迪信通

Beijing Digital Telecom Co., Ltd.
北京迪信通商貿股份有限公司
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6188)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL HIGHLIGHTS

For the year ended December 31, 2015:

Revenue of the Group was RMB15,830,720,000, representing an increase of 10.25% from last year.

Net profit attributable to the equity holders of the Company was RMB357,062,000, representing an increase of 12.24% from last year.

Basic earnings of each Share was RMB0.54 per share, representing a decrease by RMB0.01 per share from last year.

The Board does not recommend any final dividend for the year ended December 31, 2015.

The board (the "**Board**") of directors (the "**Directors**") of Beijing Digital Telecom Co., Ltd. (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended December 31, 2015, together with comparable figures for the same period in 2014.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended December 31, 2015

	Notes	**2015** **RMB'000**	2014 RMB'000
REVENUE	3	**15,830,720**	14,358,609
Cost of sales		**(13,796,603)**	(12,382,017)
Gross profit		**2,034,117**	1,976,592
Other income and gains	3	**85,483**	40,168
Selling and distribution expenses		**(1,141,452)**	(1,091,629)
Administrative expenses		**(341,487)**	(332,981)
Other expenses		**(39,037)**	(45,932)
Finance costs	5	**(168,448)**	(116,996)
Share of profits of:			
A joint venture		**1,117**	994
Associates		**67**	–
PROFIT BEFORE TAX	4	**430,360**	430,216
Income tax expense	6	**(73,637)**	(111,856)
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME		**356,723**	318,360
Attributable to:			
Owners of the parent		**357,062**	318,133
Non-controlling interests		**(339)**	227
		356,723	318,360
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted (RMB)	8	**0.54**	0.55

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2015

	Notes	**2015** *RMB'000*	2014 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**154,222**	154,118
Goodwill		**57,476**	57,302
Other intangible assets		**785**	614
Investment in a joint venture		**2,111**	994
Investments in associates		**8,067**	–
Available-for-sale investments		**15,075**	7,055
Deferred tax assets		**60,976**	27,864
Total non-current assets		**298,712**	247,947
CURRENT ASSETS			
Inventories		**2,148,058**	1,936,026
Properties under development		**282,718**	–
Trade receivables	*9*	**1,870,659**	1,675,695
Prepayments, deposits and other receivables		**1,021,113**	894,781
Due from related parties		**3,662**	2,170
Pledged deposits		**1,080,808**	355,382
Cash and cash equivalents		**441,844**	335,298
Total current assets		**6,848,862**	5,199,352
CURRENT LIABILITIES			
Trade and bills payable	*10*	**551,460**	703,509
Other payables and accruals		**398,155**	295,768
Interest-bearing bank borrowings		**3,152,293**	1,903,472
Due to related parties		**665**	1,739
Tax payable		**198,499**	121,608
Total current liabilities		**4,301,072**	3,026,096
NET CURRENT ASSETS		**2,547,790**	2,173,256
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,846,502**	2,421,203
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**48,000**	–
Total non-current liabilities		**48,000**	–
NET ASSETS		**2,798,502**	2,421,203
EQUITY			
Equity attributable to owners of the parent			
Share capital		**666,667**	666,667
Other reserves		**2,086,619**	1,732,867
		2,753,286	2,399,534
Non-controlling interests		**45,216**	21,669
Total equity		**2,798,502**	2,421,203

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB"), accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended December 31, 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

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

The adoption of the above revised standards has had no significant financial effect on these financial statements.

(a) Amendments to IAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The *Annual Improvements to IFRSs 2010-2012 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- IAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

(c) The Annual Improvements to *IFRSs 2011-2013 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of IFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- IFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 or IAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which IFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in IFRS 13.

- IAS 40 *Investment Property*: Clarifies that IFRS 3, instead of the description of ancillary services in IAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the Group did not acquire any investment properties during the year and so this amendment is not applicable.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

1.3. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the financial statements:

IFRS 9	*Financial Instruments*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[6]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 7	*Statement of Cash Flow*[2]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[2]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[1]
IFRS 16	*Leases*[4]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
6 No mandatory effective date yet determined but is available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from January 1, 2018. The Group is currently assessing the impact of the standard upon adoption and expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. No mandatory effective date yet determined but is available for adoption.

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on January 1, 2016.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In July 2015, the IASB issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to January 1, 2018. The Group expects to adopt IFRS 15 on January 1, 2018 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and profit or loss. The Group expects to adopt the amendments from January 1, 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on January 1, 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) The mobile telecommunication devices segment mainly engages in the sale of mobile telecommunication devices and accessories.

(b) The real estate segment mainly engages in the development and sale of real estate.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax.

Segment assets and segment liabilities are both managed separately by operating segments.

December 31, 2015	Mobile tele-communication Devices *RMB'000*	Real estate *RMB'000*	Total *RMB'000*
Segment revenue:			
Sales to external customers	**15,830,720**	**–**	**15,830,720**
Revenue			**15,830,720**
Segment results	**588,428**	**(4,314)**	**584,114**
Reconciliation:			
Interest income	**14,686**	**8**	**14,694**
Finance costs	**(168,448)**	**–**	**(168,448)**
Profit/(loss) before tax	**434,666**	**(4,306)**	**430,360**
Segment assets	**6,845,234**	**302,340**	**7,147,574**
Segment liabilities	**4,153,233**	**195,839**	**4,349,072**
Other segment information:			
Impairment losses recognised in profit or loss	**35,436**	**–**	**35,436**
Depreciation and amortisation	**92,498**	**55**	**92,553**

Information about major customers

During the year, the Group had no customer from whom the revenue earned individually accounted for more than 10% of the Group's total revenue.

Geographical information

Since the Group solely operates in Mainland China and all of the non-current assets of the Group are located in Mainland China, no geographical segment information as required by IFRS 8 *Operating Segments* is presented.

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and services rendered after allowances for returns, trade discounts and various types of government surcharges, where applicable.

An analysis of revenue, other income and gains is as follows:

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Revenue		
Sales of mobile telecommunication devices and accessories	**15,088,123**	13,612,423
Including:		
Retail of mobile telecommunication devices and accessories	**8,423,136**	8,030,317
Sales of telecommunication devices and accessories to franchisees	**2,743,507**	2,162,025
Wholesale of mobile telecommunication devices and accessories	**3,921,480**	3,420,081
Service income from mobile carriers	**593,035**	607,000
Other service fee income	**149,562**	139,186
	15,830,720	14,358,609
Other income and gains		
Interest income	**14,694**	11,983
Government grants (*Note (a)*)	**65,165**	23,550
Gain on disposal of items of property, plant and equipment	**53**	12
Others	**5,571**	4,623
	85,483	40,168

Note (a): The amount represents grants received from local PRC government authorities by the Group's subsidiaries in connection with certain financial subsidies and tax refunds to support local businesses. There are no unfulfilled conditions and other contingencies attached to these government grants.

