1. Principal Activities

China Communications Services Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") is a leading integrated service provider to the telecommunications, media and technology industries in the PRC. Its principal activities comprise provision of a full range of telecommunications support services in the PRC and overseas, including (i) telecommunications infrastructure design, construction and supervision and management; (ii) business process outsourcing (including network maintenance, facilities management, distribution of telecommunications service and products); and (iii) a variety of other services including applications, content and others.

2. Basis of Preparation

Pursuant to the Equity Transfer Agreements (as defined in the consolidated financial statements of the Group for the year ended 31 December 2012) entered into by the Group and CTC's subsidiaries on 20 June 2012, the Group completed acquisition on 30 June 2012 of (i) 100% equity interest in each of Ningxia Communications Constructions Co., Ltd. and Ningxia Telecom Constructions Supervision Consultancy Co., Ltd.; and (ii) 100% equity interest in Xinjiang Communications Planning & Designing Institute Co., Ltd. (collectively the "Target Interests"), for a consideration of RMB51.07 million, payable in cash.

Pursuant to the Equity Transfer Agreements entered into by the Group and China Telecommunications Corporation Industrial Assets Management Centre (a directly wholly-owned subsidiary of CTC) on 20 June 2012, the Group completed acquisition on 26 July 2012 of 51% equity interest in Sino-British Submarine Systems Co., Ltd. ("SBSS") and all the associated rights and obligations for a total consideration of RMB264.60 million.

Since the Group and SBSS are under common control of CTC, the acquisitions of SBSS have been accounted for as a combination of entities under common control in a manner similar to pooling-of-interests. Accordingly, the assets and liabilities of SBSS have been accounted for at historical costs and the condensed consolidated financial statements of the Group prior to the acquisition of SBSS have been restated to include the results of operations and assets and liabilities of SBSS on a combined basis. The consideration paid by the Company for the acquisition of SBSS was accounted for as an equity transaction in the consolidated statement of changes in equity.

2. Basis of Preparation (Continued)

The results of operations for the six months ended 30 June 2012, the cash flow effect for the six months ended 30 June 2012 previously reported by the Group have been restated to reflect the acquisitions of SBSS are set out below:

	The Group (as previously reported) RMB'000	SBSS acquired RMB'000	Combined RMB'000
Results of operations for the six months ended 30 June 2012			
Revenues	29,355,630	174,755	29,530,385
Gross profit	4,519,979	61,308	4,581,287
Profit for the period	1,209,386	24,410	1,233,796
Basic and diluted earnings per share (in RMB)	0.180		0.182
Cash flow effect for the six months ended 30 June 2012			
Net cash used in operating activities	(931,100)	(17,906)	(949,006)
Net cash used in investing activities	(279,917)	(13,061)	(292,978)
Net cash generated from financing activities	2,338,048	1,246	2,339,294

For the period presented, all significant balances and transactions between the Group and SBSS have been eliminated on consolidation.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and International Accounting Standard ("IAS") 34, Interim financial reporting, issued by the International Accounting Standards Board ("IASB").

3. Principal Accounting Policies

The interim financial report has been prepared on the historical basis except for certain financial instruments, which are measured at fair values.

The interim financial report has been prepared in accordance with the same accounting policies and methods of computation adopted in the consolidated financial statements of the Group for the year ended 31 December 2012, except as described below.

In the current interim period, the Group has applied, for the first time, the following new or revised International Financial Reporting Standards ("IFRSs") issued by the IASB that are relevant for the preparation of the interim financial report:

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 13	Fair Value Measurement
IAS 19 (Revised 2011)	Employee Benefits
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
Amendments to IFRS 7	Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 1	Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income
Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current period. IFRS 13 establishes a single source of guidance for fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements.

The scope of IFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. Consequential amendments have been made to IAS 34 to require certain disclosures required for financial instruments to be made in the interim financial report. Except for the disclosures of fair value information set out in the notes to the interim financial report, the application of IFRS 13 has no significant impact on the Group's interim financial report.

