NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2018

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 project supervision and management; (ii) business process outsourcing services (including management of infrastructure for information technology, general facilities management, supply chain and products distribution); and (iii) a variety of other services including applications, content and others.

2. Basis of Preparation

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 2017 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 International Financial Reporting Standards ("IFRSs"). IFRSs include all applicable IFRSs, International Accounting Standards ("IASs") and related interpretations.

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 IAS 34, Interim Financial Reporting.

3. Principal Accounting Policies

The interim financial report has been prepared on the historical cost 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 2017, except as described below.

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the interim financial report:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

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

3. Principal Accounting Policies (Continued)

Except for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers and the related Amendments, the application of the above amendments to IFRSs and interpretation has had no material effect on the Group's interim financial report.

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers and the related Amendments have been applied in accordance with the relevant transition provision in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group mainly recognises revenue from the following major sources:

(i) construction;

(ii) management of infrastructure for information technology; and

(iii) design.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contracts modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

3. Principal Accounting Policies (Continued)

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (Continued)

3.1.1 Key changes in accounting policies resulting from application of IFRS 15 (Continued)

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of good or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

(i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(ii) the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

(iii) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

3. Principal Accounting Policies (Continued)

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (Continued)

3.1.1 Key changes in accounting policies resulting from application of IFRS 15 (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is mainly measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Warranties

If a customer has the option to purchase a warranty separately, the Group accounts for the warranty as a separate performance obligation and allocates a portion of the transaction price to that performance obligation.

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specification (i.e. service-type warranties).

For service-type warranties, the promised service is a performance obligation. In that case, the Group allocates a portion of the transaction price to the warranty.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contract where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

3.1.2 Summary of effects arising from initial application of IFRS 15

For the major service contracts of the Group, the timing of revenue recognition and the method to measure the progress towards complete satisfaction of the performance obligation generally remain the same under IFRS 15.

The Group assessed contracts with customers that were not completed at 1 January 2018. Certain contracts contained significant financing component under IFRS 15 and goods or services promised in certain contracts previously recognised separately under IAS 18 or IAS 11 were not distinct and accounted for as a single performance obligation under IFRS 15. The impacts of initial application of IFRS 15 on these contacts were neither individually nor collectively material.

The net effects arising from the initial application of IFRS 15 resulted in a decrease in the opening balance of retained earnings at an amount of approximately RMB2 million.

3. Principal Accounting Policies (Continued)

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (Continued)

3.1.2 Summary of effects arising from initial application of IFRS 15 (Continued)

The main adjustments made to the amounts recognised in the consolidated statement of financial position at 1 January 2018 were:

(i) At the date of initial application, unbilled revenues with net value of RMB7,550 million in respect of construction contracts previously included in unbilled revenues for contract work, and RMB4,137 million in respect of other service contracts previously included in accounts receivable were conditional on the Group's achieving specified milestone as stipulated in the contracts, and hence such balances were reclassified to contract assets;

(ii) As the date of initial application, advances from customers of RMB4,997 million in respect of construction contracts previously included in receipts in advances for contract work, and RMB3,293 million in respect of other service contracts previously included in accrued expenses and other payables, were reclassified to contract liabilities.

The impacts of applying IFRS 15 on the Group's consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income for the current interim period were not material.

The main impacts on the amounts recognised in the consolidated statement of financial position at 30 June 2018 were:

(i) At 30 June 2018, unbilled revenues with net value of RMB15,549 million were conditional on the Group's achieving specified milestone as stipulated in the contracts, and hence such balance was classified as contract assets under IFRS 15, in contrast to being classified as unbilled revenues for contract work or accounts receivable under IAS 11 or IAS 18.

(ii) At 30 June 2018, advances from customers of RMB7,317 million was classified as contract liabilities under IFRS 15. In contrast, RMB4,705 million in respect of construction contracts would have been classified as receipts in advances for contract work under IAS 11, and RMB2,612 million in respect of other service contracts would have been classified as accrued expenses and other payables under IAS 18.