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Cost of inventories sold and services provided	**13,796,603**	12,382,017
Depreciation	**92,165**	90,148
Amortisation of intangible assets	**388**	581
Lease payments under operating leases	**406,948**	388,253
Auditors' remuneration	**3,734**	6,177
Employee benefit expense (including Directors' remuneration)		
Wages and salaries	**459,710**	503,113
Pension scheme contributions	**55,905**	52,058
	515,615	555,171
Provision for impairment of trade receivables	**11,829**	21,710
Reversal of provision for impairment of other receivables	**(218)**	(1,107)
Write-down of inventories to net realisable value	**23,825**	19,191
(Gain)/loss on disposal of property, plant and equipment	**(53)**	595

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Interest on bank loans	**168,448**	116,996

6. INCOME TAX EXPENSE

The provision for PRC current income tax is based on the statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which became effective on January 1, 2008, except for Jiangsu Shengduo Technology Trading Co., Ltd. and Sichuan Yijialong Communication Technology Chain Co., Ltd., two subsidiaries of the Company which were exempted from tax and taxed at a preferential rate of 15%, respectively, for the year ended December 31, 2015. The major components of income tax expense are as follows:

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Current:		
Tax charge for the year	**106,749**	117,490
Deferred	**(33,112)**	(5,634)
Total tax charge for the year	**73,637**	111,856

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of the subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Profit before tax	**430,360**	430,216
Tax at the statutory tax rate	**107,590**	107,554
Lower tax rates for certain entities	**(12,066)**	(1,032)
Adjustments in respect of current tax of previous periods	**3,347**	–
Profits attributable to associates and a joint venture	**(296)**	(249)
Effect of unrealised profit to be realised at a different tax rate	**(29,051)**	–
Expenses not deductible for tax	**1,846**	2,006
Tax losses utilised from previous periods	**(3,577)**	–
Tax losses not recognised	**5,844**	3,577
Tax charge at the Group's effective rate	**73,637**	111,856

The share of tax attributable to associates and a joint venture amounting to RMB17,000 (2014: nil) and RMB279,000 (2014: RMB249,000), respectively, is included in "Share of profits of associates and a joint venture" in the consolidated statement of profit or loss and other comprehensive income.

7. DIVIDENDS

The Directors did not propose a dividend for the year ended December 31, 2015.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 666,667,000 (2014: 580,365,458) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended December 31, 2015 and 2014.

The calculation of basic earnings per share is based on:

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**357,062**	318,133
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**666,667,000**	580,365,458

9. TRADE RECEIVABLES

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**1,969,307**	1,762,514
Less: impairment for trade receivables	**(98,648)**	(86,819)
	1,870,659	1,675,695

The Group grants different credit periods to customers. The Group's retail sales to consumers are cash sales. Credit periods are offered to customers of volume sales of telecommunication devices and accessories. The credit period offered to unincorporated customers is considered on a case-by-case basis. The Group maintains strict controls over and closely monitors its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are unsecured and non-interest-bearing.

An aged analysis of the balance of trade receivable as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Within 90 days	**1,753,546**	1,299,643
91 to 180 days	**39,931**	199,757
181 to 365 days	**40,940**	145,387
Over 1 year	**36,242**	30,908
	1,870,659	1,675,695

10. TRADE AND BILLS PAYABLE

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Trade payables	**479,610**	445,540
Bills payable	**71,850**	257,969
	551,460	703,509

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 45 days.

An aged analysis of the outstanding trade and bills payable as at the end of the reporting period, based on the invoice date is as follows:

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Within 90 days	**511,776**	649,015
91 to 180 days	**19,523**	26,182
181 to 365 days	**15,106**	20,547
Over 1 year	**5,055**	7,765
	551,460	703,509

11. EVENT AFTER THE REPORTING PERIOD

The Company is in a preliminary stage of considering the feasibility of issuing long-term bonds. As at the date of approval of the financial statements, no definitive legally binding agreement or contract has been entered into by the Company.

MANAGEMENT DISCUSSION & ANALYSIS

I. BUSINESS REVIEW

For the year ended December 31, 2015, the Group sold 10,786,710 mobile handsets, representing an increase of 159,410 sets or 1.5% compared with 10,627,300 sets for the same period last year. Operating revenue for the year of 2015 amounted to RMB15,830,719,950, representing an increase of RMB1,472,111,280 or 10.25% from RMB14,358,608,670 for the same period last year. Net profit for the year of 2015 amounted to RMB356,723,380, representing an increase of RMB38,363,830 or 12.05% from RMB318,359,550 for the same period last year.

II. FINANCIAL POSITION AND OPERATING RESULTS

(I) Overview

For the year ended December 31, 2015, the Group recognized net profit of RMB356,723,380 representing an increase of RMB38,363,830 or 12.05% from RMB318,359,550 for the same period in 2014. Net profit attributable to owners of the Company amounted to RMB357,062,160, representing an increase of RMB38,929,170 or 12.24% from RMB318,132,990 for the same period in 2014.

(II) Consolidated comprehensive income statement

The following table sets forth selected items in our consolidated comprehensive income statement for the periods indicated. Our operating results have fluctuated in the past and may continue to fluctuate in future. Hence direct comparison of our operating results for different periods may not be appropriate, and our past performance may not be a reliable indicator of our future operating results.

Items	For the year ended December 31,			
	2014	**2015**	**Change**	**Percentage of change**
	RMB'000	***RMB'000***	*RMB'000*	
Operating revenue	14,358,608.67	**15,830,719.95**	1,472,111.28	10.25%
Cost of sales	(12,382,017.35)	**(13,796,602.85)**	(1,414,585.50)	11.42%
Gross profit	1,976,591.32	**2,034,117.10**	57,525.78	2.91%
Other income and gains	40,167.18	**85,483.37**	45,316.19	112.82%
Selling and distribution expenses	(1,091,629.05)	**(1,141,451.80)**	(49,822.75)	4.56%
Administrative expenses	(332,980.60)	**(341,486.83)**	(8,506.23)	2.55%
Other expenses	(45,932.16)	**(39,036.86)**	6,895.30	(15.01%)
Finance costs	(116,995.36)	**(168,447.89)**	(51,452.53)	43.98%
Investment gains	994.28	**1,183.36**	189.08	19.02%
Profit before tax	430,215.61	**430,360.45**	144.84	0.03%
Income tax expense	(111,856.06)	**(73,637.07)**	38,218.99	(34.17%)
Total net profit for the year after taxation	318,359.55	**356,723.38**	38,363.83	12.05%
Attributable to owners of the parent	318,132.99	**357,062.16**	38,929.17	12.24%
Attributable to minority interests	226.56	**(338.78)**	(565.34)	(249.53%)