Except for the impact on the application of IFRS 13, the application of the other new or revised IFRSs as mentioned above in the current interim period has had no material effect on the amounts reported and/or disclosures set out in interim financial report.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

3. Principal Accounting Policies (Continued)

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2012 annual financial statements. The condensed consolidated interim financial statements and notes thereof do not include all of the information required for a full set of financial statements prepared in accordance with IFRSs. IFRSs include all applicable IFRSs, IASs and related interpretations.

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company. The interim financial report has also been reviewed by the Company's international auditors, Deloitte Touche Tohmatsu ("DTT"), in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Hong Kong Institute of Certified Public Accountants. DTT's independent review report to the Board of Directors is included on page 6.

The financial information relating to the financial year ended 31 December 2012 that is included in the interim financial report as being previously reported does not constitute the Group's annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. Annual financial statements for the year ended 31 December 2012 are available from the Company's registered office. On 27 March 2013, KPMG have expressed an unqualified opinion on the consolidated financial statements of the Group for the year ended 31 December 2012.

4. Segment Reporting

The Group principally has one operating and reportable segment, which is the provision of integrated telecommunications support services in the information sector. Therefore, no additional reportable segment has been presented. Additional information about major customers and geographical areas of the Group has been disclosed in note 5.

5. Revenues

Revenues are derived from the provision of integrated telecommunications support services, net of sales taxes and after allowance for trade discounts. The Group's revenues by business nature can be summarised as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
		(Restated)
Revenue from telecommunications infrastructure services	**15,338,597**	13,982,261
Revenue from business process outsourcing services	**14,035,549**	12,889,915
Revenue from applications, content and others	**2,986,716**	2,658,209
	32,360,862	29,530,385

5. Revenues (Continued)

The Group's major customers are telecommunications operators which include CTC and its subsidiaries ("CTC Group") and China Mobile Communications Corporation and its subsidiaries ("CM Group"), each contributing a revenue exceeding 10% of the Group's total revenues. Revenues from the provision of integrated telecommunications support services to CTC Group and CM Group for the six months ended 30 June 2013 amounted to RMB13,307 million and RMB5,919 million respectively (six months ended 30 June 2012: RMB12,255 million and RMB5,597 million respectively), being 41.1% and 18.3% of the Group's total revenues respectively (six months ended 30 June 2012: 41.5% (as restated) and 19.0% (as restated) respectively). In addition, the revenue derived from areas outside Mainland China for the six months ended 30 June 2013 amounted to RMB1,679 million (six months ended 30 June 2012: RMB1,291 million (as restated)).

6. Cost of Revenues

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000 (Restated)
Depreciation and amortisation	**214,882**	214,777
Direct personnel costs	**4,288,795**	4,224,881
Operating lease charges	**451,160**	440,947
Purchase of materials and telecommunications products	**9,695,533**	8,942,960
Subcontracting charges	**10,291,270**	8,868,805
Others	**2,448,673**	2,256,728
	27,390,313	24,949,098

7. Other Operating Income

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000 (Restated)
Interest income	**47,541**	43,508
Dividend income from unlisted securities	**54,706**	68,129
Government grants	**79,208**	64,056
Gain on partial disposal of an associate	**49,507**	–
Gain on disposal of property, plant and equipment	**1,801**	1,411
Penalty income	**2,444**	1,132
Management fee income	**133,150**	114,902
Others	**15,509**	17,669
	383,866	310,807

8. Finance Costs

	Six months ended 30 June **2013** **RMB'000**	2012 RMB'000 (Restated)
Interest on bank and other borrowings wholly repayable within five years	**7,349**	17,854

For the periods ended 30 June 2013 and 2012, no borrowing costs were capitalised in relation to construction in progress.

9. Profit Before Tax

Profit before tax has been arrived at after charging (crediting) the following items:

		Six months ended 30 June **2013** **RMB'000**	2012 RMB'000 (Restated)
(a)	Staff costs:		
	Salaries, wages and other benefits	**6,202,218**	5,846,882
	Contributions to defined contribution retirement schemes	**535,104**	476,683
		6,737,322	6,323,565
(b)	Other items:		
	Amortisation	**49,750**	34,264
	Cost of inventories	**9,695,533**	8,942,960
	Depreciation	**332,889**	333,562
	Inventory write-down and losses, net of reversals	**2,968**	4,309
	Impairment losses on accounts and other receivables	**40,586**	33,826
	Reversal of impairment losses on accounts and other receivables	**(3,876)**	(12,005)
	Operating lease charges	**566,628**	533,446
	Research and development costs	**573,636**	395,396
	Share of an associate's taxation	**83**	94

Research and development costs include RMB473 million (six months ended 30 June 2012: RMB346 million (as restated)) relating to staff costs, which amount is also included in the staff cost disclosed in note 9(a).

10. Income Tax

(a) Income tax in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
		(Restated)
Current tax		
Income tax	**295,446**	297,712
Deferred tax		
Origination and reversal of temporary differences	**(33,952)**	(9,665)
Total income tax	**261,494**	288,047

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
		(Restated)
Profit before tax	**1,519,147**	1,521,843
Expected income tax expense at a statutory tax rate of 25% (six months ended 30 June 2012: 25%)	**379,787**	380,460
Differential tax rates on subsidiaries' profits (note (i))	**(138,387)**	(91,404)
Non-deductible expenses (note (ii))	**23,508**	6,300
Non-taxable income	**(13,493)**	(17,128)
Tax losses not recognised	**16,216**	23,297
Utilisation of previously unrecognised tax losses	**(6,137)**	(13,478)
Income tax	**261,494**	288,047

Notes:

(i) The provision for income tax of the Group is calculated based on a statutory rate of 25% of the assessable profit of the Group as determined in accordance with the relevant PRC income tax rules and regulations for the six months ended 30 June 2013 and 2012, except for certain domestic subsidiaries of the Group, which are taxed at a preferential rate of 15%, where applicable; and for certain overseas subsidiaries of the Group, which are taxed at respective statutory rates.

(ii) The amounts represent staff cost and miscellaneous expenses in excess of statutory deductible limits for tax purpose.

11. Other Comprehensive Income

Available-for-sale securities

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Changes in fair value recognised during the period	**(4,174)**	3,491
Net deferred tax charged to other comprehensive income	**2,924**	(873)
Net movement in the fair value reserve during the period recognised in other comprehensive income	**(1,250)**	2,618

12. Dividends

(a) Interim dividend

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: nil).

(b) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved during the period:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Final dividend in respect of the financial year ended 31 December 2012, declared during the interim period of RMB0.1390 per share (six months ended 30 June 2012: RMB0.1222 per share)	**962,717**	846,359

No final dividend was paid during the six months ended 30 June 2013 and 2012.

13. Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the six months ended 30 June 2013 of RMB1,242 million (six months ended 30 June 2012: RMB1,221 million (as restated)) and the number of shares in issue during the six months ended 30 June 2013 of 6,926,018 thousand shares (six months ended 30 June 2012: weighted average number of shares of 6,716,818 thousand shares).

There was no diluted earnings per share as there were no dilutive potential shares outstanding for the periods presented.

14. Property, Plant and Equipment, Net

During the six months ended 30 June 2013, additions of property, plant and equipment (including direct purchase, transfer from construction in progress) of the Group amounted to RMB191 million (six months ended 30 June 2012: RMB305 million (as restated)). Items of property, plant and equipment with carrying amount totalling RMB5 million were disposed of during the six months ended 30 June 2013 (six months ended 30 June 2012: RMB3 million (as restated)).

15 Accounts and Bills Receivable, Net

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Bills receivable	**540,331**	610,038
Unbilled revenue for contract work	**7,434,274**	6,264,423
Trade receivables	**17,655,194**	14,922,933
	25,629,799	21,797,394
Less: impairment losses	**(511,637)**	(475,439)
	25,118,162	21,321,955

(a) Included in accounts and bills receivable are amounts due from fellow subsidiaries of RMB11,279 million as at 30 June 2013 (31 December 2012: RMB9,599 million). The amounts due from fellow subsidiaries are unsecured, interest free and are expected to be recovered within one year.

(b) In general, debts are due for payment upon billing. Subject to negotiation, credit terms within a range of one to three months are available for certain customers with well-established trading and payment records.