3. Principal Accounting Policies (Continued)

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments

In the current period, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets and lease receivables) and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

3.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

Accounts receivable arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

3. Principal Accounting Policies (Continued)

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (Continued)

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 (Continued)

Classification and measurement of financial assets (Continued)

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the fair value reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other operating income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 3.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including accounts receivable and financial assets included in prepayments and other current assets), lease receivables and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instruments. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable, lease receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

3. Principal Accounting Policies (Continued)

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (Continued)

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 (Continued)

Impairment under ECL model (Continued)

For all other instruments, i.e. financial assets included in prepayments and other current assets, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

<u>Significant increase in credit risk</u>

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

<u>Measurement and recognition of ECL</u>

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in the measuring the lease receivable in accordance with IAS 17 Leases.

The Group recognises an impairment gain or loss in profit or by adjusting their carrying amount, with the exception of accounts receivable, contract assets and lease receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets, contract assets and lease receivables for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The results of the assessment and the impact thereof are detailed in Note 3.2.2.

3. Principal Accounting Policies (Continued)

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (Continued)

3.2.2 Summary of effects arising from initial application of IFRS 9

The classification and measurement (including impairment) of financial assets and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018, are as followings.

(a) From available-for-sale financial assets to FVTOCI

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale financial assets. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, RMB852 million were reclassified from available-for-sale investments to equity instruments at FVTOCI, of which RMB795 million related to unlisted equity securities previously measured at cost less impairment under IAS 39. The fair value gain of RMB3,157 million relating to those unlisted equity instruments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and fair value reserve, and a corresponding deferred tax liabilities of RMB789 million have been recognised against fair value reserve as at 1 January 2018. The fair value gain of RMB35 million relating to those investments previously carried at fair value continued to accumulate in fair value reserve.

(b) Financial assets at FVTPL and/or designated at FVTPL

At the date of initial application, the Group no longer applied designation as measured at FVTPL for the portfolio of wealth management products and structured deposits and these financial assets are mandatorily measured at FVTPL under IFRS 9, because the contractual terms of these financial assets do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. As a result, the fair value of these investments of RMB1,262 million were reclassified from financial assets designated at FVTPL to financial assets at FVTPL.

(c) Impairment under ECL model

The Group applied the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all accounts receivable, contract assets and lease receivables. To measure the ECL, accounts receivable and contract assets have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled revenues and have substantially the same risk characteristics as the accounts receivable for the same type of contracts. The Group has therefore concluded that the expected loss rates for the accounts receivable are a reasonable approximation of the loss rates for the contract assets.

Loss allowance for other financial assets at amortised cost mainly comprise of restricted deposits, bank balances and amounts due from related parties, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of RMB98 million related to accounts receivable and contract assets, and a corresponding deferred tax assets of RMB6 million have been recognised against retained earnings.

3. Principal Accounting Policies (Continued)

3.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item.

	31 December 2017 RMB'000 (audited)	IFRS 15 RMB'000	IFRS 9 RMB'000	1 January 2018 RMB'000 (restated)
Non-current assets				
Available-for-sale financial assets	851,560	—	(851,560)	—
Equity instruments at fair value through other comprehensive income	—	—	4,008,605	4,008,605
Deferred tax assets	542,672	—	5,818	548,490
Other non-current assets	240,523	3,493	—	244,016
Others with no adjustments	6,755,299	—	—	6,755,299
Total non-current asset	8,390,054	3,493	3,162,863	11,556,410
Current assets				
Inventories	2,275,735	10,314	—	2,286,049
Accounts and bills receivable, net	30,370,500	(11,703,674)	(47,257)	18,619,569
Contract assets, net	—	11,687,405	(50,473)	11,636,932
Others with no adjustments	29,698,562	—	—	29,698,562
Total current assets	62,344,797	(5,955)	(97,730)	62,241,112
Total assets	70,734,851	(2,462)	3,065,133	73,797,522

3. Principal Accounting Policies (Continued)

3.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards (Continued)