1. *Operating revenue*

Operating revenue of the Group for the year ended December 31, 2015 amounted to RMB15,830,719,950, representing an increase of RMB1,472,111,280 or 10.25% from RMB14,358,608,670 for the same period in 2014. Revenue growth was mainly driven by growth in two areas as follows: (1) sales of mobile telecommunications devices and accessories; (2) other service fee income. Our sales of mobile telecommunications devices and accessories include (i) sales in our retail business including our independently operated outlets and online channels; (ii) sales in our franchised business; and (iii) sales in our wholesale business. Revenue from our retail business includes revenue from sales of mobile telecommunications devices and accessories in our independent stores and store-in-store outlets, stores in cooperation with the mobile carriers, and online sales platforms. Revenue from our franchise business includes revenue from sales of mobile telecommunications devices and accessories to our franchisees. Revenue from our wholesale business includes revenue from sales of mobile telecommunications devices and accessories we distribute to mobile carriers and other third-party retailers. Other service fee income includes (i) management and service fees received from suppliers of products; (ii) income from value-added services; (iii) the rental fees we earn by renting counter space to third parties who provide repair services; and (iv)repair and maintenance fees.

The following table sets forth information relating to our operating revenue for the periods indicated:

Items	For the year ended December 31,					
	2014		**2015**		**Change**	**Percentage of change**
	RMB'000	*% of total revenue*	***RMB'000***	***% of total revenue***	*RMB'000*	
(1) **Sales of mobile telecommunications devices and accessories**	13,612,422.65	94.80%	**15,088,122.49**	**95.31%**	1,475,699.84	10.84%
Including: Sales from retail of mobile telecommunications devices and accessories	8,030,316.67	55.93%	**8,423,134.89**	**53.21%**	392,818.22	4.89%
Sales of telecommunications devices and accessories to franchisees	2,162,025.16	15.06%	**2,743,507.28**	**17.33%**	581,482.12	26.90%
Wholesale of mobile telecommunications devices and accessories	3,420,080.82	23.82%	**3,921,480.32**	**24.77%**	501,399.50	14.66%
(2) **Service income from mobile carriers**	607,000.09	4.23%	**593,035.44**	**3.75%**	(13,964.65)	(2.30%)
(3) **Other service fee income**	139,185.93	0.97%	**149,562.02**	**0.94%**	10,376.09	7.45%
Total	14,358,608.67	100.00%	**15,830,719.95**	**100.00%**	1,472,111.28	10.25%

The Group's service income from mobile carriers amounted to RMB593,035,440 for the year ended December 31, 2015, representing a decrease of RMB13,964,650 or 2.30% from RMB607,000,090 for the same period in 2014. Such decrease was caused by the decrease of subsidies provided by the major carriers for selling mobile phones to the end users in 2015.

The following table sets forth our service income from each of the major mobile carriers for 2014 and 2015:

Items	For the year ended December 31,					
	2014		**2015**		**Change**	**Percentage of change**
	RMB'000	*% of total revenue*	***RMB'000***	***% of total revenue***	*RMB'000*	
China Mobile	218,541.59	36.00%	**280,223.56**	**47.25%**	61,681.97	28.22%
China Unicom	79,118.34	13.04%	**71,737.63**	**12.10%**	(7,380.71)	(9.33%)
China Telecom	304,357.12	50.14%	**236,207.97**	**39.83%**	(68,149.15)	(22.39%)
Dixintong Telecommunications Services	4,983.04	0.82%	**4,866.28**	**0.82%**	(116.76)	(2.34%)
Total	607,000.09	100.00%	**593,035.44**	**100.00%**	(13,964.65)	(2.30%)

"Dixintong Telecommunications Services" refers to Beijing Dixintong Telecommunications Services Co., Ltd., our related party. For details of related party transactions, please refer to the section headed "Related party transactions".

2. *Cost of sales*

The Group's cost of sales for the year ended December 31, 2015 amounted to RMB13,796,602,850, representing an increase of RMB1,414,585,500 or 11.42% from RMB12,382,017,350 for the same period in 2014, which was mainly due to the growth in cost of sales in tandem with the growth in operating revenue.

The following table sets forth information relating to our cost of sales for the periods indicated:

Items	**For the year ended December 31,**					
	2014		**2015**		**Change**	**Percentage of change**
	RMB'000	*% of total costs*	***RMB'000***	***% of total costs***	*RMB'000*	
(1) **Sales of mobile telecommunications devices and accessories**	12,293,112.96	99.28%	**13,703,093.71**	**99.32%**	1,409,980.75	11.47%
Including: Sales from retail of mobile telecommunications devices and accessories	6,841,164.18	55.25%	**7,192,296.96**	**52.13%**	351,132.78	5.13%
Sales of telecommunications devices and accessories to franchisees	2,114,732.17	17.08%	**2,684,764.85**	**19.46%**	570,032.68	26.96%
Wholesale of mobile telecommunications devices and accessories	3,337,216.61	26.95%	**3,826,031.90**	**27.73%**	488,815.29	14.65%
(2) **Service income from mobile carriers**	84,933.65	0.69%	**89,100.62**	**0.65%**	4,166.97	4.91%
(3) **Other service fee income**	3,970.74	0.03%	**4,408.52**	**0.03%**	437.78	11.03%
Total	12,382,017.35	100.00%	**13,796,602.85**	**100.00%**	1,414,585.50	11.42%

3. *Gross profit and gross profit margin*

Gross profit represents operating revenue net of cost of sales. The Group's gross profit for the year ended December 31, 2015 amounted to RMB2,034,117,100, representing an increase of RMB57,525,780, or 2.91%, from RMB1,976,591,320 for the same period in 2014. Our overall gross profit margins for the year ended December 31, 2014 and 2015 were 13.77% and 12.85%, respectively. Decrease in our overall gross profit margin as compared with 2014 was primarily driven by decrease in gross profit margin for service income from mobile carriers and decline in gross profit margin for sales of mobile telecommunications devices and accessories. The decline in our gross profit margin for sales of mobile telecommunications devices and accessories was primarily attributable to the development of our online business such as online to offline ("**OTO**") business, which resulted in lower overall gross profit generated from selling mobile phones. Macroeconomic adjustment was also the cause of the fluctuation of our overall gross profit margin.

