bonds were unconditionally and irrevocably guaranteed by the Company.

The Guaranteed Bonds were issued at 100% of the aggregate principal amount, denominated in USD and bore interest at 6.1% per annum payable semi-annually in arrears. The Guaranteed Bonds would become repayable on demand in case of an event of default.

22 EMPLOYEE RETIREMENT BENEFITS

(a) Defined benefit retirement plan

A subsidiary of the Company, CTM, makes contributions to a defined benefit retirement plan, CTM Staff Provident Fund (the "Fund"). The Fund was established on 1 January 2003 to replace a staff provident fund of a previous constitution. The Fund is registered with Autoridade Monetária de Macau ("AMCM") and is under the management of Macau Life Insurance Company Limited. The members of the Fund are all the employees who were members of the original staff provident fund. No new members joined the Fund after 1 May 2002. The members are required to make contributions to the Fund at 5% of their relevant income. CTM is required to make contributions to the Fund in accordance with an independent actuary's recommendation based on periodic actuarial valuations. CTM is also obliged to make any extraordinary contributions which may be deemed necessary by Macau Life Insurance Company Limited when there are insufficient assets in the Fund to meet the liabilities of the Fund or when such insufficiency is anticipated. Upon retirement or resignation, each member is entitled to receive a lump sum payment calculated on the basis of a multiplying factor ranging from 0.6 to 2 times the final monthly salary and the number of service year that the member has served with CTM.

The independent actuarial valuation of the Fund at 31 December 2015 was prepared by Willis Towers Watson, using the projected unit credit method. The actuarial valuation indicates that CTM's obligations under the Fund was 68% (2014: 70%) covered by the plan assets held by the trustees at 31 December 2015. The Fund exposes the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk, and market (investment) risk.

(i) The amounts recognised in the consolidated statement of financial position are as follows:

	2015 **$'000**	2014 $'000
Fair value of plan assets	**250,029**	239,641
Present value of plan obligation	**(367,336)**	(343,370)
	(117,307)	(103,729)

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay $15,534,000 in contributions to the Fund in 2016.

22 EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(a) Defined benefit retirement plan (Continued)

(ii) Plan assets consist of the following:

	2015 $'000	2014 $'000
Cash and money market	**22,231**	20,862
Bonds		
– Government bonds	**54,640**	45,510
– Corporate bonds	**47,022**	46,510
	101,662	92,020
Equity securities		
– Asia	**–**	1,580
– North America	**31,711**	39,777
– Europe	**83,222**	78,856
– Other areas	**11,203**	6,546
	126,136	126,759
	250,029	239,641

All of the bonds and equity securities have quoted prices in active markets.

At the end of each reporting period, a study is performed by the Fund's asset manager in which the consequences of the strategic investment policies are analysed. The strategic investment policy of the Fund can be summarised as follows:

– a strategic assets mix comprising 50% equity securities, 41% bonds and 9% other investments;

– interest rate risk is managed by duration limitation; and

– foreign currency risk is managed by allocation guideline.

(iii) Movements in the present value of the defined benefit obligation

	2015 $'000	2014 $'000
At 1 January	**343,370**	292,665
Benefits paid by the Fund	**(10,857)**	(14,355)
Employees' contributions	**4,406**	4,288
Current service cost	**10,011**	8,523
Interest cost	**12,086**	13,126
Remeasurements:		
– Experience adjustments	**1,651**	7,798
– Actuarial losses arising from changes in financial assumptions	**6,669**	31,325
At 31 December	**367,336**	343,370

The weighted average duration of the defined benefit obligations is 8 (2014: 8) years.

22 EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(a) Defined benefit retirement plan (Continued)

(iv) Movements in plan assets

	2015 $'000	2014 $'000
At 1 January	**239,641**	220,363
Employer's and employees' contributions paid to the Fund	**20,193**	18,851
Benefits paid by the Fund	**(10,857)**	(14,355)
Administrative expenses	**(621)**	(621)
Interest income	**8,703**	10,194
Remeasurements	**(7,030)**	5,209
At 31 December	**250,029**	239,641

(v) Amounts recognised in the consolidated income statement and consolidated statement of comprehensive income are as follows:

	2015 $'000	2014 $'000
Current service cost	**10,011**	8,523
Net interest on net defined benefit obligation	**3,383**	2,932
Administrative expenses	**621**	621
Total amount recognised in profit or loss	**14,015**	12,076
Actuarial loss and total amount recognised in other comprehensive income	**15,350**	33,914
Net defined benefit loss	**29,365**	45,990

The current service cost and the net interest on net defined benefit liability are recognised in the following line items in the consolidated income statement:

	2015 $'000	2014 $'000
Staff costs (note 6(b))	**10,011**	8,523
Other operating expenses	**621**	621
Finance costs (note 6(a))	**3,383**	2,932
	14,015	12,076

22 EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(a) Defined benefit retirement plan (Continued)

(vi) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	2015	2014
	%	%
Discount rate	**2.9**	3.6
Salary escalation	**3.0**	5.0

The below analysis shows how the defined benefit obligation at 31 December 2015 would have increased/(decreased) as a result of a 0.25% (2014: 0.25%) change in the significant actuarial assumptions:

	2015		2014	
	Increase of 0.25%	**Decrease of 0.25%**	Increase of 0.25%	Decrease of 0.25%
	$'000	**$'000**	$'000	$'000
Discount rate	**(7,018)**	**7,228**	(6,857)	7,068
Future salary growth	**6,756**	**(6,595)**	6,631	(6,468)

The above sensitivities are generated by measuring the effect on the defined benefit retirement obligation at 31 December 2015 by revising each of the major assumptions independently (i.e. no changes in the other assumptions). Whilst the analysis does not take account of the full distribution of cash flows expected under the Fund, it does provide an approximation to the sensitivity of the assumptions shown.