	31 December 2017 RMB'000 (audited)	IFRS 15 RMB'000	IFRS 9 RMB'000	1 January 2018 RMB'000 (restated)
Current liabilities				
Receipts in advance for contract work	4,997,284	(4,997,284)	—	—
Accrued expenses and other payables	11,320,729	(3,292,591)	—	8,028,138
Contract liabilities	—	8,289,875	—	8,289,875
Others with no adjustments	25,248,950	—	—	25,248,950
Total current liabilities	41,566,963	—	—	41,566,963
Net current assets	20,777,834	(5,955)	(97,730)	20,674,149
Total assets less current liabilities	29,167,888	(2,462)	3,065,133	32,230,559
Non-current liabilities				
Deferred tax liabilities	1,736	—	789,261	790,997
Others with no adjustments	346,501	—	—	346,501
Total non-current liabilities	348,237	—	789,261	1,137,498
Total liabilities	41,915,200	—	789,261	42,704,461
Equity				
Share capital	6,926,018	—	—	6,926,018
Reserves	21,403,080	(2,462)	2,276,259	23,676,877
Equity attributable to equity shareholders of the Company	28,329,098	(2,462)	2,276,259	30,602,895
Non-controlling interests	490,553	—	(387)	490,166
Total equity	28,819,651	(2,462)	2,275,872	31,093,061
Total liabilities and equity	70,734,851	(2,462)	3,065,133	73,797,522

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.

4. Segment Reporting

The Group principally has one operating and reportable segment, which is the provision of integrated telecommunications support services in the informatisation sector. Therefore, no additional segment information 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 sales discounts. The Group's revenues by business nature can be summarised as follows:

Disaggregation of revenue

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Revenue from telecommunications infrastructure services	**28,330,195**	24,071,435
Revenue from business process outsourcing services	**16,607,607**	15,863,997
Revenue from applications, content and other services	**5,854,298**	4,952,962
	50,792,100	44,888,394

The Group's major customers are telecommunications operators which include CTC and its subsidiaries (excluding the Group) ("CTC Group") and China Mobile Communications Group Co., Ltd. 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 2018 amounted to RMB18,368 million and RMB10,800 million respectively (six months ended 30 June 2017: RMB18,273 million and RMB7,876 million respectively), being 36.2% and 21.3% of the Group's total revenues respectively (six months ended 30 June 2017: 40.7% and 17.5% respectively). The revenue derived from areas outside Mainland China for the six months ended 30 June 2018 amounted to RMB1,446 million (six months ended 30 June 2017: RMB1,382 million).

For the six months ended 30 June 2018, the Group's first three businesses that contributed to the overall revenues were construction, management of infrastructure for information technology and design, the revenues from which amounted to RMB20,942 million, RMB6,604 million and RMB5,355 million, respectively (six months ended 30 June 2017: The Group's first three businesses that contributed to the overall revenues were construction, management of infrastructure for information technology and design, the revenues from which amounted to RMB17,235 million, RMB5,802 million and RMB5,089 million, respectively).

The Group's rental revenues for the six months ended 30 June 2018 amounted to RMB325 million (six months ended 30 June 2017: RMB309 million).

6. Cost of Revenues

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Depreciation and amortisation	**238,546**	237,939
Direct personnel costs	**3,958,562**	4,101,251
Operating lease charges	**689,747**	619,995
Materials costs	**5,007,925**	4,124,385
Direct costs of products distribution	**2,529,320**	3,519,540
Subcontracting charges	**27,413,721**	22,423,871
Others	**4,778,675**	4,151,967
	44,616,496	39,178,948

7. Other Operating Income

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Interest income	**92,614**	94,740
Dividend income from equity instruments	**1,029**	76,813
Government grants	**93,056**	111,266
Gain on disposal of property, plant and equipment	**4,045**	1,451
Penalty income	**2,790**	1,242
Management fee income	**119,179**	104,528
Investment income and fair value gains on wealth management products and structured deposits	**106,895**	—
Others	**24,704**	22,070
	444,312	412,110

8. Finance Costs

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Interest on bank and other borrowings	**8,031**	4,707
Interest for convertible preference shares and preference shares	**—**	17,197
	8,031	21,904

For the six months ended 30 June 2018 and 2017, 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	
		2018	2017
		RMB'000	RMB'000
(a)	Staff costs:		
	Salaries, wages and other benefits	**6,364,259**	6,403,460
	Contributions to defined contribution retirement schemes	**645,456**	586,113
		7,009,715	6,989,573
(b)	Other items:		
	Amortisation	**66,667**	72,832
	Depreciation	**358,320**	352,002
	Materials costs	**5,007,925**	4,124,385
	Direct costs of products distribution	**2,529,320**	3,519,540
	Inventory write-down and losses, net of reversals	**13,499**	18,622
	Impairment losses on accounts receivable, other receivables and contract assets	**172,037**	100,264
	Reversal of impairment losses on accounts receivable, other receivables and contract assets	**(89,449)**	(26,432)
	Investment income and fair value gains of financial instruments at fair value through profit or loss	**15,352**	1,015
	Operating lease charges	**822,796**	744,173
	Research and development costs	**1,134,619**	1,012,452