Items	For the year ended December 31,							
	2014			**2015**				
	Gross profit *RMB'000*	*% of total gross profit*	Gross profit margin	**Gross profit** ***RMB'000***	***% of total gross profit***	**Gross profit margin**	**Change** *RMB'000*	**Percentage of change**
(1) Sales of mobile telecommunications devices and accessories	1,319,309.69	66.75%	9.69%	**1,385,028.78**	**68.09%**	**9.18%**	65,719.09	4.98%
Including: Sales from retail of mobile telecommunications devices and accessories	1,189,152.49	60.16%	14.81%	**1,230,837.93**	**60.51%**	**14.61%**	41,685.44	3.51%
Sales of telecommunications devices and accessories to franchisees	47,292.99	2.39%	2.19%	**58,742.43**	**2.89%**	**2.14%**	11,449.44	24.21%
Wholesale of mobile telecommunications devices and accessories	82,864.21	4.19%	2.42%	**95,448.42**	**4.69%**	**2.43%**	12,584.21	15.19%
(2) Service income from mobile carriers	522,066.44	26.41%	86.01%	**503,934.82**	**24.77%**	**84.98%**	(18,131.62)	(3.47%)
(3) Other service fee income	135,215.19	6.84%	97.15%	**145,153.50**	**7.14%**	**97.05%**	9,938.31	7.35%
Total	1,976,591.32	100.00%	13.77%	**2,034,117.10**	**100.00%**	**12.85%**	57,525.78	2.91%

4. *Sales volume and average selling price of handsets*

The following table sets forth information about our sales of mobile handsets, sales volume and average selling price of mobile handsets for the periods indicated:

Items	For the year ended December 31,			
	2014 *RMB*	**2015** ***RMB***	**Change** *RMB*	**Percentage of change**
Sales of mobile handsets *(in RMB thousands)*	13,235,197.29	**14,348,710.60**	1,113,513.31	8.41%
Sales volume *(in handsets)*	10,627,296.00	**10,786,706.00**	159,410.00	1.50%
Average selling price *(RMB/per handset)*	1,245.40	**1,330.22**	84.82	6.81%

5. *Other income and gains*

Other income and gains include: (1) interest income; (2) government grants; (3) gain on disposal of property, plant and equipment; and (4) others. The Group's other income and gains for the year ended December 31, 2015 amounted to RMB85,483,370, representing an increase of RMB45,316,190 or 112.82% from RMB40,167,180 for the same period in 2014, which was primarily attributable to increased government grants for 2015.

The following table sets forth information relating to other income and gains for the periods indicated:

Items	For the year ended December 31,			
	2014 *RMB'000*	**2015** ***RMB'000***	**Change** *RMB'000*	**Percentage of change**
Interest income	11,982.59	**14,693.92**	2,711.33	22.63%
Government grants	23,550.02	**65,164.88**	41,614.86	176.71%
Gain on disposal of property, plant and equipment	12.40	**52.88**	40.48	326.45%
Others	4,622.17	**5,571.69**	949.52	20.54%
Total	40,167.18	**85,483.37**	45,316.19	112.82%

6. *Selling and distribution expenses*

Items	For the year ended December 31,					
	Selling and distribution expenses		% of total expenses			Percentage
	2014	**2015**	2014	**2015**	**Change**	**of change**
	RMB'000	***RMB'000***			*RMB'000*	
Staff salaries	424,278.53	**434,779.58**	38.87%	**38.09%**	10,501.05	2.48%
Office expenses	17,626.00	**21,400.38**	1.59%	**1.86%**	3,774.38	21.41%
Travelling expenses	5,623.67	**5,697.83**	0.52%	**0.50%**	74.16	1.32%
Transportation expenses	17,925.87	**18,541.51**	1.64%	**1.62%**	615.64	3.43%
Business entertainment expenses	5,041.66	**4,063.27**	0.46%	**0.36%**	(978.39)	(19.41%)
Communication expenses	3,205.28	**3,777.43**	0.29%	**0.33%**	572.15	17.85%
Rentals and property management expenses	374,921.18	**393,283.25**	34.35%	**34.45%**	18,362.07	4.90%
Repair expenses	4,543.83	**6,466.23**	0.42%	**0.57%**	1,922.40	42.31%
Advertising and promotion expenses	89,054.82	**96,542.71**	8.16%	**8.46%**	7,487.89	8.41%
Depreciation expenses	6,413.54	**6,494.58**	0.59%	**0.57%**	81.04	1.26%
Amortisation of long-term deferred expenses	70,809.87	**73,686.12**	6.49%	**6.46%**	2,876.25	4.06%
Amortisation of low-cost consumables	5,665.08	**4,757.41**	0.52%	**0.42%**	(907.67)	(16.02%)
Market management fees	14,726.38	**17,613.57**	1.35%	**1.54%**	2,887.19	19.61%
Utilities	31,836.52	**33,280.33**	2.92%	**2.92%**	1,443.81	4.54%
Others	19,956.82	**21,067.60**	1.83%	**1.85%**	1,110.78	5.57%
Total	1,091,629.05	**1,141,451.80**	100.00%	**100.00%**	49,822.75	4.56%

Total selling and distribution expenses for the year ended December 31, 2015 amounted to RMB1,141,451,800, representing an increase of RMB49,822,750 or 4.56% from RMB1,091,629,050 for the same period in 2014, which was mainly due to the growth of staff salaries, rentals and property expenses and amortisation of long-term deferred expenses.

Total staff salaries for the year ended December 31, 2015 amounted to RMB434,779,580, representing an increase of RMB10,501,050, or 2.48% from RMB424,278,530 for the same period in 2014. Such increase was attributable to the hiring of additional marketing staff to meet the requirements of our business expansion, as well as increased average salaries and benefits of our marketing staff.

Total rentals and property management expenses for the year ended December 31, 2015 amounted to RMB393,283,250, representing an increase of RMB18,362,070, or 4.90%, from RMB374,921,180 for the same period in 2014. Such increase was attributable to the opening of new retail outlets and rental increments for certain old outlets upon expiry of leases.

Total amortisation of long-term deferred expenses for the year ended December 31, 2015 amounted to RMB73,686,120, representing an increase of RMB2,876,250 or 4.06%, from RMB70,809,870 for the same period in 2014. Such increase was attributable to increased store decoration costs in connection with the opening of new outlets and the renovation of old ones.

