

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

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 services (including management of infrastructure for information technologies business, general 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 2014, except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs") issued by the IASB for the preparation of the interim financial report:

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle

The application of the 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.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

3. Principal Accounting Policies (Continued)

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.

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 2014 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 independent review report to the Board of Directors of the Company is included on page 8.

The financial information relating to the financial year ended 31 December 2014 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 2014 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 25 March 2015.

4. Segment Reporting

The Group principally has one operating and reportable segment, which is the provision of integrated telecommunications support services in the informatization 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.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

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	
	2015 RMB'000	2014 RMB'000
Revenue from telecommunications infrastructure services	18,022,125	15,453,038
Revenue from business process outsourcing services	16,049,450	14,910,717
Revenue from applications, content and other services	3,491,020	3,379,142
	37,562,595	33,742,897

The Group's major customers are telecommunications operators which include CTC and its subsidiaries (excluding the Group) ("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 2015 amounted to RMB15,850 million and RMB6,853 million respectively (six months ended 30 June 2014: RMB12,637 million and RMB6,847 million respectively), being 42.2% and 18.2% of the Group's total revenues respectively (six months ended 30 June 2014: 37.4% and 20.3% respectively). In addition, the revenue derived from areas outside Mainland China for the six months ended 30 June 2015 amounted to RMB1,584 million (six months ended 30 June 2014: RMB1,744 million).

6. Cost of Revenues

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Depreciation and amortisation	221,780	223,136
Direct personnel costs	4,237,545	4,220,593
Operating lease charges	568,720	514,827
Purchase of materials and telecommunications products	10,135,019	9,586,244
Subcontracting charges	14,376,892	11,841,419
Others	2,847,133	2,533,400
	32,387,089	28,919,619

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

7. Other Operating Income

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Interest income	66,348	47,952
Dividend income from listed securities	94	–
Dividend income from unlisted securities	62,775	53,940
Government grants	89,328	83,366
Gain on disposal of investments	–	69,411
Gain on disposal of property, plant and equipment	4,085	1,346
Gain on disposal of intangible assets	31,000	–
Penalty income	681	1,309
Management fee income	111,274	127,273
Others	11,920	30,380
	377,505	414,977

8. Finance Costs

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Interest on bank and other borrowings wholly repayable within five years	11,269	5,075
Interest for convertible preference shares and preference shares (note (i))	12,496	–
	23,765	5,075

For the six months ended 30 June 2015 and 2014, no borrowing costs were capitalised in relation to construction in progress.

Note:

(i) Details of convertible preference shares and preference shares are discussed in note 19.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

9. Profit Before Tax

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

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
(a) Staff costs:		
Salaries, wages and other benefits	6,368,423	6,134,625
Contributions to defined contribution retirement schemes	520,393	509,992
	6,888,816	6,644,617
(b) Other items:		
Amortisation	51,350	43,945
Cost of inventories	10,135,019	9,586,244
Depreciation	357,612	360,686
Inventory write-down and losses, net of reversals	13,523	3,943
Impairment losses on accounts and other receivables	124,148	71,386
Reversal of impairment losses on accounts and other receivables	(13,559)	(9,308)
Changes in fair value of financial derivatives	(2,836)	450
Operating lease charges	695,406	649,764
Research and development costs	776,601	658,257

Research and development costs include staff costs of RMB620 million (six months ended 30 June 2014: RMB526 million), which is also included in the staff cost disclosed in note 9(a).

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

10. Income Tax

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

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Current tax		
Income tax	293,487	237,377
Deferred tax		
Origination and reversal of temporary differences	(11,945)	536
Total income tax	281,542	237,913

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

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Profit before tax	1,552,397	1,480,748
Expected income tax expense at a statutory tax rate of 25% (six months ended 30 June 2014: 25%)	388,099	370,187
Differential tax rates on subsidiaries' profits (note (i))	(107,065)	(84,042)
Non-deductible expenses (note (ii))	40,699	12,716
Non-taxable income	(28,317)	(29,617)
Tax losses not recognised	43,400	35,884
Utilisation of previously unrecognised tax losses	(7,600)	(1,284)
Over provision in respect of prior years	(11,451)	(19,312)
Effect of tax exemptions	(216)	(10,189)
Others (note (iii))	(36,007)	(36,430)
Income tax	281,542	237,913

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

10. Income Tax (Continued)

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

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 2015 and 2014, 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.