The selling expenses, general and administrative expenses and other expenses of the Group are RMB779 million, RMB3,580 million and RMB302 million (six months ended 30 June 2017: RMB658 million, RMB3,414 million and RMB275 million) respectively for the six months ended 30 June 2018. Research and development costs include staff costs of RMB947 million (six months ended 30 June 2017: RMB816 million), which is also included in the staff costs 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	
	2018	2017
	RMB'000	RMB'000
Current tax		
Income tax	**394,022**	340,015
Deferred tax		
Origination and reversal of temporary differences	**(55,337)**	(69,357)
Total income tax	**338,685**	270,658

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Profit before tax	**1,942,183**	1,745,833
Expected income tax expense at a statutory tax rate of 25% (six months ended 30 June 2017: 25%)	**485,546**	436,458
Differential tax rates on subsidiaries' profits (note (i))	**(151,383)**	(135,192)
Non-deductible expenses (note (ii))	**52,908**	25,711
Non-taxable income	**(34,824)**	(27,518)
Tax losses not recognised	**50,646**	41,397
Utilisation of previously unrecognised tax losses	**(4,864)**	(6,300)
Over provision in respect of prior years	**(10,442)**	(12,120)
Effect of tax exemptions	**(15)**	(70)
Others (note (iii))	**(48,887)**	(51,708)
Income tax	**338,685**	270,658

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 2018 and 2017, except for certain domestic subsidiaries of the Group, which are taxed at a preferential rate of 15% and 10%, 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 purposes.

(iii) The amounts primarily represent the effect of additional deductions in research and development expense.

11. Other Comprehensive Expense

Available-for-sale securities

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Changes in fair value recognised during the period	**–**	(3,678)
Net deferred tax charged to other comprehensive income	**–**	552
Net movement in the fair value reserve during the period recognised in other comprehensive expense	**–**	(3,126)

Equity instruments at FVTOCI

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Changes in fair value recognised during the period	**(268,743)**	–
Net deferred tax charged to other comprehensive income	**66,388**	–
Net movement in the fair value reserve during the period recognised in other comprehensive expense	**(202,355)**	–

12. Dividends

(a) Dividends attributable to the period

The Board of Directors does not propose the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

(b) Dividends attributable to the previous financial year, approved during the period

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the period of RMB0.1176 per share (2017: RMB0.1098 per share)	**814,500**	760,477
Special dividend in respect of the previous financial year, approved during the period of RMB0.0235 per share (2017: RMB0.0220 per share)	**162,761**	152,372
	977,261	912,849

No final dividend or special dividend was paid during the six months ended 30 June 2018 and 2017.

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 2018 of RMB1,595 million (six months ended 30 June 2017: RMB1,469 million) and the number of shares in issue during the six months ended 30 June 2018 of 6,926,018 thousand shares (six months ended 30 June 2017 of 6,926,018 thousand shares).

14. Property, Plant and Equipment, Net

During the six months ended 30 June 2018, additions of property, plant and equipment (including direct purchase, transfer from construction in progress) of the Group amounted to RMB525 million (six months ended 30 June 2017: RMB132 million). Items of property, plant and equipment with carrying amount totalling RMB12 million were disposed of during the six months ended 30 June 2018 (six months ended 30 June 2017: RMB12 million).

15. Accounts and Bills Receivable, Net

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Bills receivable	**190,390**	119,314
Unbilled revenues for contract work	**—**	7,615,867
Accounts receivable	**21,569,519**	23,979,276
	21,759,909	31,714,457
Less: impairment losses	**(1,312,901)**	(1,343,957)
	20,447,008	30,370,500

(a) Included in accounts receivable and bills receivable are amounts due from CTC Group, associates of the Group and associates of CTC Group of RMB11,938 million as at 30 June 2018 (31 December 2017: RMB20,023 million), which are unsecured, interest-free and are expected to be recovered within one year.