7. *Administrative expenses*

Items	For the year ended December 31,					
	Administrative expenses		% of total expenses			Percentage
	2014	**2015**	2014	**2015**	**Change**	**of change**
	RMB'000	***RMB'000***			*RMB'000*	
Staff salaries	130,892.59	**135,296.64**	39.31%	**39.62%**	4,404.05	3.36%
Tax expenses	6,759.77	**7,046.93**	2.03%	**2.06%**	287.16	4.25%
Office expenses	24,130.24	**30,070.07**	7.25%	**8.82%**	5,939.83	24.62%
Depreciation expenses	10,118.14	**9,992.42**	3.04%	**2.93%**	(125.72)	(1.24%)
Amortisation of intangible assets	581.38	**387.56**	0.17%	**0.11%**	(193.82)	(33.34%)
Amortisation of long-term deferred expenses	2,805.81	**2,294.67**	0.84%	**0.67%**	(511.14)	(18.22%)
Amortisation of low-cost consumables	5,531.10	**6,050.50**	1.66%	**1.77%**	519.4	9.39%
Travelling expenses	15,403.98	**15,935.97**	4.63%	**4.67%**	531.99	3.45%
Rental and property management fees	13,332.95	**13,664.65**	4.00%	**4.00%**	331.70	2.49%
Business entertainment expenses	14,326.10	**15,474.06**	4.30%	**4.53%**	1,147.96	8.01%
Communication expenses	3,914.57	**3,612.92**	1.18%	**1.06%**	(301.65)	(7.71%)
Agency fees	12,074.19	**17,191.65**	3.63%	**5.03%**	5,517.46	42.38%
Transportation expenses	21,911.04	**20,156.61**	6.58%	**5.90%**	(1,754.43)	(8.01%)
Financial institution charges	38,086.06	**49,320.83**	11.44%	**14.44%**	11,234.77	29.50%
Listing fees	26,000.19	**–**	7.81%	**–**	(26,000.19)	(100%)
Others	7,112.49	**14,991.35**	2.13%	**4.39%**	7,878.86	110.77%
Total	332,980.60	**341,486.83**	100.00%	**100.00%**	8,506.23	2.55%

The Group's total administrative expenses for the year ended December 31, 2015 amounted to RMB341,486,830, representing an increase of RMB8,506,230, or 2.55%, from RMB332,980,600 for the same period in 2014. Such growth in administrative expenses was primarily attributable to the increase in staff salaries, financial institution charges and others.

Total staff salaries for the year ended December 31, 2015 amounted to RMB135,296,640, representing an increase of RMB4,404,050, or 3.36%, from RMB130,892,590 for the same period in 2014. Such growth was primarily attributable to the hiring of additional management and administrative personnel to meet the requirements of our business expansion, as well as increased average salaries and benefits for our management and administrative personnel.

Financial institution charges for the year ended December 31, 2015 amounted to RMB49,320,830, representing an increase of RMB11,234,770, or 29.50%, from RMB38,086,060 for the same period in 2014. Such growth was attributable to the increase in financial institution charges as a result of the increase in business volume of online credit card and instalment payment business.

Others for the year ended December 31, 2015 amounted to RMB14,991,350, representing an increase of RMB7,878,860, or 110.77%, from RMB7,112,490 for the same period in 2014. Such growth was attributable to the increase of insurance premiums, training fees and security fees.

8. *Other expenses*

Other expenses include impairment losses on assets and non-operating expenses. For the years ended December 31, 2014 and 2015, other expenses amounted to RMB45,932,160 and RMB39,036,860, respectively.

Items	**For the year ended December 31,**			
				Percentage
	2014	**2015**	**Change**	**of change**
	RMB'000	***RMB'000***	*RMB'000*	
Impairment losses on assets	39,794.24	**35,435.49**	(4,358.75)	(10.95%)
Non-operating expenses	6,137.92	**3,601.37**	(2,536.55)	(41.33%)
Total	45,932.16	**39,036.86**	(6,895.30)	(15.01%)

The Group's total other expenses for the year ended December 31, 2015 amounted to RMB39,036,860, representing a decrease of RMB6,895,300 or 15.01% from RMB45,932,160 for the same period in 2014. The decrease was mainly attributable to the decrease in impairment loss on assets for the current period, which was mainly attributable to the increase of the number of the carriers for whom lower provisions for bad debts were made and the increase of absolute amount of the receivables due within one year.

9. *Finance costs*

Item	**For the year ended December 31,**			
	Finance costs			**Percentage**
	2014	**2015**	**Change**	**of change**
	RMB'000	***RMB'000***	*RMB'000*	
Finance costs – interest expenses	116,995.36	**168,447.89**	51,452.53	43.98%

The Group's total finance costs for the year ended December 31, 2015 amounted to RMB168,447,890, representing an increase of RMB51,452,530, or 43.98%, from RMB116,995,360 for the same period in 2014. Such growth in finance costs was primarily attributable to the increase in our short-term bank borrowings.

10. *Income tax expense*

Our income tax expenses for the stated periods included PRC Enterprise Income Tax (EIT) and deferred income tax. In accordance with the Enterprise Income Tax Implementation Regulations, our PRC subsidiaries have been required to pay tax at an income tax rate of 25% as from January 2008. For the year ended December 31, 2015, the income tax rate of 25% was applicable to all of the Group's PRC subsidiaries except Sichuan Yijialong Communication Chain Co., Ltd. (四川億佳隆通訊連鎖有限公司) and Jiangsu Shengduo Kemao Co., Ltd. (江蘇勝多科貿有限責任公司). Sichuan Yijialong Communication Chain Co., Ltd. (四川億佳隆通訊連鎖有限公司) has been entitled to an income tax rate of 15% since 2012 as a company which is principally in an industry encouraged by the State. Jiangsu Shengduo Kemao Co., Ltd. (江蘇勝多科貿有限責任公司) has been entitled to full exemption of income tax for the first two years and 50% reduction for the following three years from April 2014 as a software company encouraged by the State Administration of Taxation. For the years ended December 31, 2014 and 2015, our effective tax rates were 26% and 17.11%, respectively. During the year ended December 31, 2015, we have settled the payment of all relevant taxes, and we have not been engaged in any disputes or unresolved tax matters with the taxation authorities.

The following table sets forth information relating to our income tax expenses for the periods indicated:

	For the year ended December 31,			
Items	2014 *RMB'000*	**2015** ***RMB'000***	**Change** *RMB'000*	**Percentage of change**
Income tax in the PRC for the year	117,490.99	**106,749.07**	(10,741.92)	(9.14%)
Deferred tax	(5,634.93)	**(33,112.00)**	(27,477.07)	(687.62%)
Total	111,856.06	**73,637.07**	(38,218.99)	(34.17%)

The Group's total income tax expense for the year ended December 31, 2015 amounted to RMB73,637,070, representing a decrease of RMB38,218,990 or 34.17% compared with the total income tax expense of RMB111,856,060 for the same period in 2014. Such decrease was primarily attributable to the lower income tax rate for the period.

(III) Liquidity and financial resources (current assets, financial resources)

We operate in a capital-intensive industry and we fund our working capital, capital expenditure and other funding requirements mainly through income generated from operating activities and bank borrowings.