(b) Defined contribution retirement plans

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $30,000 ($25,000 prior to June 2014). Contributions to the plan vest immediately.

CTM also operates the Defined Contribution Fund which was set up under the terms of Decree Law 6/99/M and registered with AMCM. The Defined Contribution Fund is for all full time Macau employees who joined CTM after 1 May 2002. The Defined Contribution Fund is under the management of Macau Life Insurance Company Limited. The employees and CTM are each required to make contributions to the Defined Contribution Fund at 5% of the employee's relevant income. Contributions to the Defined Contribution Fund vest immediately.

Employees employed by the Group outside Hong Kong and Macau are covered by the appropriate local defined contribution schemes pursuant to the local labour rules and regulations.

23 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

(a) Share option plan of an intermediate holding company

CITIC Limited, an intermediate holding company of the Company, adopted the CITIC Pacific Share Incentive Plan 2000 (the "Plan 2000") on 31 May 2000 under which the board of directors of CITIC Limited may invite any director, executive or employee of CITIC Limited or any of its subsidiaries to subscribe for options over CITIC Limited's shares. The Plan 2000 ended on 30 May 2010 and a new plan, CITIC Pacific Share Incentive Plan 2011, was adopted by CITIC Limited on 12 May 2011. The options granted under these plans are exercisable till the end of exercise period. No option was granted to directors or employees of the Group for their services to the Group under these plans. None of the directors or employees of the Group had options subsisting at 31 December 2015 under these plans.

(b) Share option plan of the Company

The Company has a share option plan ("CITIC Telecom International Plan") which was adopted on 17 May 2007 whereby the directors of the Company are authorised, at their discretion, to offer any person employed by the Company or any of its subsidiaries and any person who is an officer or director (whether executive or non-executive) of the Company or any of its subsidiaries options to subscribe for shares in the Company to recognise their contributions to the growth of the Company. The CITIC Telecom International Plan is valid and effective for a period of ten years ending on 16 May 2017.

Since the adoption of the CITIC Telecom International Plan, the Company has granted the following share options to directors, officers and employees of the Company and its subsidiaries. Each option gives the holder the right to subscribe for one ordinary share of the Company.

Date of grant	Number of share options granted	Exercise price per share	Exercise period
23 May 2007	18,720,000	$3.26 (Note (i))	From 23 May 2007 to 22 May 2012
17 September 2009	17,912,500	$2.10 (Note (i))	From 17 September 2010 to 16 September 2015
17 September 2009	17,912,500	$2.10 (Note (i))	From 17 September 2011 to 16 September 2016
19 August 2011	24,227,500	$1.54 (Note (ii))	From 19 August 2012 to 18 August 2017
19 August 2011	24,227,500	$1.54 (Note (ii))	From 19 August 2013 to 18 August 2018
26 June 2013	81,347,000	$2.25 (Note (i))	From 26 June 2013 to 25 June 2018
24 March 2015	43,756,250	$2.612 (Note (iii))	From 24 March 2016 to 23 March 2021
24 March 2015	43,756,250	$2.612 (Note (iii))	From 24 March 2017 to 23 March 2022

23 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Share option plan of the Company (Continued)

Notes:

(i) The closing price of the Company's ordinary shares on the date of grant.

(ii) The closing price of the Company's ordinary shares on the date of grant was $1.48 per share.

(iii) The closing price of the Company's ordinary shares on the date of grant was $2.61 per share.

The share options granted on 23 May 2007 and the first 50% of the share options granted on 17 September 2009 have expired at the close of business on 22 May 2012 and 16 September 2015 respectively.

Upon completion of the rights issue of the Company on 7 June 2013, the exercise price of the share options and the number of shares to be allotted and issued upon full exercise of the subscription rights attaching to the outstanding share options at 6 June 2013 have been adjusted (the "Adjustments") in the following manner:

	Before the Adjustments		**After the Adjustments**	
	Exercise price per share	**Number of outstanding share options**	**Exercise price per share**	**Number of outstanding share options**
Share options granted on 17 September 2009	$2.10	19,451,000	$1.91	21,438,072
Share options granted on 19 August 2011	$1.54	32,332,500	$1.40	35,635,462

All options granted on 24 March 2015 were accepted except for options for 398,000 shares.

Details of the fair value of the share options and assumptions are set out in note 23(b)(iii).