(b) The ageing analysis of accounts receivable and bills receivable (net of impairment losses) based on credit terms is as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Current	**601,717**	12,865,705
Within 1 year	**17,379,824**	15,273,116
After 1 year but less than 2 years	**1,663,221**	1,529,211
After 2 years but less than 3 years	**482,426**	488,983
After 3 years	**319,820**	213,485
	20,447,008	30,370,500

16. Contract Assets, Net

The contract assets relate to the Group's rights to consideration for work completed and not billed because the rights are conditional on the Group's future performance in achieving specified milestones at the reporting date on construction, design and other service contracts. The contract assets are transferred to accounts receivable when the rights become unconditional. The Group typically transfers the contract assets to accounts receivable within one year. Accounting policies of contract assets are detailed in note 3.1.

17. Cash and Cash Equivalents

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Cash at bank and in hand	**12,646,986**	12,557,327
Deposits at bank with original maturity less than three months	**422,480**	709,304
Cash and cash equivalents	**13,069,466**	13,266,631

18. Interest-Bearing Borrowings

The Group's short-term interest-bearing borrowings comprise:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
RMB denominated		
Loan from CTC Group		
— unsecured	**13,280**	13,280
USD denominated		
Borrowings from banks		
— unsecured	**335,130**	284,218
Other denominated		
Borrowings from banks		
— unsecured	**41,183**	11,378
	389,593	308,876

18. Interest-Bearing Borrowings (Continued)

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

	At 30 June 2018	At 31 December 2017
RMB denominated		
Loan from CTC Group		
— unsecured	**2.39%**	2.39%
USD denominated		
Borrowings from banks		
— unsecured (fixed interest rate)	**3.43%–4.90%**	3.43%–4.08%
— unsecured (floating interest rate)	**London Interbank Offered Rate ("Libor") +3.50%–3.98%**	Libor+2.81%–3.31%
Other denominated		
Borrowings from banks		
— unsecured (fixed interest rate)	**6.92%–9.20%**	7.95%–9.20%
— unsecured (floating interest rate)	**Libor+2.45%**	—

The Group's long-term interest-bearing borrowings comprise:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
USD denominated		
Borrowings from banks		
— unsecured	**18,526**	17,642

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

	At 30 June 2018	At 31 December 2017
USD denominated		
Borrowings from banks		
— unsecured	**3.43%–3.87%**	3.43%–3.83%

As at 30 June 2018 and 31 December 2017, no borrowings from banks were subject to financial covenants.

19. Accounts and Bills Payable

Accounts and bills payable comprise:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Accounts payable	**27,738,805**	23,723,340
Bills payable	**743,839**	877,341
	28,482,644	24,600,681

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

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 year	**26,727,810**	22,989,350
After 1 year but less than 2 years	**1,080,412**	1,029,424
After 2 years but less than 3 years	**354,287**	308,399
After 3 years	**320,135**	273,508
	28,482,644	24,600,681

Included in accounts and bills payable are amounts due to CTC Group , associates of the Group and associates of CTC Group of RMB1,259 million as at 30 June 2018 (31 December 2017: RMB1,146 million), which are unsecured, interest-free and are expected to be settled within one year.

20. Other Non-Current Liabilities

Other non-current liabilities mainly represent the deferred income arising from government grants and termination benefits.

21. Share Capital

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Registered, issued and fully paid:		
4,534,598,160 (31 December 2017: 4,534,598,160) Domestic shares of RMB1.00 each	**4,534,598**	4,534,598
2,391,420,240 (31 December 2017: 2,391,420,240) H shares of RMB1.00 each	**2,391,420**	2,391,420
	6,926,018	6,926,018

22. Commitments and Contingent Liabilities

(a) Capital commitments

As at 30 June 2018, the Group had capital commitments for acquisition and construction of property, plant and equipment and other non-current assets as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Contracted for but not provided	**475,845**	421,950

According to the Capital Contribution Agreement with China Telecommunications Corporation and China Telecom Corporation Limited to jointly establish a finance company, as at 30 June 2018, the Company had commitment to contribute RMB750 million. The establishment of the company shall be subject to the approval of the relevant PRC government authorities.

22. Commitments and Contingent Liabilities (Continued)

(b) Operating lease commitments

As at 30 June 2018, the Group's total future minimum lease payments under non-cancellable operating leases were payable as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 year	**437,368**	430,716
After 1 year but within 5 years	**408,665**	438,698
After 5 years	**116,129**	93,711
	962,162	963,125

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 2018, the Group had no material contingent liabilities and no material financial guarantees issued.