Cash flow

Items	**For the year ended December 31,** 2014 *RMB'000*	**2015** ***RMB'000***
Net cash used in operating activities	(790,582.15)	**(119,156.96)**
Net cash used in investing activities	(81,789.73)	**(174,334.41)**
Net cash generated from financing activities	905,730.52	**400,036.90**
Net increase in cash and cash equivalents	33,358.64	**106,545.53**
Cash and cash equivalents at beginning of the year	301,939.83	**335,298.47**
Cash and cash equivalents at end of the year	335,298.47	**441,844.00**

1. *Net cash used in operating activities*

   Our cash generated from operating activities is primarily from sales of mobile telecommunication devices and accessories. Our cash used in operating activities is primarily for purchase of telecommunication devices and accessories from suppliers, rental expenses and staff salary and compensation. Our net cash flow used in operating activities reflects our profit before income tax, as adjusted for non-cash items, such as finance costs and depreciation of property, plant and equipment, and the effects of changes in working capital, such as increases or decreases in inventories, receivables, prepayments, trade and other payables and accruals. Although we had negative net operating cash flow of RMB119,156,960 for the year ended December 31, 2015, there was substantial improvement as compared with 2014.

For the year ended December 31, 2015, we had net cash outflow from operating activities of RMB119,156,960, primarily due to (i) net cash inflow of the Group from continuing operation of RMB430,360,450; (ii) an increase in net cash outflow of RMB206,794,300 due to an increase in trade receivables in connection with growth in sales of mobile phones bundled with contracted call service subscriptions as a result of closer cooperation with mobile carriers; (iii) net cash outflow of RMB235,856,870 due to an increase in inventories in connection with purchase of popular products (such as Apple iPhone 6S, Apple iPhone 6S Plus and new Huawei models) in anticipation for the New Year and Chinese New Year holiday season; and (iv) net cash outflow of RMB152,048,940 due to a decrease in trade and bills payables following the settlement of payables due.

2. *Net cash used in investing activities*

Our net cash flow used in investing activities reflects the results of our investing activities for the period, such as purchase of property, plant, equipment and intangible assets, proceeds from disposal of property, plant and equipment, proceeds from disposal of subsidiaries and acquisition of subsidiaries.

For the year ended December 31, 2015, we had net cash outflow from investing activities of RMB174,334,410, which was primarily attributable to (i) the purchase and construction of fixed assets and decoration costs of RMB85,788,740 in connection with the opening of new outlets and the renovation of old ones; and (ii) the consideration of RMB85,612,000 for the acquisition of a subsidiary.

3. *Net cash generated from financing activities*

Our net cash generated from financing activities reflects the results of our financing activities for the period, such as bank loans, proceeds from other financing activities, repayment of bank loans, paid interests and payment of other financing activities.

For the year ended December 31, 2015, we had net cash inflow from financing activities of RMB400,036,900, primarily due to (i) bank loans of RMB7,646,932,290 and repayment of bank loans of RMB6,350,111,290; (ii) an increase of pledged deposit of RMB725,426,000; (iii) interest payment to banks of RMB168,447,890.

(IV) Balance Sheet Items

1. *Trade receivables*

Our trade receivables primarily consist of (i) trade receivables and (ii) impairment. The following table sets forth information relating to our trade receivables as of the dates indicated:

Items	As of December 31, 2014 *RMB'000*	**2015** ***RMB'000***	**Change** *RMB'000*	**Percentage of change**
Trade receivables	1,762,514.34	**1,969,307.44**	206,793.10	11.73%
Less: Impairment for trade receivables:	(86,819.34)	**(98,648.51)**	(11,829.17)	13.63%
Net	1,675,695.00	**1,870,658.93**	194,963.93	11.63%

The following table sets forth information relating to trade receivables before deducting impairment as of the dates indicated:

Nature of Customers	As of December 31, 2014 *RMB'000*	**2015** ***RMB'000***	**Growth rate**
Franchisees	502,390.15	**657,458.78**	30.87%
Supermarket customers	169,949.02	**168,631.39**	(0.78%)
Mobile carriers	504,066.63	**547,952.69**	8.71%
Third party wholesale customers	586,108.54	**595,264.58**	1.56%
Total	1,762,514.34	**1,969,307.44**	11.73%

To enhance sales of our handsets and enlarge our market share, the range of credit periods granted by us to certain customers was extended from 30–90 days in 2014 to 30–120 days in 2015. Credit periods are offered to customers with volume sales of telecommunication devices and accessories. We closely monitor and maintain strict control over our outstanding receivables to minimise credit risk. Overdue balances are also reviewed regularly by the management. As our trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. We do not hold any collateral or other credit enhancements over our trade receivable balances. Our trade and bills receivables are unsecured and non-interest-bearing.

Our trade receivables less impairment as of December 31, 2015 amounted to RMB1,870,658,930, representing an increase of RMB194,963,930 or 11.63%, from RMB1,675,695,000 as of December 31, 2014. Our trade receivables before deducting impairment as of December 31, 2015 amounted to RMB1,969,307,440, representing an increase of RMB206,793,100, or 11.73% from RMB1,762,514,340 as of December 31, 2014.

Amounts receivable from franchisees as of December 31, 2015 amounted to RMB657,458,780, representing an increase of RMB155,068,630 or 30.87%, from RMB502,390,150 as of December 31, 2014. Such growth was primarily attributable to: (i) increased amounts receivable from franchisees in line with increased sales to franchisees; (ii) unscheduled adjustments to credit limits and credit periods for franchisees with good credit records in view of the concurrent launch of popular and high margin new products such as Apple iPhone 6S, Apple iPhone 6S Plus and Huawei Mate8 in the final quarter.

Amounts receivable from supermarket customers as of December 31, 2015 amounted to RMB168,631,390, representing a decrease of RMB1,317,630 or 0.78%, from RMB169,949,020 as of December 31, 2014.

Amounts receivable from mobile carriers as of December 31, 2015 amounted to RMB547,952,690, representing an increase of RMB43,886,060 or 8.71%, from RMB504,066,630 as of December 31, 2014. Such growth was primarily attributable to increased amounts receivable from mobile carriers in line with increased wholesale to mobile carriers.

Amounts receivable from third party wholesale customers as of December 31, 2015 amounted to RMB595,264,580, representing an increase of RMB9,156,040 or 1.56%, from RMB586,108,540 as of December 31, 2014. Such growth was primarily attributable to the unscheduled adjustments to credit limits and credit periods for major customers with good credit records in view of the concurrent launch of popular and high margin new products such as Apple iPhone 6S, Apple iPhone 6S Plus and Huawei Mate8 in the final quarter.

As of the date of this announcement, approximately RMB1,761,649,350 of our trade receivables as of December 31, 2015 were subsequently settled.