23 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Share option plan of the Company (Continued)

(i) *The terms and conditions of the options granted under the CITIC Telecom International Plan are as follows, whereby all options are settled by physical delivery of shares:*

	Exercise price per share	Number of options	Vesting condition	Expiry date
Options granted to directors:				
– on 23 May 2007	$3.26	10,290,000	Fully vested on the date of grant	Expired at the close of business on 22 May 2012
– on 17 September 2009	$2.10*	3,150,000	Fully vested on 17 September 2010	Expired at the close of business on 16 September 2015
– on 17 September 2009	$2.10*	3,150,000	Fully vested on 17 September 2011	Expire at the close of business on 16 September 2016
– on 19 August 2011	$1.54#	3,750,000	Fully vested on 19 August 2012	Expire at the close of business on 18 August 2017
– on 19 August 2011	$1.54#	3,750,000	Fully vested on 19 August 2013	Expire at the close of business on 18 August 2018
– on 26 June 2013	$2.25	11,038,000	Fully vested on the date of grant	Expire at the close of business on 25 June 2018
– on 24 March 2015	$2.612	6,819,000	Vesting from 24 March 2016	Expire at the close of business on 23 March 2021
– on 24 March 2015	$2.612	6,819,000	Vesting from 24 March 2017	Expire at the close of business on 23 March 2022
Options granted to officers and employees:				
– on 23 May 2007	$3.26	8,430,000	Fully vested on the date of grant	Expired at the close of business on 22 May 2012
– on 17 September 2009	$2.10*	14,762,500	Fully vested on 17 September 2010	Expired at the close of business on 16 September 2015
– on 17 September 2009	$2.10*	14,762,500	Fully vested on 17 September 2011	Expire at the close of business on 16 September 2016
– on 19 August 2011	$1.54#	20,477,500	Fully vested on 19 August 2012	Expire at the close of business on 18 August 2017
– on 19 August 2011	$1.54#	20,477,500	Fully vested on 19 August 2013	Expire at the close of business on 18 August 2018

23 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Share option plan of the Company (Continued)

(i) *The terms and conditions of the options granted under the CITIC Telecom International Plan are as follows, whereby all options are settled by physical delivery of shares: (Continued)*

	Exercise price per share	Number of options	Vesting condition	Expiry date
Options granted to officers and employees: (Continued)				
– on 26 June 2013	$2.25	70,309,000	Fully vested on the date of grant	Expire at the close of business on 25 June 2018
– on 24 March 2015	$2.612	36,937,250	Vesting from 24 March 2016	Expire at the close of business on 23 March 2021
– on 24 March 2015	$2.612	36,937,250	Vesting from 24 March 2017	Expire at the close of business on 23 March 2022
Total number of share options		271,859,500		

* Exercise price per share has been adjusted to $1.91 since 7 June 2013

\# Exercise price per share has been adjusted to $1.40 since 7 June 2013

(ii) *The number and weighted average exercise prices of share options are as follows:*

	2015 Weighted average exercise price	**2015** Number of options	2014 Weighted average exercise price	2014 Number of options
Outstanding at the beginning of the year	**$2.00**	**94,478,688**	$2.00	127,510,329
Granted during the year	**$2.612**	**87,512,500**	–	–
Exercised during the year (note 24(c))	**$1.97**	**(26,667,686)**	$2.00	(32,432,054)
Cancelled during the year	**$2.612**	**(398,000)**	–	–
Lapsed during the year	**$2.49**	**(1,807,245)**	$2.11	(599,587)
Outstanding at the end of the year	**$2.35**	**153,118,257**	$2.00	94,478,688
Exercisable at the end of the year	**$2.01**	**67,388,757**	$2.00	94,478,688

During the year ended 31 December 2015, options for 26,667,686 (2014: 32,432,054) shares were exercised, options for 398,000 (2014: Nil) shares have been cancelled and options for 1,807,245 (2014: 599,587) shares have lapsed. The value of vested options lapsed during the year ended 31 December 2015 was $238,000 (2014: $333,000) and was released directly to retained profits.

The weighted average closing price at the date of exercise of share options exercised during the year was $3.24 (2014: $2.98). The options outstanding at 31 December 2015 had a weighted average exercise price of $2.35 (2014: $2.00) and a weighted average remaining contractual life of 3.81 (2014: 3.14) years.

23 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Share option plan of the Company (Continued)

(iii) Fair value of share options and assumptions

The average fair value of an option of the lot granted on 24 March 2015 on one ordinary share of the Company measured at the date of grant of 24 March 2015 was $0.673 based on the following assumptions using the binomial option pricing model:

– Taking into account the probability of early exercise behaviour, the average expected term of the grant for directors and employees was determined to be 6.0 years and 4.1 years respectively;

– Expected volatility of the Company's share price at 40% per annum (based on historical movements of the Company's share prices);

– Expected annual dividend yield of 4.0%;

– Expected post-vesting exit rate of 0% per annum for directors and 15.0% per annum for employees;

– Early exercise assumption for directors and employees to exercise their options when the share price is at least 250% and 161% of the exercise price respectively; and

– Risk-free interest rate of 1.18% and 1.30% for the first 50% and the remaining 50% of the options respectively (based on linearly interpolated yields of the Hong Kong Exchange Fund Notes as at the grant date).

The result of the binomial option pricing model can be materially affected by changes in these assumptions so an option's actual value may differ from the estimated fair value of the options due to limitations of the model.

All the options forfeited before expiry of the CITIC Telecom International Plan will be treated as lapsed options which will be added back to the number of shares available to be issued under the CITIC Telecom International Plan.

(iv) The total expense recognised in the consolidated income statement for the year ended 31 December 2015 in respect of the above grant of options was $28,120,000 (2014: $Nil).