11. Other Comprehensive Income

Available-for-sale securities

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Changes in fair value recognised during the period	31,547	(3,273)
Net deferred tax charged to other comprehensive income	(4,732)	491
Net movement in the fair value reserve during the period recognised in other comprehensive income	26,815	(2,782)

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

12. Dividends

(a) Interim dividend

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: 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	
	2015 RMB'000	2014 RMB'000
Final dividend in respect of the financial year ended 31 December 2014, declared during the current interim period of RMB0.0931 per share (six months ended 30 June 2014: RMB0.1293 per share)	644,812	895,534

No final dividend was paid during the six months ended 30 June 2015 and 2014.

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 2015 of RMB1,271 million (six months ended 30 June 2014: RMB1,238 million) and the number of shares in issue during the six months ended 30 June 2015 of 6,926,018 thousand shares (six months ended 30 June 2014 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.

14. Property, Plant and Equipment, Net

During the six months ended 30 June 2015, additions of property, plant and equipment (including direct purchase, transfer from construction in progress) of the Group amounted to RMB136 million (six months ended 30 June 2014: RMB127 million). Items of property, plant and equipment with carrying amount totalling RMB18 million were disposed of during the six months ended 30 June 2015 (six months ended 30 June 2014: RMB8 million).

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

15. Accounts and Bills Receivable, Net

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Bills receivable	354,028	431,134
Unbilled revenue for contract work	8,886,853	7,856,102
Trade receivables	21,474,692	19,778,338
	30,715,573	28,065,574
Less: impairment losses	(727,566)	(624,376)
	29,988,007	27,441,198

- (a) Included in accounts and bills receivable are amounts due from CTC Group of RMB15,885 million as at 30 June 2015 (31 December 2014: RMB13,612 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.
- (c) The ageing analysis of accounts and bills receivable (net of impairment losses) based on the invoice date is as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Current (note)	14,059,119	13,536,273
Within 1 year	12,981,886	11,228,501
After 1 year but less than 2 years	1,982,784	1,938,198
After 2 years but less than 3 years	790,127	648,426
After 3 years	174,091	89,800
Amount past due	15,928,888	13,904,925
	29,988,007	27,441,198

Note: Included unbilled revenue for contract work.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

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 2015 RMB'000	At 31 December 2014 RMB'000
At 1 January	624,376	372,576
Impairment loss recognised	115,786	295,706
Reversal of impairment loss previously recognised	(12,325)	(34,208)
Uncollectible amounts written off	(271)	(9,698)
At 30 June/31 December	727,566	624,376

At 30 June 2015, the impairment losses of accounts and bills receivable of RMB2,745 million were individually determined (31 December 2014: RMB2,152 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 RMB270 million were recognised (31 December 2014: RMB317 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 2015 RMB'000	At 31 December 2014 RMB'000
Neither past due nor impaired	14,059,119	13,536,273
Within 1 year	11,040,285	10,127,135
After 1 year but less than 2 years	995,158	938,591
After 2 years but less than 3 years	451,786	245,510
After 3 years	90,645	39,114
At 30 June/31 December	26,636,993	24,886,623

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

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

15. Accounts and Bills Receivable, Net (Continued)

(e) Accounts and bills receivable that are not impaired (continued)

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.

16. Cash and Cash Equivalents

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Cash at bank and in hand	5,138,917	6,331,789
Deposits at bank with original maturity less than three months	1,112,280	981,726
Cash and cash equivalents	6,251,197	7,313,515

17. Interest-Bearing Borrowings

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

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
RMB denominated		
Borrowings from banks — unsecured	32,953	—
Loan from CTC Group — unsecured	38,280	13,280
US Dollar denominated		
Borrowings from banks		
— secured	15,528	17,378
— unsecured	106,056	216,160
	192,817	246,818