Our management regularly monitors the recoverability of our overdue balances of trade receivables and provides for impairment of these receivables as appropriate. Our provisions for impairment of trade receivables as of December 31, 2015 amounted to RMB98,648,510, representing an increase of RMB11,829,170 or 13.63% from RMB86,819,340 as of December 31, 2014, primarily as a result of an increase in our total trade receivables from RMB1,762,514,340 as of December 31, 2014 to RMB1,969,307,440 as of December 31, 2015. Our Directors believe that our provisions for impairment on trade receivables are adequate.

The following table sets forth the aging analysis of our trade receivables as of the dates indicated:

Items	As of December 31, 2014 *RMB'000*	**As of December 31, 2015** ***RMB'000***
Within 90 days	1,299,495.71	**1,753,546.02**
91 to 180 days	199,756.89	**39,930.84**
181 to 365 days	145,534.00	**40,940.03**
Over 1 year	30,908.40	**36,242.04**
Total	1,675,695.00	**1,870,658.93**

The following table sets forth our average trade receivables turnover days for the periods indicated:

Item	For the year ended December 31, 2014 Number of days	**2015 Number of days**	**Change in number of days**	**Percentage of change**
Average trade receivables turnover days	37	**40**	3	8.11%

Our average trade receivables turnover days increased to 40 days for 2015, which was 3 days longer than that for 2014. The increase in turnover days reflected the combined effect of: (i) the 10.25% year-on-year growth in sales income for 2015; (ii) the extension of credit periods granted by us to customers to 30–120 days in 2015 from 30-90 days in 2014; and (iii) the unscheduled raise in credit limits for customers.

2. *Prepayments and other receivables*

Our prepayments and other receivables consist of (i) prepayments; and (ii) other receivables. The following table sets forth information relating to our prepayments and other receivables as of the dates indicated:

Items	As of December 31, 2014	**2015**	**Change**	**Percentage of change**
	RMB'000	***RMB'000***	*RMB'000*	
Prepayments	793,551.81	**904,747.32**	111,195.51	14.01%
Other receivables	106,675.45	**121,594.39**	14,918.94	13.99%
Total	900,227.26	**1,026,341.71**	126,114.45	14.01%
Less: Impairment for other receivables	(5,446.16)	**(5,228.56)**	217.60	(4.00%)
Net	894,781.10	**1,021,113.15**	126,332.05	14.12%

Our prepayments represent our prepayments to suppliers of mobile telecommunication devices and accessories and prepaid rental payments to our lessors. Our prepayments as of December 31, 2015 amounted to RMB904,747,320, representing an increase of RMB111,195,510, or 14.01%, from RMB793,551,810 as of December 31, 2014. Such increase was primarily due to prepayments for suppliers of Apple, Samsung and Huawei mobile phones at the end of the year.

3. *Impairment of trade and other receivables*

Our provision policy for impairment of trade and other receivables is based on ongoing evaluation of the collectability and aging analysis of the outstanding receivables and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of those receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required.

Based on the aforesaid policy for provision, the Directors are of the view that we have made sufficient provisions for the impairment of trade and other receivables.

4. Inventory

Our inventories consist primarily of (i) merchandise for sale and (ii) consumables. The following table sets forth information relating to our inventories as of the dates indicated:

	As of December 31,			
Items	2014	**2015**	**Change**	**Percentage of change**
	RMB'000	***RMB'000***	*RMB'000*	
Merchandise for resale	1,953,644.89	**2,170,968.98**	217,324.09	11.12%
Consumables	1,572.82	**913.44**	(659.38)	(41.92%)
Total	1,955,217.71	**2,171,882.42**	216,664.71	11.08%
Less: Provision against inventories	(19,191.24)	**(23,824.92)**	(4,633.68)	24.14%
Total	1,936,026.47	**2,148,057.50**	212,031.03	10.95%

Our inventories as of December 31, 2015 amounted to RMB2,148,057,500, representing an increase of RMB212,031,030 or 10.95% as compared with RMB1,936,026,470 as of December 31, 2014. Such increase was primarily attributable to (i) the increase in purchases in preparation for the New Year and Chinese New Year holiday season driven by the launch of new products such us Apple iPhone 6S, Apple iPhone 6S Plus, Samsung S6 edge+ and Huawei Mate8 at the year end; and (ii) higher prices of smart phones purchased, such as Apple iPhone 6S, Apple iPhone 6S Plus, Samsung S6 edge+ and Huawei Mate8.

The following table sets forth the aging analysis of our inventories as of the dates indicated:

	As of December 31,			
Period	2014	**2015**	**Change**	**Percentage of change**
	RMB'000	***RMB'000***	*RMB'000*	
Within 30 days	1,897,622.12	**2,096,304.84**	198,682.72	10.47%
31 to 60 days	29,286.91	**39,701.39**	10,414.48	35.56%
60 to 90 days	7,090.90	**21,975.55**	14,884.65	209.91%
Over 90 days	21,217.78	**13,900.64**	(7,311.14)	(34.49%)
Total	1,955,217.71	**2,171,882.42**	216,664.71	11.08%

The following table sets forth the average inventory turnover days for the periods indicated:

Item	2014 Number of days	**2015 Number of days**	**Change in number of days**	**Percentage of change**
	For the year ended December 31,			
Average inventory turnover days	52	**54**	2	3.85%

Our inventory turnover days increased from 52 days as of December 31, 2014 to 54 days as of December 31, 2015, primarily due to an increase in the balance of inventories as at the end of the period which affected the average inventory turnover days resulting from (i) the increase in purchases in preparation for the New Year and Chinese New Year holiday season driven by the launch of new products such as Apple iPhone 6S, Apple iPhone 6s Plus and Huawei Mate8 as at the end of the year; and (ii) relatively higher prices of smart phones purchased such as Apple iPhone 6S, Apple iPhone 6s Plus and Huawei Mate8.

5. *Properties under development*

Item	For the year ended December 31, 2014 *RMB'000*	**2015** ***RMB'000***	**Change** *RMB'000*	**Percentage of change**
Properties under development	–	**282,718.05**	282,718.05	–

As of December 31 2015, the Group had properties under development of RMB282,718,050, all of which were the properties under development of Yunfu Real Estate Co., Ltd. which was acquired by the Group in 2015.