23. Fair Value Measurements of Financial Instruments

(i) Financial instruments carried at fair value on a recurring basis

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).

23. Fair Value Measurements of Financial Instruments (Continued)

(i) Financial instruments carried at fair value on a recurring basis (Continued)

	At 30 June 2018			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial Assets				
Equity instruments at fair value through other comprehensive income				
— Listed equity securities	48,357	—	—	48,357
— Unlisted equity securities (note)	—	—	3,691,505	3,691,505
Financial assets at fair value through profit or loss				
— Wealth management products and structured deposits (note)	—	—	854,029	854,029

	At 31 December 2017			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial Assets				
Available-for-sale securities				
— Listed equity securities	56,337	—	—	56,337
Financial assets at fair value through profit or loss				
— Wealth management products and structured deposits (note)	—	—	1,262,409	1,262,409
— Trading financial assets				
— Foreign currency forward contract	—	105	—	105
Financial Liabilities				
Financial liabilities at fair value through profit or loss				
— Trading financial liabilities				
— Foreign currency forward contract	—	702	—	702

Note: At the end of each reporting period, the Group determines the fair value of the wealth management products and structured deposits by estimating their discounted cash flows. The future cash flows are estimated based on expected recoverable amounts, and discounted at a rate that reflects the credit risk of various counterparties.

At 30 June 2018, the Group performs a market approach valuation to determine the fair value of the unlisted equity securities by estimating the invested entities' value. The invested entities' value is estimated based on comparable companies' price/book value, and discounted at a rate that reflects the lack of marketability.

23. Fair Value Measurements of Financial Instruments (Continued)

(ii) Reconciliation of level 3 fair value measurement

	Wealth management products and structured deposits RMB'000
As at 1 January 2017	—
Purchases	1,250,000
Total gains	
— in profit or loss	12,409
As at 31 December 2017	1,262,409

	Unlisted equity securities RMB'000	Wealth management products and structured deposits RMB'000
As at 1 January 2018	3,952,268	1,262,409
Purchases	—	850,000
Settlements	—	(1,274,091)
Total gains (losses)		
— in profit or loss	—	15,711
— in other comprehensive income	(260,763)	—
As at 30 June 2018	3,691,505	854,029

(iii) Fair values of financial instruments carried at other than fair value

The fair values of financial assets and financial liabilities recorded at amortised cost are not materially different from their carrying amounts, which are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

24. Related Parties

The Group is part 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

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 which were carried out in the ordinary course of business are as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Income from related parties:		
Engineering related services (note (i))	**8,726,983**	9,377,885
IT application services (note (ii))	**779,694**	801,726
Provision of ancillary telecommunications services (note (iii))	**6,026,856**	4,889,610
Provision of operation support services (note (iv))	**1,279,644**	1,144,570
Supplies procurement services (note (v))	**1,507,767**	2,014,419
Property leasing services (note (vi))	**47,430**	44,506
Management fee (note (vii))	**119,179**	104,528
Expenses paid to related parties:		
Property leasing services (note (viii))	**93,063**	77,070
IT application services (note (ix))	**136,753**	109,245
Operation support services (note (x))	**361,631**	473,075
Supplies procurement services (note (xi))	**946,784**	844,829
Interest (note (xii))	**717**	1,159

Notes:

(i) The amount represents telecommunications infrastructure services such as design, construction and project management 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 services; 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.

24. Related Parties (Continued)

(a) Transactions with CTC Group (Continued)

Notes: (Continued)

(v) The amount represents supplies procurement service, warehousing, transportation, installation and other related services provided to CTC Group.

(vi) The amount represents rentals from operating leases in respect of business premises leased to CTC Group.

(vii) The amount represents management fee 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.

(ix) The amount represents the charge paid and payable to CTC Group for basic telecommunications service, value-added service and information application service.

(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, warehousing, transportation and installation services.

(xii) The amount represents the interest paid/payable to CTC Group in respect of the loans from CTC Group.