24 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company

	Note	Share capital (note 24(c)) $'000	Share premium (note 24(d)) $'000	Capital reserve (note 24(e)) $'000	Capital redemption reserve (note 24(d)) $'000	Retained profits (note 24(g)) $'000	Total $'000
Balance at 1 January 2014		332,324	3,363,280	127,040	2,034	893,262	4,717,940
Changes in equity for 2014:							
Total comprehensive income for the year		–	–	–	–	550,783	550,783
Shares issued under share option plan before 3 March 2014	23(b)(ii)	678	16,371	(3,695)	–	–	13,354
Transition to no-par value regime on 3 March 2014	24(c)	3,381,685	(3,379,651)	–	(2,034)	–	–
Shares issued under share option plan on and after 3 March 2014	23(b)(ii)	66,254	–	(14,638)	–	–	51,616
Dividends approved in respect of the previous financial year	24(b)(ii)	–	–	–	–	(253,474)	(253,474)
Release upon lapse of share options	23(b)(ii)	–	–	(333)	–	333	–
Dividends approved in respect of the current financial year	24(b)(i)	–	–	–	–	(90,363)	(90,363)
Balance at 31 December 2014 and 1 January 2015		**3,780,941**	**–**	**108,374**	**–**	**1,100,541**	**4,989,856**
Changes in equity for 2015:							
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**744,002**	**744,002**
Shares issued under share option plan	23(b)(ii)	**67,624**	**–**	**(15,103)**	**–**	**–**	**52,521**
Equity-settled share-based transactions	6(b)	**–**	**–**	**28,120**	**–**	**–**	**28,120**
Dividends approved in respect of the previous financial year	24(b)(ii)	**–**	**–**	**–**	**–**	**(289,536)**	**(289,536)**
Release upon lapse of share options	23(b)(ii)	**–**	**–**	**(238)**	**–**	**238**	**–**
Dividends approved in respect of the current financial year	24(b)(i)	**–**	**–**	**–**	**–**	**(94,660)**	**(94,660)**
Balance at 31 December 2015		**3,848,565**	**–**	**121,153**	**–**	**1,460,585**	**5,430,303**

24 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2015 $'000	2014 $'000
Interim dividend declared and paid of HK2.8 cents (2014: HK2.7 cents) per share	**94,660**	90,363
Final dividend proposed after the end of the reporting period of HK9.7 cents (2014: HK8.6 cents) per share	**328,087**	288,588
	422,747	378,951

For the interim dividend in respect of the period ended 30 June 2015, there was a difference of $46,000 between the interim dividend disclosed in 2015 interim report and the amount paid during the year ended 31 December 2015, which represented dividends attributable to shares issued upon exercise of share options before the closing date of register of members.

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2015 $'000	2014 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK8.6 cents (2014: HK7.6 cents) per share	**289,536**	253,474

For the final dividend in respect of the year ended 31 December 2014, there was a difference of $948,000 between the final dividend disclosed in the 2014 annual report and the amount paid during the year ended 31 December 2015, which represented dividends attributable to shares issued upon exercise of share options before the closing date of the register of members.

(c) Share capital

		2015		2014	
	Note	No. of shares	Amount $'000	No. of shares	Amount $'000
Ordinary shares, issued and fully paid:					
At 1 January	(i)	**3,355,674,412**	**3,780,941**	3,323,242,358	332,324
Shares issued under share option plan before 3 March 2014	(ii)	**–**	**–**	6,776,068	678
Transition to no-par value regime on 3 March 2014	(iii)	**–**	**–**	–	3,381,685
Shares issued under share option plan on and after 3 March 2014	(ii)	**26,667,686**	**67,624**	25,655,986	66,254
At 31 December	(i)	**3,382,342,098**	**3,848,565**	3,355,674,412	3,780,941

24 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (Continued)

Notes:

(i) The holders of ordinary shares are entitled to receive dividends as declared from time to time and every member shall have one vote per share on a poll at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) During the year ended 31 December 2015, 26,667,686 (2014: 32,432,054) ordinary shares were issued at a weighted average exercise price of $1.97 (2014: $2.00) per ordinary share to share option holders who had exercised their options. These shares so issued rank pari passu with the then existing ordinary shares in issue.

(iii) The transition to the no-par value regime under the Hong Kong Companies Ordinance (Cap. 622) occurred automatically on 3 March 2014. On that date, the share premium account and any capital redemption reserve were subsumed into share capital in accordance with section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622). These changes did not impact on the number of shares in issue or the relative entitlement of any of the members. Since that date, all changes in share capital have been made in accordance with the requirements of Parts 4 and 5 of the Hong Kong Companies Ordinance (Cap. 622).

(d) Share premium and capital redemption reserve

Prior to 3 March 2014, the application of the share premium account and the capital redemption reserve was governed by sections 48B and 49H respectively of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital (see note 24(c)). The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

(e) Capital reserve

The capital reserve represents the portion of the grant date fair value of unexercised share options granted to directors or employees of the Group under the Company's share option plan that has been recognised in accordance with the accounting policies adopted for share-based payments set out in note 1(p)(iii).

(f) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 1(t).

(g) Distributability of reserves

At 31 December 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the new Hong Kong Companies Ordinance (Cap. 622), was $1,460,585,000 (2014: $1,100,541,000). After the end of the reporting period, the directors proposed a final dividend of 9.7 cents (2014: 8.6 cents) per share, amounting to $328,087,000 (2014: $288,588,000). This dividend has not been recognised as a liability at the end of the reporting period.

(h) Capital management

The Group's primary objective on capital management is to safeguard the Group's ability to continue as a going concern, while at the same time continues to provide returns for shareholders.

The Group regularly reviews its capital structure to maintain a balance between the enhancement of shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Adjustments are made to the capital structure as necessary in response to changes in economic conditions.

24 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(h) Capital management (Continued)

The capital structure of the Group consists of its total equity attributable to equity shareholders of the Company, comprising share capital and reserves as disclosed in the consolidated financial statements. The Group's gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank deposits. Total capital is total equity attributable to equity shareholders, as shown in the consolidated statement of financial position, plus net debt.

The Group's net gearing ratios at 31 December 2015 and 2014 are as follows:

	2015 **$'000**	2014 $'000
Total bank and other borrowings	**7,472,492**	7,967,586
Less: cash and bank deposits	**(1,222,979)**	(1,396,892)
Net debt	**6,249,513**	6,570,694
Total equity attributable to equity shareholders of the Company	**7,029,387**	6,568,358
Total capital	**13,278,900**	13,139,052
Net gearing ratio	**47%**	50%

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade debtors. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade debtors, credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors are due within 7 to 180 days from the date of billing. Impairment losses are recorded for those overdue balances where there is objective evidence of impairment.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

The Group has a certain concentration of credit risk of the total trade debtors due from the Group's largest customer and the five largest customers are as follows:

	2015	2014
	%	%
Due from the Group's largest customer	**27.4**	40.7
Due from the Group's five largest customers	**39.3**	48.1

Other than those disclosed in note 27, the Group does not provide any financial guarantees at the end of the reporting period which would expose the Group to credit risk.

(b) Liquidity risk

Individual business units within the Group are responsible for their own cash management, including the short term investment of cash surpluses. The raising of loans to cover their expected cash demands, must be approved by the finance committee or the Board of the Company. The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	2015						2014					
	Contractual undiscounted cash outflow						Contractual undiscounted cash outflow					
	Within 1 year or on demand $'000	**More than 1 year but less than 2 years $'000**	**More than 2 years but less than 5 years $'000**	**More than 5 years $'000**	**Total contractual undiscounted cash flow $'000**	**Carrying amount at 31 December $'000**	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total contractual undiscounted cash flow $'000	Carrying amount at 31 December $'000
Trade and other payables	**1,767,454**	**–**	**–**	**–**	**1,767,454**	**1,767,454**	2,088,566	–	–	–	2,088,566	2,088,566
Bank loans	**100,103**	**–**	**–**	**–**	**100,103**	**100,000**	100,090	–	–	–	100,090	100,000
Non-current interest-bearing borrowings	**229,333**	**803,184**	**4,148,255**	**4,473,495**	**9,654,267**	**7,372,492**	235,201	2,219,334	3,267,635	4,687,605	10,409,775	7,867,586
	2,096,890	**803,184**	**4,148,255**	**4,473,495**	**11,521,824**	**9,239,946**	2,423,857	2,219,334	3,267,635	4,687,605	12,598,431	10,056,152

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

The Group is exposed to cashflow interest rate risk arising from the Group's holding of cash and bank deposits, bank loans and other borrowings which are interest-bearing at fixed or floating rates. The management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest-earning financial assets, bank loans and other interest-bearing borrowings at the end of the reporting period:

	2015		2014	
	Effective interest rate %	**$'000**	Effective interest rate %	$'000
Fixed rate borrowings	**6.10**	**(3,480,098)**	6.10	(3,476,840)
Variable rate borrowings:				
Bank loans	**2.49**	**(3,992,394)**	2.53	(4,490,746)
		(7,472,492)		(7,967,586)
Cash and bank deposits	**0.58**	**1,222,979**	0.45	1,396,892
Net debt		**(6,249,513)**		(6,570,694)

(ii) Sensitivity analysis

At 31 December 2015, it is estimated that interest rates will not decrease and a general increase of 50 (2014: 50) basis points in interest rates, with all other variables held constant, would have decreased the Group's profit for the year and retained profits by approximately $13,847,000 (2014: $15,469,000). Other components of consolidated equity would not be affected (2014: $Nil) by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit for the year and retained profits that would arise assuming that the change in interest rates had occurred at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit for the year and retained profits is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for 2014.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk

(i) The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate.

Certain operating companies of the Group have certain transactions in USD and the telecommunications services provided by these companies to their customers in the PRC represent a significant portion of their turnover. The operating currency of these PRC customers is mainly RMB. RMB is not freely convertible into foreign currencies.

The Group's other assets, liabilities and transactions are mainly denominated in HKD, USD, RMB or MOP.

(ii) *Exposure to currency risk*

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HKD, translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	2015 RMB $'000	2014 RMB $'000
Trade and other receivables and deposits	**44,800**	160,819
Cash and bank deposits	**194,905**	61,748
Trade and other payables	**(99,595)**	(172,630)
	140,110	49,937

(iii) *Sensitivity analysis*

The following table indicates the instantaneous change in the Group's profit for the year and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period. In this respect, as the HKD is linked to the USD and the MOP is pegged to the HKD, the Group does not expose to significant currency risks arising from USD and MOP denominated balances and transactions. Other components of consolidated equity would not be affected (2014: $Nil) by the changes in the foreign exchange rates.