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

17. Interest-Bearing Borrowings (Continued)

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

	At 30 June 2015	At 31 December 2014
RMB denominated		
Borrowings from banks		
– unsecured	5.36%–5.60%	–
Loan from CTC Group		
– unsecured	2.39%–6.00%	2.39%
US Dollar denominated		
Borrowings from banks		
– secured	5.30%	5.30%
– unsecured	2.06%–3.50%	2.06%–4.70%

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

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
US Dollar denominated		
Borrowings from banks		
– secured	27,511	34,389
– unsecured	7,986	4,319
	35,497	38,708

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

	At 30 June 2015	At 31 December 2014
US Dollar denominated		
Borrowings from banks		
– secured	5.30%	5.30%
– unsecured	Libor+4.00%	Libor+4.00%

As at 30 June 2015, no borrowings from banks were subject to financial covenants.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

18. Accounts and Bills Payable

Accounts and bills payable comprise:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Accounts payable	17,965,182	16,366,810
Bills payable	2,153,420	2,448,758
	20,118,602	18,815,568

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

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within 1 year	18,511,362	17,370,714
After 1 year but less than 2 years	976,167	994,309
After 2 years but less than 3 years	347,264	237,301
After 3 years	283,809	213,244
	20,118,602	18,815,568

Included in accounts and bills payable are amounts due to CTC Group and an associate of the Group of RMB2,598 million as at 30 June 2015 (31 December 2014: RMB2,239 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. Other Non-Current Liabilities

	The Group	
	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Convertible preference shares and preference shares (note (i))	611,360	611,900
Others (note (ii))	172,544	175,742
	783,904	787,642

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

19. Other Non-Current Liabilities (Continued)

Notes:

- (i) On 25 July 2014, a subsidiary of the Company has placed 66,670,000 convertible preference shares and 33,330,000 preference shares to an independent third party at par value of US\$1 for each of the convertible preference share and preference share. According to the agreement, the subsidiary of the Company has the right, at its discretion, to defer the annual interest payment and also to redeem the convertible preference share and preference share eight years after the delivery date. However, the Group has obligation to pay the amount if the subsidiary of the Company defer the payment. Therefore, the directors of the Company consider that the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation arising from this agreement. Moreover, according to the agreement, the preference shareholder has the option to convert the convertible preference shares into ordinary shares from 2017 onwards. In the opinion of the directors of the Company, the number of ordinary shares can be converted, from the Group's perspective, is subject to negotiation between the Group and the preference shareholder at a fair value basis. Therefore, in the consolidated statement of financial position of the Group, it was recognized as a financial liability.

The annual interest rate is 3.7% plus the average six-month dollar interest rate of Libor for six months before each interest payment date, and should be adjusted on the first interest payment eight years after the settlement date. The adjusted interest rate should not be less than 8% per annum, and will automatically increase 1% every year after then.

- (ii) Others represent the deferred revenue arising from government grants and warranty provisions.

20. Share Capital

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Registered, issued and fully paid:		
4,534,598,160 (31 December 2014: 4,534,598,160) domestic shares of RMB1.00 each	4,534,598	4,534,598
2,391,420,240 (31 December 2014: 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

For the six months ended 30 June 2015

21. Commitments and Contingent Liabilities

(a) Capital commitments

As at 30 June 2015, the Group had capital commitments for acquisition and construction of property, plant and equipment and other assets as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Authorised and contracted for	225,846	118,586
Authorised but not contracted for	331,287	331,339

(b) Operating lease commitments

As at 30 June 2015, the Group's total future minimum lease payments under non-cancellable operating leases were payable as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within 1 year	298,063	304,985
After 1 year but within 5 years	360,470	370,586
After 5 years	132,025	111,339
	790,558	786,910

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 2015, the Group had no material contingent liabilities and no material financial guarantees issued.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

22. 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 2015			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Assets				
Available-for-sale securities				
– Listed equity securities	83,219	–	–	83,219
Trading financial assets included in prepayments and other current assets				
– Foreign currency forward contract	–	32	–	32
Liabilities				
Trading financial liabilities included in accrued expenses and other payables				
– Foreign currency forward contract	–	61	–	61

	At 31 December 2014			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Assets				
Available-for-sale securities				
– Listed equity securities	51,672	–	–	51,672
Trading financial assets included in prepayments and other current assets				
– Foreign currency forward contract	–	143	–	143
Liabilities				
Trading financial liabilities included in accrued expenses and other payables				
– Foreign currency forward contract	–	1,574	–	1,574

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

For the six months ended 30 June 2015

23. Related Parties

The Group is part of a larger group of companies under CTC Group and has significant transactions and relationships with members of CTC Group. 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 other related parties

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 and the CTC Group, 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 other related parties which were carried out in the ordinary course of business are as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
<i>Income from related parties:</i>		
Engineering related services (note (i))	8,404,077	5,322,232
IT application services (note (ii))	604,690	515,616
Provision of ancillary telecommunications services (note (iii))	3,634,287	3,486,254
Provision of operation support services (note (iv))	894,832	1,028,671
Supplies procurement service (note (v))	2,226,172	2,218,636
Property leasing (note (vi))	78,163	66,341
Management fee income (note (vii))	111,274	127,273
<i>Expenses paid to related parties:</i>		
Property leasing charges (note (viii))	62,733	101,095
IT application service charges (note (ix))	118,924	71,365
Operation support service charges (note (x))	253,585	270,779
Supplies procurement service charges (note (xi))	1,479,738	1,357,947
Interest paid (note (xii))	707	159

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

23. Related Parties (Continued)

(a) Transactions with CTC Group and other related parties (Continued)

Notes:

- (i) The amount represents the engineering related services, such as design, construction and project management for telecommunications infrastructure project provided to CTC Group and other related parties.
- (ii) The amount represents the telecommunications network support services, software and hardware development and other IT related services provided to CTC Group and other related parties.
- (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 and other related parties.
- (iv) The amount represents the facilities management, advertising, conferencing services and certain repair and leasing of equipment services provided to CTC Group and other related parties.
- (v) The amount represents supplies procurement service such as supplies procurement service, management of biddings warehousing, transportation and installation services provided to CTC Group and other related parties.
- (vi) The amount represents rental income in respect of premises leased to CTC Group and other related parties.
- (vii) The amounts represent management fee income in respect of headquarters management function services ("Centralised Services") provided to CTC Group.
- (viii) The amount represents rentals from operating leases in respect of business premises paid and payable to CTC Group and other related parties.
- (ix) The amount represents basic telecommunications service, value-added service and information application service charged by CTC Group and other related parties.
- (x) The amount represents the charge paid and payable to CTC Group and other related parties for logistics, labour resources, cultural, educational, hygiene and other supporting services.
- (xi) The amount represents the charge paid and payable to CTC Group and other related parties 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.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

23. Related Parties (Continued)

(a) Transactions with CTC Group and other related parties (Continued)

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

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Accounts and bills receivable, net	15,922,908	13,612,267
Prepayments and other current assets	1,357,841	1,468,131
Total amounts due from CTC Group and other related parties	17,280,749	15,080,398
Interest-bearing borrowings	38,280	13,280
Accounts and bills payable	2,597,613	2,238,518
Receipts in advance for contract work	112,839	81,079
Accrued expenses and other payables	1,195,325	780,636
Total amounts due to CTC Group and other related parties	3,944,057	3,113,513

As at 30 June 2015, impairment losses for bad and doubtful debts of RMB28 million (31 December 2014: RMB26 million) were recorded in respect of amounts due from CTC Group.

As at 30 June 2015 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 2015 RMB'000	At 31 December 2014 RMB'000
Authorised and contracted for	27,223	4,863

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

23. Related Parties (Continued)

(a) Transactions with CTC Group and other related parties (Continued)

As at 30 June 2015, the Group's total future minimum lease payments to CTC Group under non-cancellable operating leases were payable as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within 1 year	83,836	90,095
After 1 year but within 5 years	129,889	160,735
After 5 years	100,325	89,141
	314,050	339,971

(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 23(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.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

23. Related Parties (Continued)

(c) Transactions with key management personnel

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Salaries and other emoluments	2,912	2,750
Retirement benefits	1,362	1,377
Bonus	4,277	4,830
	8,551	8,957

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 18% 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 2015 and 31 December 2014, there was no material outstanding contribution to post-employment benefit plans.

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