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

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Accounts and bills receivable, net	**11,436,973**	19,645,020
Contract assets, net	**9,068,733**	—
Prepayments and other current assets	**729,646**	1,028,318
Total amounts due from CTC Group	**21,235,352**	20,673,338
Interest-bearing borrowings	**13,280**	13,280
Accounts and bills payable	**697,323**	594,455
Contract liabilities	**552,602**	—
Receipts in advance for contract work	**—**	221,555
Accrued expenses and other payables	**869,191**	603,262
Total amounts due to CTC Group	**2,132,396**	1,432,552

As at 30 June 2018, impairment losses for bad and doubtful debts of RMB297 million (31 December 2017: RMB221 million) were recorded in respect of amounts due from CTC Group.

24. Related Parties (Continued)

(a) Transactions with CTC Group (Continued)

As at 30 June 2018 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 2018 RMB'000	At 31 December 2017 RMB'000
Contracted for but not provided	**403,139**	346,003

According to the Capital Contribution Agreement with China Telecommunications Corporation and China Telecom Corporation Limited to jointly establish a finance company, as at 30 June 2018, the Company had commitment to contribute RMB750 million. The establishment of the company shall be subject to the approval of the relevant PRC government authorities.

As at 30 June 2018, the Group's total future minimum lease payments to CTC Group under non-cancellable operating leases were payable as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 year	**131,821**	114,948
After 1 year but within 5 years	**170,938**	169,098
After 5 years	**47,928**	38,546
	350,687	322,592

The directors of the Company are of the opinion that the above transactions with related parties were conducted on normal commercial terms in the ordinary course of business and the terms are reasonable so far as the shareholders of the Company are concerned.

24. Related Parties (Continued)

(b) Transactions with associates of the Group and associates of CTC Group

The Group has entered into transactions with associates over which the Group or CTC Group can exercise significant influence. The transactions entered into by the Group and the associates are as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Income from related parties:		
Engineering related services (note (i))	**1,870,696**	1,570,945
IT application services (note (ii))	**26,755**	19,511
Provision of ancillary telecommunications services (note (iii))	**726,369**	525,071
Provision of operation support services (note (iv))	**29,106**	25,177
Supplies procurement services (note (v))	**78,009**	129,434
Property leasing services (note (vi))	**572**	1,186
Expenses paid to related parties:		
Property leasing services (note (vii))	**2,676**	1,778
IT application services (note (viii))	**1,512**	646
Operation support services (note (ix))	**21,213**	25,859

Notes:

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

(ii) The amount represents the telecommunications network support services, software and hardware development and other IT related services provided to associates of 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 services; fixed line and wireless value-added service; internet contents and information services provided to associates of the Group and associates of CTC Group.

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

(v) The amount represents supplies procurement service, warehousing, transportation, installation and other related services provided to associates of CTC Group.

(vi) The amount represents rentals from operating leases in respect of business premises leased to associates of CTC Group.

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

(viii) The amount represents the charge paid and payable to associates of the Group and associates of CTC Group for basic telecommunications service, value-added service and information application service.

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

24. Related Parties (Continued)

(b) Transactions with associates of the Group and associates of CTC Group (Continued)

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

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Accounts and bills receivable, net	**500,720**	378,224
Contract assets, net	**91,996**	—
Prepayments and other current assets	**883,642**	797,404
Total amounts due from associates of the Group and associates of CTC Group	**1,476,358**	1,175,628
Accounts and bills payable	**561,474**	551,232
Contract liabilities	**731,046**	—
Receipts in advance for contract work	**—**	235,263
Accrued expenses and other payables	**17,093**	861,817
Total amounts due to associates of the Group and associates of CTC Group	**1,309,613**	1,648,312

The directors of the Company are of the opinion that the above transactions with related parties were conducted on normal commercial terms in the ordinary course of business and the terms are reasonable.

(c) 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 by the PRC government authorities, agencies, affiliations and other organisations (collectively referred to as "government-related entities").

Apart from transactions with parent company and fellow subsidiaries (note 24(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

24. Related Parties (Continued)

(c) 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 sold based on government-regulated tariff rates (if 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.

(d) Transactions with key management personnel

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Salaries and other emoluments	**3,699**	3,432
Retirement benefits	**1,119**	964
Discretionary bonus	**7,061**	7,116
	11,879	11,512

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

(e) 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 2018 and 31 December 2017, there was no material outstanding contribution to post-employment benefit plans.

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