6. *Trade and bills payables*

Our trade and bills payables consist of (i) trade payables; and (ii) bills payables. The following table sets forth information relating to our trade and bills payables as of the dates indicated:

Items	As of December 31, 2014 *RMB'000*	**2015** ***RMB'000***	**Change** *RMB'000*	**Percentage of change**
Trade payables	445,540.08	**479,609.89**	34,069.81	7.65%
Bills payables	257,968.75	**71,850.00**	(186,118.75)	(72.15%)
Total	703,508.83	**551,459.89**	(152,048.94)	(21.61%)

The following table sets forth the aging analysis of our trade and bills payables as of the dates indicated:

Items	As of December 31, 2014	**2015**	Change	Percentage of change
	RMB'000	***RMB'000***	*RMB'000*	
Within 90 days	649,014.80	**511,775.76**	(137,239.04)	(21.15%)
91 to 180 days	26,182.06	**19,523.35**	(6,658.71)	(25.43%)
181 to 365 days	20,547.11	**15,106.28**	(5,440.83)	(26.48%)
Over 1 year	7,764.86	**5,054.50**	(2,710.36)	(34.91%)
Total	703,508.83	**551,459.89**	(152,048.94)	(21.61%)

The following table sets forth our average trade and bills payables turnover days for the periods indicated:

Item	For the year ended December 31, 2014 Number of days	**2015 Number of days**	**Change in number of days**	**Percentage of change**
Average trade and bills payables turnover days	26	**16**	(10)	(38.46%)

Our trade payables are non-interest bearing and are normally settled within 30–45 days. Our trade and bills payables as of December 31, 2015 amounted to RMB551,459,890, representing a decrease by RMB152,048,940 or 21.61% from RMB703,508,830 as of December 31, 2014. The decrease in trade and bills payables for this period was mainly due to the change of treatment to the bills payables, whereas most of bank bills issued to the companies within the Group were discounted to the banks to ensure the Company's cash flow in 2015, as compared to mainly being endorsed to third parties in 2014, with discounted amount of RMB1,510,760,000, as compared to that of RMB222,860,000 in 2014. This item is presented as short-term borrowings in the financial statements, resulting in a substantial decrease of the balances of bills payables caused by a substantial increase in intra-group offsetting of the bills for this period.

7. *Other payables and accruals*

Other payables and accruals consist of (i) advances from customers; (ii) payroll and welfare payables; (iii) accrued expenses; and (iv) other payables. The following table sets forth information relating to our other payables and accruals as of the dates indicated:

	As of December 31,			
Items	2014	**2015**	**Change**	**Percentage of change**
	RMB'000	***RMB'000***	*RMB'000*	
Advances from customers	89,848.59	**199,885.29**	110,036.70	122.47%
Payroll and welfare payables	60,219.85	**61,762.22**	1,542.37	2.56%
Accrued expenses	38,882.21	**9,663.62**	(29,218.59)	(75.15%)
Other payables	106,817.58	**126,844.34**	20,026.76	18.75%
Total	295,768.23	**398,155.47**	102,387.24	34.61%

Our advances from customers represent advance payments by customers for their purchases. Our advances from customers as of December 31, 2015 amounted to RMB199,885,290, representing an increase of RMB110,036,700 or 122.47% from RMB89,848,590 as of December 31, 2014. The increase was primarily attributable to increase in receipts in advance from the new real estate company.

Our payroll and welfare payables represent accrued payroll and welfare expenses to our employees. Our payroll and welfare payables as of December 31, 2015 amounted to RMB61,762,220, representing an increase of RMB1,542,370 or 2.56% from RMB60,219,850 as of December 31, 2014. Such increase was primarily due to an increase in salary and compensation for our staff.

Our accrued expenses represent other current liabilities. Our accrued expenses as of December 31, 2015 amounted to RMB9,663,620, representing a decrease of RMB29,218,590 or 75.15% from RMB38,882,210 as of December 31, 2014. Such decline was primarily attributable to the decrease in the accruals for advertising expenses.

Our other payables as of December 31, 2015 amounted to RMB126,844,340, representing an increase of RMB20,026,760 or 18.75% from RMB106,817,580 as of December 31, 2014. Such growth was primarily attributable to our closer cooperation with mobile carriers resulting in the increase in bundled contract call service subscriptions collected from users on behalf of mobile carriers.

8. Net current assets position

The following table sets forth our current assets and liabilities as of the dates indicated:

	As of December 31,			
Items	2014	**2015**	**Change**	**Percentage of change**
	RMB'000	***RMB'000***	*RMB'000*	
Current assets				
Inventories	1,936,026.47	**2,148,057.50**	212,031.03	10.95%
Properties under development	–	**282,718.05**	282,718.05	–
Trade receivables	1,675,695.00	**1,870,658.93**	194,963.93	11.63%
Prepayments, deposits and other receivables	894,781.10	**1,021,113.15**	126,332.05	14.12%
Due from related parties	2,169.53	**3,661.60**	1,492.07	68.77%
Pledged deposits	355,381.83	**1,080,808.42**	725,426.59	204.13%
Cash and cash equivalents	335,298.47	**441,844.00**	106,545.53	31.78%
Total current assets	5,199,352.40	**6,848,861.65**	1,649,509.25	31.73%
Current liabilities				
Interest-bearing loans	1,903,471.79	**3,152,292.50**	1,248,820.71	65.61%
Trade and bills payables	703,508.83	**551,459.89**	(152,048.94)	(21.61%)
Other payables and accruals	295,768.23	**398,155.47**	102,387.24	34.62%
Tax payable	121,607.41	**198,499.01**	76,891.60	63.23%
Due to related parties	1,739.50	**664.72**	(1,074.78)	(61.79%)
Total current liabilities	3,026,095.76	**4,301,071.59**	1,274,975.83	42.13%
Net current assets	2,173,256.64	**2,547,790.06**	374,533.42	17.23%

Our net current assets as of December 31, 2015 amounted to RMB2,547,790,060, representing an increase of RMB374,533,420 or 17.23% from RMB2,173,256,640 as of December 31, 2014. Such growth was primarily attributable to the growth of our currents assets exceeding the growth of our current liabilities.

9. *Capital expenditure*

For the year ended December 31, 2015, the Group's capital expenditure amounted to RMB13,501,060, which was incurred mainly in relation to purchase and construction of fixed assets and decoration costs in connection with the opening of new outlets and the renovation of old ones.

10. *Related party transactions*

We enter into various transactions with related parties, including a company controlled by our controlling shareholders and a joint venture. The following table sets forth information relating to our transactions with related parties during the periods indicated:

	For the year ended December 31,			
Items	2014	**2015**	**Change**	**Percentage of change**
	RMB'000	***RMB'000***	*RMB'000*	
Joint venture:				
Purchase of goods	250.33	**84.45**	(165.88)	(66.26%)
Company controlled by the Controlling Shareholders:				
Sales of goods	443.63	**272.85**	(170.78)	(38.50%)
Purchase of goods	844.55	**569.24**	(275.31)	(32.60%)
Carriers' commission	4,983.04	**5,257.32**	274.28	5.50%
Total				
Sales of goods	443.63	**272.85**	(170.78)	(38.50%)
Purchase of goods	1,094.88	**653.69**	(441.19)	(40.30%)
Carriers' commission	4,983.04	**5,257.32**	274.28	5.50%

The transaction with a joint venture entity represented trade receivables from and payables to Hollard – D. Phone (Beijing) