

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2014

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

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 2013, except as described below.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to International Financial Reporting Standards (“IFRSs”) issued by the IASB that are relevant for the preparation of the interim financial report:

Amendments to IFRS 10, IFRS 12, and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

The application of the interpretation and amendments to IFRSs as mentioned above in the current period has had no material effect on the amounts reported and/or disclosures set out in the interim financial report.

The Group has not applied any new or revised IFRSs that is not yet effective for the current period.

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2014

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 2013 annual financial statements. The condensed consolidated 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 independent 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 review report to the Board of Directors is included on page 6.

The financial information relating to the financial year ended 31 December 2013 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 2013 are available from the Company's registered office. The Company's independent auditors have expressed an unqualified opinion on those financial statements in their report dated 26 March 2014.

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	
	2014 RMB'000	2013 RMB'000
Revenue from telecommunications infrastructure services	15,453,038	15,338,597
Revenue from business process outsourcing services	14,910,717	14,035,549
Revenue from applications, content and others	3,379,142	2,986,716
	33,742,897	32,360,862

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2014

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 2014 amounted to RMB12,637 million and RMB6,847 million respectively (six months ended 30 June 2013: RMB13,307 million and RMB5,919 million respectively), being 37.4% and 20.3% of the Group's total revenues respectively (six months ended 30 June 2013: 41.1% and 18.3% respectively). In addition, the revenue derived from areas outside Mainland China for the six months ended 30 June 2014 amounted to RMB1,744 million (six months ended 30 June 2013: RMB1,679 million).

6. COST OF REVENUES

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Depreciation and amortisation	223,136	214,882
Direct personnel costs	4,220,593	4,288,795
Operating lease charges	514,827	451,160
Purchase of materials and telecommunications products	9,586,244	9,695,533
Subcontracting charges	11,841,419	10,291,270
Others	2,533,400	2,448,673
	28,919,619	27,390,313

7. OTHER OPERATING INCOME

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Interest income	47,952	47,541
Dividend income from unlisted securities	53,940	54,706
Government grants	83,366	79,208
Gain on disposal of investments	69,411	49,507
Gain on disposal of property, plant and equipment	1,346	1,801
Penalty income	1,309	2,444
Management fee income	127,273	133,150
Others	30,380	15,509
	414,977	383,866

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2014

8. FINANCE COSTS

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Interest on bank and other borrowings wholly repayable within five years	5,075	7,349

For the six months ended 30 June 2014 and 2013, 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	
	2014 RMB'000	2013 RMB'000
(a) Staff costs:		
Salaries, wages and other benefits	6,134,625	6,202,218
Contributions to defined contribution retirement schemes	509,992	535,104
	6,644,617	6,737,322
(b) Other items:		
Amortisation	43,945	49,750
Cost of inventories	9,586,244	9,695,533
Depreciation	360,686	332,889
Inventory write-down and losses, net of reversals	3,943	2,968
Impairment losses on accounts and other receivables	71,386	40,586
Reversal of impairment losses on accounts and other receivables	(9,308)	(3,876)
Changes in fair value of financial derivatives	450	—
Operating lease charges	649,764	566,628
Research and development costs	658,257	573,636
Share of an associate's taxation	3,821	83

Research and development costs include RMB526 million (six months ended 30 June 2013: RMB473 million) relating to staff costs, which amount is also included in the staff cost disclosed in note 9(a).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2014

10. INCOME TAX

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

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Current tax		
Income tax	237,377	295,446
Deferred tax		
Origination and reversal of temporary differences	536	(33,952)
Total income tax	237,913	261,494

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

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Profit before tax	1,480,748	1,519,147
Expected income tax expense at a statutory tax rate of 25% (six months ended 30 June 2013: 25%)	370,187	379,787
Differential tax rates on subsidiaries' profits (note (i))	(84,042)	(138,387)
Non-deductible expenses (note (ii))	12,716	47,216
Non-taxable income	(29,617)	(13,493)
Tax losses not recognised	35,884	16,216
Utilisation of previously unrecognised tax losses	(1,284)	(6,137)
Over provision in respect of prior years	(19,312)	(5,547)
Effect of tax exemptions	(10,189)	(3,466)
Others (note (iii))	(36,430)	(14,695)
Income tax	237,913	261,494

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 2014 and 2013, except for certain domestic subsidiaries of the Group, which are taxed at a preferential rate of 20% and 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.
- (iii) The amounts primarily represent the effect of research and development expense deduction.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2014

11. OTHER COMPREHENSIVE INCOME

Available-for-sale securities

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Changes in fair value recognised during the period	(3,273)	(4,174)
Net deferred tax charged to other comprehensive income	491	2,924
Net movement in the fair value reserve during the period recognised in other comprehensive income	(2,782)	(1,250)

12. DIVIDENDS

(a) Interim dividend

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: 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	
	2014 RMB'000	2013 RMB'000
Final dividend in respect of the financial year ended 31 December 2013, declared during the interim period of RMB0.1293 per share (six months ended 30 June 2013: RMB0.1390 per share)	895,534	962,717

No final dividend was paid during the six months ended 30 June 2014 and 2013.

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 2014 of RMB1,238 million (six months ended 30 June 2013: RMB1,242 million) and the number of shares in issue during the six months ended 30 June 2014 of 6,926,018 thousand shares (six months ended 30 June 2013 of 6,926,018 thousand shares).

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2014

14. PROPERTY, PLANT AND EQUIPMENT, NET

During the six months ended 30 June 2014, additions of property, plant and equipment (including direct purchase, transfer from construction in progress) of the Group amounted to RMB127 million (six months ended 30 June 2013: RMB191 million). Items of property, plant and equipment with carrying amount totalling RMB8 million were disposed of during the six months ended 30 June 2014 (six months ended 30 June 2013: RMB5 million).

15. ACCOUNTS AND BILLS RECEIVABLE, NET

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Bills receivable	736,946	747,894
Unbilled revenue for contract work	8,351,716	6,980,370
Trade receivables	19,783,550	18,072,367
	28,872,212	25,800,631
Less: impairment losses	(418,558)	(372,576)
	28,453,654	25,428,055

- (a) Included in accounts and bills receivable are amounts due from CTC Group of RMB12,102 million as at 30 June 2014 (31 December 2013: RMB11,749 million). The amounts due from CTC Group 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2014

15. ACCOUNTS AND BILLS RECEIVABLE, NET (Continued)

- (c) The ageing analysis of accounts and bills receivable (net of impairment losses) based on the invoice date is as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Current (note)	13,014,646	11,130,426
Within 1 year	12,951,194	12,144,551
After 1 year but less than 2 years	1,802,404	1,682,667
After 2 years but less than 3 years	540,316	384,019
After 3 years	145,094	86,392
Amount past due	15,439,008	14,297,629
	28,453,654	25,428,055

Note: Included unbilled revenue for contract work.

(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 2014 RMB'000	At 31 December 2013 RMB'000
At 1 January	372,576	475,439
Impairment loss recognised	53,394	132,457
Reversal of impairment loss previously recognised	(7,086)	(36,432)
Uncollectible amounts written off	(326)	(198,888)
At 30 June/31 December	418,558	372,576

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2014

15. ACCOUNTS AND BILLS RECEIVABLE, NET (Continued)

(d) Impairment of accounts and bills receivable (Continued)

At 30 June 2014, the Group's accounts and bills receivable of RMB463 million were individually determined to be impaired (31 December 2013: RMB2,169 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 RMB189 million were recognised (31 December 2013: RMB164 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 2014 RMB'000	At 31 December 2013 RMB'000
Neither past due nor impaired	13,014,646	11,130,426
Within 1 year	12,835,196	10,467,514
After 1 year but less than 2 years	1,280,266	956,992
After 2 years but less than 3 years	389,594	208,349
After 3 years	98,280	67,372
At 30 June/31 December	27,617,982	22,830,653

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 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2014

16. CASH AND CASH EQUIVALENTS

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Cash at bank and in hand	5,234,393	6,027,934
Deposits with banks and other financial institutions	501,025	732,303
Cash and cash equivalents	5,735,418	6,760,237

17. INTEREST-BEARING BORROWINGS

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
RMB denominated		
Loans from fellow subsidiaries		
— unsecured	13,280	13,280
US Dollar denominated		
Borrowings from banks		
— secured	17,474	17,315
— unsecured	83,929	23,306
	114,683	53,901

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

	At 30 June 2014	At 31 December 2013
RMB denominated		
Loans from fellow subsidiaries		
— unsecured	2.39%	2.39%
US Dollar denominated		
Borrowings from banks		
— secured	5.30%	5.30%
— unsecured	1.73%–4.50%	1.77%–3.80%

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2014

17. INTEREST-BEARING BORROWINGS (Continued)

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
US Dollar denominated		
Borrowings from banks		
— secured	43,315	51,580
— unsecured	1,674	—
	44,989	51,580

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

	At 30 June 2014	At 31 December 2013
US Dollar denominated		
Borrowings from banks		
— secured	5.30%	5.30%
— unsecured	4.32%	—

As at 30 June 2014, no borrowings from banks were subject to financial covenants.

18. ACCOUNTS AND BILLS PAYABLE

Accounts and bills payable comprise:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Accounts payable	16,097,034	14,651,217
Bills payable	2,088,739	2,429,567
	18,185,773	17,080,784

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2014

18. ACCOUNTS AND BILLS PAYABLE (Continued)

The ageing analysis of accounts and bills payable based on the invoice date is as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 1 year	16,734,870	15,862,539
After 1 year but less than 2 years	955,686	793,208
After 2 years but less than 3 years	240,733	214,060
After 3 years	254,484	210,977
	18,185,773	17,080,784

Included in accounts and bills payable are amounts due to CTC Group and an associate of the Group of RMB2,334 million as at 30 June 2014 (31 December 2013: RMB1,794 million). The amounts due to CTC Group and an associate of the Group are unsecured, interest free and are expected to be settled within one year.

19. SHARE CAPITAL

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
<i>Registered, issued and fully paid:</i>		
4,534,598,160 (31 December 2013: 4,534,598,160) domestic shares of RMB1.00 each	4,534,598	4,534,598
2,391,420,240 (31 December 2013: 2,391,420,240) H shares of RMB1.00 each	2,391,420	2,391,420
	6,926,018	6,926,018

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2014

20. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

As at 30 June 2014, the Group had capital commitments for acquisition and construction of property, plant and equipment and other assets as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Authorised and contracted for	246,304	283,654
Authorised but not contracted for	280,903	334,807

(b) Operating lease commitments

As at 30 June 2014, the Group's total future minimum lease payments under non-cancellable operating leases were payable as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 1 year	323,337	276,463
After 1 year but within 5 years	315,224	317,779
After 5 years	91,558	94,851
	730,119	689,093

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 2014, the Group had no material contingent liabilities and no material financial guarantees issued.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2014

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments 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 instruments 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).

	At 30 June 2014			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale securities classified as other investments				
— Listed equity securities	38,166	—	—	38,166
Liabilities				
Held-for-trading financial liabilities classified as accrued expenses and other payables				
— Foreign currency forward contract	—	175	—	175

	At 31 December 2013			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale securities classified as other investments				
— Listed equity securities	41,439	—	—	41,439
Held-for-trading financial assets classified as prepayments and other current assets				
— Foreign currency forward contract	—	85	—	85

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the interim financial report approximate their fair values.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2014

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 and the Group's associates

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.

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

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
<i>Income from related parties:</i>		
Engineering related services (note (i))	5,322,232	6,382,680
IT application services (note (ii))	515,616	542,996
Provision of ancillary telecommunications services (note (iii))	3,486,254	3,003,007
Provision of operation support services (note (iv))	1,028,671	984,143
Supplies procurement service (note (v))	2,218,636	2,361,088
Property leasing (note (vi))	66,341	33,123
Management fee income (note (vii))	127,273	133,150
<i>Expenses paid to related parties:</i>		
Property leasing charges (note (viii))	101,095	65,326
IT application service charges (note (ix))	71,365	102,426
Operation support service charges (note (x))	270,779	233,476
Supplies procurement service charges (note (xi))	1,357,947	1,859,347
Interest paid (note (xii))	159	159

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 and an associate of the Group.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2014

22. RELATED PARTIES (Continued)

(a) Transactions with CTC Group and the Group's associates (Continued)

Notes: (Continued)

- (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 and an associate of the 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 and an associate of the Group.
- (ix) The amount represents basic telecommunications service, value-added service and information application service charged by CTC Group and an associate of the Group.
- (x) The amount represents the charge paid and payable to CTC Group and an associate of the 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 and the Group's associates included in respective balances are summarised as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Accounts and bills receivable, net	12,102,385	11,748,984
Prepayments and other current assets	1,472,370	1,600,326
Total amounts due from CTC Group and the Group's associates	13,574,755	13,349,310
Interest-bearing borrowings	13,280	13,280
Accounts and bills payable	2,334,443	1,793,968
Receipts in advance for contract work	90,255	42,612
Accrued expenses and other payables	1,421,028	802,866
Total amounts due to CTC Group and the Group's associates	3,859,006	2,652,726

As at 30 June 2014, impairment losses for bad and doubtful debts of RMB6 million (31 December 2013: RMB8 million) were recorded in respect of amounts due from CTC Group.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2014

22. RELATED PARTIES (Continued)

(a) Transactions with CTC Group and the Group's associates (Continued)

As at 30 June 2014, 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 2014 RMB'000	At 31 December 2013 RMB'000
Authorised and contracted for	4,641	5,032

As at 30 June 2014, the Group's total future minimum lease payments to CTC Group under non-cancellable operating leases were payable as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 1 year	91,726	58,618
After 1 year but within 5 years	111,489	101,576
After 5 years	80,225	70,504
	283,440	230,698

(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 PRC 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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2014

22. RELATED PARTIES (Continued)

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

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.

(c) Transactions with key management personnel

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Salaries and other emoluments	2,750	2,213
Retirement benefits	1,377	1,062
Bonus	4,830	4,695
	8,957	7,970

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 2014 and 31 December 2013, there was no material outstanding contribution to post-employment benefit plans.

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