(c) The ageing analysis of accounts and bills receivable (net of impairment losses) is as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Current (note)	**11,790,713**	10,142,555
Within 1 year	**11,663,741**	9,119,059
After 1 year but less than 2 years	**1,211,594**	1,567,009
After 2 years but less than 3 years	**346,513**	400,854
After 3 years	**105,601**	92,478
Amount past due	**13,327,449**	11,179,400
	25,118,162	21,321,955

Note: Included unbilled revenue for contract work.

15 Accounts and Bills Receivable, Net (Continued)

(d) Impairment of accounts and bills receivable

Impairment losses in respect of accounts and bills receivable 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 accounts and bills receivable directly.

The movement in allowance for doubtful debts during the period, including both specific and collective loss components, is as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
At 1 January	**475,439**	437,149
Impairment loss recognised	**39,737**	94,323
Reversal of impairment loss previously recognised	**(3,320)**	(50,683)
Uncollectible amounts written off	**(219)**	(5,350)
At 30 June/31 December	**511,637**	475,439

At 30 June 2013, the Group's accounts and bills receivable of RMB527 million were individually determined to be impaired (31 December 2012: RMB427 million). 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 impairment losses of RMB317 million were recognised (31 December 2012: RMB320 million). The Group does not hold any collateral over these balances.

(e) Accounts and bills receivable that are not impaired

The ageing analysis of accounts and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Neither past due nor impaired	**11,790,713**	10,142,555
Within 1 year	**11,257,473**	9,102,624
After 1 year but less than 2 years	**1,021,858**	1,184,804
After 2 years but less than 3 years	**269,923**	329,012
After 3 years	**80,527**	80,462
At 30 June/31 December	**24,420,494**	20,839,457

Receivables that were neither past due nor impaired mainly relate to telecommunications service providers for whom there was no history of default.

Receivables that were past due but not impaired relate to major telecommunications service providers and a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no further 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.

16. Cash and Cash Equivalents

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Cash at bank and in hand	**5,343,527**	6,046,031
Deposits with banks and other financial institutions	**1,516,556**	2,833,460
Cash and cash equivalents	**6,860,083**	8,879,491

17. Interest-Bearing Borrowings

The Group's short-term borrowings comprise the following:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
RMB denominated		
Loans from fellow subsidiaries		
— unsecured	**13,280**	13,280
HK Dollar denominated		
Borrowings from banks		
— unsecured	**182,410**	185,684
US Dollar denominated		
Borrowings from banks		
— secured	**17,547**	17,851
— unsecured	**311,181**	192,990
	524,418	409,805

The Group's short-term borrowings bearing fixed interest rate per annum are as follows:

	At 30 June 2013	At 31 December 2012
RMB denominated		
Loans from fellow subsidiaries		
— unsecured	**2.39%**	2.39%
HK Dollar denominated		
Borrowings from banks		
— unsecured	**1.45%**	1.95%
US Dollar denominated		
Borrowings from banks		
— secured	**5.30%**	5.30%
— unsecured	**1.77%–2.87%**	2.24%–2.46%

17. Interest-Bearing Borrowings (Continued)

The Group's long-term borrowings comprise the following:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
US Dollar denominated		
Borrowings from banks		
— secured	**67,224**	89,883
	67,224	89,883

The Group's long-term borrowings bearing fixed interest rate per annum are as follows:

	At 30 June 2013	At 31 December 2012
US Dollar denominated		
Borrowings from banks		
— secured	**5.30%**	5.30%

As at 30 June 2013, no borrowings from banks were subject to financial covenants.

18. Accounts and Bills Payable

Accounts and bills payable comprise:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Accounts payable	**14,205,992**	12,439,999
Bills payable	**2,000,835**	2,403,935
	16,206,827	14,843,934

18. Accounts and Bills Payable (Continued)

The ageing analysis of accounts and bills payable is as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within 1 year	**14,956,262**	13,686,729
After 1 year but less than 2 years	**819,743**	724,781
After 2 years but less than 3 years	**224,440**	197,282
After 3 years	**206,382**	235,142
	16,206,827	14,843,934

Included in accounts and bills payable are amounts due to fellow subsidiaries of RMB1,641 million as at 30 June 2013 (31 December 2012: RMB1,245 million). The amounts due to fellow subsidiaries are unsecured, interest free and are expected to be settled within one year.

19. Share Capital

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Registered, issued and fully paid:		
4,534,598,160 (31 December 2012: 4,534,598,160) domestic shares of RMB1.00 each	**4,534,598**	4,534,598
2,391,420,240 (31 December 2012: 2,391,420,240) H shares of RMB1.00 each	**2,391,420**	2,391,420
	6,926,018	6,926,018

	2013 Thousand shares	2012 Thousand shares
At 1 January	**6,926,018**	5,771,682
Issue of domestic shares	**–**	755,766
Issue of H shares	**–**	398,570
At 30 June/31 December	**6,926,018**	6,926,018

20. Commitments and Contingent Liabilities

(a) Capital commitments

As at 30 June 2013, the Group had capital commitments for acquisition and construction of property, plant and equipment and other assets as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Authorised and contracted for	**149,525**	96,168
Authorised but not contracted for	**81,735**	94,489

(b) Operating lease commitments

As at 30 June 2013, the Group's total future minimum lease payments under non-cancellable operating leases were payable as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within 1 year	**284,889**	233,698
After 1 year but within 5 years	**315,458**	345,111
After 5 years	**92,370**	90,758
	692,717	669,567

The Group leases a number of properties under operating leases. The leases typically run for a period of one year to twenty years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

(c) Contingent liabilities

As at 30 June 2013, the Group had no material contingent liabilities and no material financial guarantees issued.

21. Fair Value Measurements of Financial Instruments

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	The Group			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale securities				
— Listed equity securities	30,196	–	–	30,196

22. Related Parties

The Group is part of a larger group of companies under CTC and has significant transactions and relationships with members of CTC. Apart from the transactions and balances disclosed in the interim financial report set out above, there are the following related party transactions:

(a) Transactions with CTC Group

Companies are considered to be related if one company has the ability, directly or indirectly, to control or jointly control the other company or have significant influence over the other company in making financial and operating decisions. Companies are also considered to be related if they are subject to common control.

Because of the relationships between the Group, CTC and members of the CTC, it is possible that the terms of those transactions are not the same as those that would result from transactions among unrelated parties.

22. Related Parties (Continued)

(a) Transactions with CTC Group (Continued)

The principal transactions with CTC Group which were carried out in the ordinary course of business are as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
		(Restated)
Income from related parties:		
Engineering related services (note (i))	**6,382,680**	5,867,248
IT application services (note (ii))	**542,996**	478,054
Provision of ancillary telecommunications services (note (iii))	**3,003,007**	2,807,309
Provision of operation support services (note (iv))	**984,143**	921,772
Supplies procurement service (note (v))	**2,361,088**	2,156,489
Property leasing (note (vi))	**33,123**	24,452
Management fee income (note (vii))	**133,150**	114,902
Expenses paid/payable to related parties:		
Property leasing charges (note (viii))	**65,326**	52,547
IT application service charges (note (ix))	**102,426**	76,734
Operation support service charges (note (x))	**233,476**	236,257
Supplies procurement service charges (note (xi))	**1,859,347**	1,206,869
Interest paid/payable (note (xii))	**159**	4,609

Notes:

(i) The amount represents the engineering related services, such as design, construction and project management for telecommunications infrastructure project provided to CTC Group.

(ii) The amount represents the telecommunications network support services, software and hardware development and other IT related services provided to CTC Group.

(iii) The amount represents ancillary telecommunications services such as maintenance of network facilities including optical ducts and cables, exchange buildings and base stations; operation of distribution channels; fixed line and wireless value-added service; internet contents and information services provided to CTC Group.

(iv) The amount represents the facilities management, advertising, conferencing services and certain repair and leasing of equipment services provided to CTC Group.

(v) The amount represents supplies procurement service such as supplies procurement service, management of biddings warehousing, transportation and installation services.

(vi) The amount represents rental income in respect of premises leased to CTC Group.

(vii) The amount represents management fee income in respect of the services rendered to CTC Group for the management of its assets related to the telecommunications support business in different provinces, municipalities and autonomous regions of CTC Group.

(viii) The amount represents rentals from operating leases in respect of business premises paid and payable to CTC Group.

(ix) The amount represents basic telecommunications service, value-added service and information application service charged by CTC Group.

22. Related Parties (Continued)

(a) Transactions with CTC Group (Continued)

Notes: (Continued)

(x) The amount represents the charge paid and payable to CTC Group for logistics, labour resources, cultural, educational, hygiene and other supporting services.

(xi) The amount represents the charge paid and payable to CTC Group for supplies procurement services, warehouse, transportation and installation services.

(xii) Interest paid/payable represents the interest paid or payable to CTC Group in respect of the loans from CTC and fellow subsidiaries.

Amounts due from/to CTC Group included in respective balances are summarised as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Accounts and bills receivable, net	**11,279,410**	9,599,241
Prepayments and other current assets	**1,200,759**	1,316,856
Total amounts due from CTC Group	**12,480,169**	10,916,097
Interest-bearing borrowings	**13,280**	13,280
Accounts and bills payable	**1,641,007**	1,244,697
Receipts in advance for contract work	**86,665**	61,446
Accrued expenses and other payables	**1,578,487**	907,085
Total amounts due to CTC Group	**3,319,439**	2,226,508

As at 30 June 2013, impairment losses for bad and doubtful debts of RMB7 million (31 December 2012: RMB8 million) were recorded in respect of amounts due from CTC Group.

As at 30 June 2013 the Group has capital commitments to CTC Group for acquisition and construction of property, plant and equipment and other assets as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Authorised and contracted for	**3,014**	2,804

22. Related Parties (Continued)

(a) Transactions with CTC Group (Continued)

As at 30 June 2013, the Group's total future minimum lease payments to CTC Group under non-cancellable operating leases were payable as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within 1 year	**101,896**	69,847
After 1 year but within 5 years	**142,499**	143,119
After 5 years	**77,305**	74,595
	321,700	287,561

(b) Transactions with other government-related entities in the PRC

The Group is a state-controlled enterprise and operates in an economic regime currently dominated by entities directly or indirectly controlled, jointly controlled, significantly influenced by the People's Republic of China through government authorities, agencies and other organisations (collectively referred to as "government-related entities").

Apart from transactions with parent company and fellow subsidiaries (note 22(a)), the Group has collectively, but not individually significant transactions with other government-related entities, which include but are not limited to the following:

- Rendering and receiving services, including but not limited to telecommunications services

- Sales and purchases of goods, properties and other assets

- Lease of assets

- Depositing and borrowing money

- Use of public utilities

These transactions are conducted in the ordinary course of the Group's business on terms comparable to the terms of transactions with other entities that are not government-related. The Group prices its telecommunications services and products based on government-regulated tariff rates, where applicable, or based on commercial negotiations. The Group has also established its procurement policies and approval processes for purchases of products and services, which do not depend on whether the counterparties are government-related entities or not.

22. Related Parties (Continued)

(c) Transactions with key management personnel

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Salaries and other emoluments	**2,213**	2,228
Retirement benefits	**1,062**	933
Bonus	**4,695**	4,297
	7,970	7,458

Total remuneration is included in "Staff costs" in note 9(a).

(d) Contributions to defined contribution retirement plans

In accordance with the labour regulations of the PRC, the Group participates in various defined contribution retirement schemes organised by the municipal and provincial governments for its employees. The Group is required to make contributions to the retirement schemes at rates ranging from 20% to 22% of the salaries, bonuses and certain allowances of the employees. A member of the scheme is entitled to a pension equal to a fixed proportion of the salary prevailing at his or her retirement date. The Group has no other material obligation for the payment of pension benefits associated with these schemes beyond the annual contributions described above.

As at 30 June 2013 and 31 December 2012, there was no material outstanding contribution to post-employment benefit plans.

The directors believe the above information provides meaningful disclosure of related party transactions.