	2015		2014	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in profit for the year and retained profits $'000**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit for the year and retained profits $'000
RMB	**5%**	**7,458**	5%	2,594

Results of the analysis as presented in the above table represented an aggregation of the instantaneous effects on each of the Group's entities' profit for the year and equity measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the end of the reporting period for presentation purposes.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (Continued)

(iii) Sensitivity analysis (Continued)

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2014.

(e) Fair values

No disclosure of fair value is required as all of the Group's financial instruments are carried at amounts not materially different from their fair values at 31 December 2015 and 2014.

26 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at the end of the reporting period not provided for in the financial statements were as follows:

	2015 $'000	2014 $'000
Contracted for	**110,270**	348,558
Authorised but not contracted for	**91,783**	276,422

(b) Commitments under operating leases

At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015 $'000	2014 $'000
Land and buildings		
Within 1 year	**62,753**	62,152
After 1 year but within 5 years	**75,812**	67,915
	138,565	130,067
Leased circuits		
Within 1 year	**95,563**	88,036
After 1 year but within 5 years	**11,732**	4,334
	107,295	92,370

The leases typically run for an initial period of 1 to 5 years, with an option to renew the lease when all terms are renegotiated. None of these leases includes contingent rentals.

27 PERFORMANCE BONDS AND GUARANTEES

(a) At 31 December 2015, performance bonds provided to the Macau Government and other customers for which no provision has been made in the consolidated financial statements amounted to $81,952,000 (2014: $67,874,000). At 31 December 2015, the directors do not consider it probable that a claim will be made against the Group under any of the performance bonds. The maximum liability of the Group at the end of the reporting period is the total amount guaranteed by the performance bonds of $81,952,000 (2014: $67,874,000).

(b) At 31 December 2015, the Group issued a guarantee of $34,366,000 (2014: $34,366,000) to a contractor for the performance under a construction contract. At 31 December 2015, the directors do not consider it probable that a claim will be made against the Group under this guarantee. The maximum liability of the Group at the end of the reporting period is the guaranteed amount of $34,366,000 (2014: $34,366,000).

(c) At 31 December 2015, the Group pledged deposits of RMB122,400,000 (equivalent to approximately $146,097,000) to a commercial bank to secure loans extended to a fellow subsidiary by the commercial bank under an offshore-security-onshore-loan arrangement (see notes 18(c) and 28(a)(iv)). At 31 December 2015, the directors do not consider it probable that a claim will be made against the Group for the pledged deposits. The maximum liability of the Group at the end of the reporting period equals to the amount of the pledged deposits.

28 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with affiliates of the Group and its holding companies

(i) Recurring transactions

	2015 **$'000**	2014 $'000
Management consultancy and technical services fee received/receivable from a fellow subsidiary	**9,229**	–
Telecommunications services and related expenses paid/payable to		
– a fellow subsidiary	**18,712**	10,313
– an associate of the ultimate holding company	**8,966**	8,143
Professional fees paid/payable to a controlling shareholder for the provision of internal audit and company secretarial services	**4,850**	4,550
Operating lease charges, building management fees, water and electricity fees, air conditioning charges and car parking spaces rental paid/payable to fellow subsidiaries	**24,689**	25,749

The directors are of the opinion that the above transactions with related parties were conducted on normal commercial terms in the ordinary course of business and the terms are fair and reasonable so far as the shareholders of the Company are concerned. The professional fees paid by the Group were reimbursement of costs incurred by the related party, the price which the Group paid for the relevant services were fair and reasonable with reference to market price.

28 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with affiliates of the Group and its holding companies (Continued)

(ii) Trade and other receivables and deposits/(trade and other payables)

	2015 $'000	2014 $'000
Advance payment paid to the ultimate holding company for the acquisition of the remaining equity interest in a subsidiary included in:		
– Trade and other receivables and deposits	**73,988**	78,576
Amount due from/(to) a fellow subsidiary included in:		
– Trade and other receivables and deposits	**9,447**	–
– Trade and other payables	**(10,236)**	–

(iii) Commitments under operating leases payable to fellow subsidiaries

The total future minimum lease payments under non-cancellable operating leases relating to land and buildings are payable as follows:

	2015 $'000	2014 $'000
Within 1 year	**16,382**	13,118
After 1 year but within 5 years	**20,152**	4,024
	36,534	17,142

The leases related to the fellow subsidiaries run for an initial period of 2 to 3 years and the related commitments are included in note 26(b).

(iv) Commitments under funding and loan support agreement to a fellow subsidiary

On 25 April 2014, the Company and a fellow subsidiary entered into a funding and loan support agreement (the "Funding and Loan Support Agreement") pursuant to which the Company agreed to provide funds of not more than RMB200,000,000 (equivalent to approximately $250,000,000) to the fellow subsidiary at any time during the two years commencing on the date of the Funding and Loan Support Agreement if and when a shortage of funds arises in the operation of a network in the PRC. The funding support may be provided by other means of financial assistance as agreed between the parties in order to comply with the prevalent laws and regulations in the PRC. The abovementioned two-year period was extended to three years pursuant to a supplemental agreement to the Funding and Loan Support Agreement entered into between the Company and the fellow subsidiary on 22 April 2015. During the year ended 31 December 2015, the Company entered into an offshore-security-onshore-loan arrangement with a commercial bank whereby loans were extended to the fellow subsidiary by the commercial bank under the security of the Group's pledged deposits of RMB122,400,000 (equivalent to approximately $146,097,000) (see notes 18(c) and 27(c)).

28 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with other government-related entities

The Group is a government-related enterprise and has transactions with entities directly or indirectly controlled by the PRC Government through government authorities, agencies, affiliates and other organisation (collectively referred to as "government-related entities").

Apart from transactions with the affiliates of the Group as disclosed above, the Group has collectively, but not individually, significant transactions with other government-related entities which include but not limited to the following:

– rendering and receiving services; and

– financial services arrangements.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not government-related. The Group has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are government-related entities or not.

Having considered the potential for transactions to be impacted by related party relationships, the Group's buying, pricing strategy and approval processes, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the directors are of the opinion that the following transactions with other government-related entities require disclosure:

(i) Transactions with other government-related entities including state-controlled banks in the PRC

	2015 **$'000**	2014 $'000
Interest income from bank deposits	**5,066**	3,108
Interest expenses on interest-bearing borrowings	**20,722**	22,918
Fees received/receivable from the provision of telecommunications services	**1,180,147**	1,329,189
Fees paid/payable for network, operations and support services	**(892,732)**	(999,491)
Purchase of property, plant and equipment	**(24,997)**	(36,729)

(ii) Balances with other government-related entities including state-controlled banks in the PRC

	2015 **$'000**	2014 $'000
Bank deposits	**300,234**	536,796
Trade debtors	**567,422**	796,680
Trade and other payables	**(150,049)**	(316,019)
Interest-bearing borrowings	**(773,693)**	(924,725)

The interest-bearing borrowings from state-controlled banks at 31 December 2015 bore interest at the prevailing market rates.

28 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with other government-related entities (Continued)

(iii) Commitments under operating leases payable to other government-related entities in the PRC

The total future minimum lease payments under non-cancellable operating leases relating to leased circuits are payable as follows:

	2015 $'000	2014 $'000
Within 1 year	**61,159**	43,412

The leases related to the other government-related entities typically run for an initial period of 1 year and the related commitments are included in note 26(b).

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid/payable to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2015 $'000	2014 $'000
Short-term employee benefits	**48,119**	47,188
Share-based payments	**8,695**	–
Post-employment benefits	**665**	882
	57,479	48,070

Total remuneration is included in "staff costs" (see note 6(b)).

29 COMPANY–LEVEL STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2015

	Note	2015 $'000	2014 $'000
Non-current assets			
Property, plant and equipment		**3,412**	8,787
Investments in subsidiaries		**11,155,844**	11,155,844
Deferred tax assets		**2,975**	–
		11,162,231	11,164,631
Current assets			
Trade and other receivables and deposits		**1,245,248**	1,429,099
Current tax recoverable		**–**	377
Cash and bank deposits		**730,484**	571,760
		1,975,732	2,001,236
Current liabilities			
Trade and other payables		**229,743**	206,925
Bank loans		**100,000**	100,000
Current tax payable		**2,162**	–
		331,905	306,925
Net current assets		**1,643,827**	1,694,311
Total assets less current liabilities		**12,806,058**	12,858,942
Non-current liabilities			
Amount due to a subsidiary		**3,483,361**	3,478,340
Interest-bearing borrowings		**3,892,394**	4,390,746
		7,375,755	7,869,086
NET ASSETS		**5,430,303**	4,989,856
CAPITAL AND RESERVES	24(a)		
Share capital		**3,848,565**	3,780,941
Reserves		**1,581,738**	1,208,915
TOTAL EQUITY		**5,430,303**	4,989,856

Approved and authorised for issue by the board of directors on 25 February 2016.

Xin Yue Jiang
Director

Lin Zhenhui
Director

30 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 24(b)(i).

31 IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTY

At 31 December 2015, the directors consider the immediate parent and the ultimate controlling party of the Group to be Ease Action Investments Corp., which is incorporated in the British Virgin Islands, and CITIC Group Corporation, which is a wholly state-owned company in the PRC, respectively. The intermediate holding company, CITIC Limited, which is incorporated and listed in Hong Kong, produces financial statements available for public use.

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Annual Improvements to HKFRSs 2012-2014 Cycle	1 January 2016
Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	1 January 2016
Amendments to HKFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to HKAS 1, *Disclosure initiative*	1 January 2016
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018

The Group is in the process of making an assessment of what the impact of these development is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

GLOSSARY

Cloud/Cloud computing	Cloud/Cloud computing is a model for enabling ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources (e.g. networks, servers, storage, applications and services etc.) that can be rapidly provisioned and released with minimal management effort or service provider interaction
DaaS	Desktop-as-a-Service (DaaS) is a cloud computing service in which the back-end of a virtual desktop infrastructure is hosted by a cloud service provider
DDoS	A distributed denial-of-service (DDoS) attack occurs when multiple systems flood the bandwidth or resources of a targeted system. Protection of DDoS attack is to absorb this kind of flooding and make system available for eligible Internet traffic
IaaS	Infrastructure-as-a-Service (IaaS) is a form of cloud computing that provides virtualised computing resources over the Internet
ICT	Information and Communications Technology (ICT), an umbrella term that includes any communication device or application, encompassing: radio, television, cellular phones, computer and network hardware and software, satellite systems etc., as well as the various services and applications associated with them
Inter-IPX SLA	Inter-IPX Service Level Agreement (Inter-IPX SLA) defines the service levels from AMSIX, the quality of the services, the service credits for non-delivery, unavailability or underperformance and the processes and procedures to be followed, and provides a mutual understanding of service level expectation for Inter-IPX Connection to AMSIX Infrastructure
IOSMS	Inter-Operator SMS (IOSMS) is the service provided to Mobile Network Operators within Hong Kong
IPX	IP Packet Exchange (IPX), a network architecture connecting carriers and operators to provide a private interconnection that can support both bilateral and multilateral types of connections
ITFS	International Toll Free Service (ITFS) provides individual special telephone number in each of the requested country which is free for the calling party, and instead the telephone carrier charges the called party for the cost of the call
LTE	Long-term evolution (LTE), marketed as 4G LTE, is a standard for wireless communication of high-speed data for mobile phones and data terminals
Mobile VAS	Mobile Value-Added Service (Mobile VAS) is a suite of services provided to Mobile Network Operators for non-core services
MPLS VPN	MPLS VPN is a service to provide Virtual Private Networks (VPNs) over the Multiprotocol Label Switching (MPLS) backbone
MVNE(s)	Mobile Virtual Network Enabler(s) (MVNE(s)) provides business infrastructure solutions to mobile virtual network operators (MVNOs)

MVNO	A mobile virtual network operator (MVNO) is a wireless communications services provider that does not own the radio spectrum or wireless network infrastructure over which the MVNO provides services to its customers
mVoIP	Mobile VoIP or simply mVoIP is an extension of mobility to a Voice over IP network
OTN	Optical Transport Network (OTN) is a set of optical network elements connected by optical fibre links, and is able to provide functionality of transport, multiplexing, switching, management, supervision and survivability of optical channels carrying client signals
OTT	Over-the-top (OTT) refers to the delivery of content and/or services over an infrastructure that is not under the same administrative control as the content or service provider
PBX	Private Branch Exchange (PBX) is a telephone exchange that serves a particular business or office
PoP(s)	Point(s)-of-Presence, connection facilities co-located in the data centres of other telecoms operators that consist primarily of transmission equipment with which calls and data are routed to and from the Group's hub
SIM	SIM means subscriber identity module, commonly referred to as "SIM card". It is mainly used for storing a mobile phone user identification data and the user's personal content (such as phonebook, SMS, etc.)
SIMN	Single IMSI Multiple Number (SIMN) service, a Mobile VAS which allows mobile operators' subscribers to hold multiple overseas mobile phone numbers on their existing SIM cards, providing frequent travelers and mobile roamers the choice of saving roaming charges in SIMN-enabled regions
SMS	Short Message Service (SMS), a service available on most digital mobile phones that permits the sending of short messages between mobile phones, other handheld devices and even landline telephones
VPN	Virtual Private Network (VPN), a network that uses a public telecommunication infrastructure, such as the Internet, to provide remote offices or individual users with secure access to their organisation's network
WiFi/Wi-Fi	WiFi/Wi-Fi is a popular technology that allows an electronic device to exchange data wirelessly (using radio waves) over a computer network, including high-speed Internet connections. The Wi-Fi Alliance defines Wi-Fi as any "wireless local area network (WLAN) products that are based on the Institute of Electrical and Electronics Engineers' (IEEE) 802.11 standards"

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WEBSITE

www.citictel.com contains a description of CITIC Telecom International's business, copies of the reports to shareholders, announcements, press releases and other information.

STOCK CODES

The Stock Exchange of Hong Kong:	01883
Bloomberg:	1883 HK
Reuters:	1883.HK

SHARE REGISTRAR

Shareholders should contact our Registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong at 2980 1333, or by fax: 2810 8185, on matters such as transfer of shares, change of name or address, or loss of share certificates.

FINANCIAL CALENDAR

Closure of Register:	12 May 2016 to 16 May 2016 and 20 May 2016 to 24 May 2016
Annual General Meeting:	16 May 2016, 2:00 p.m. JW Marriott Ballroom, Level 3 JW Marriott Hotel Hong Kong Pacific Place, 88 Queensway Hong Kong
Final Dividend Payable:	2 June 2016

ANNUAL REPORT 2015

The Annual Report is printed in English and Chinese language and is available on our website at www.citictel.com. Shareholders may choose to receive the Annual Report in printed form in either the English or Chinese language or both or by electronic means. Shareholders who have chosen to receive the Annual Report using electronic means and who for any reason have difficulty in receiving or gaining access to the Annual Report will, promptly upon request to the Company's Share Registrar, be sent a printed copy free of charge.

Shareholders may at any time change their choice of the language or means of receipt of the Annual Report by notice in writing to the Company's Share Registrar.

Non-shareholders who wish to receive a copy of the Annual Report are requested to write to the Company Secretary, CITIC Telecom International Holdings Limited, 25th Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong, or by fax: 2376 2063 or by email: contact@citictel.com.

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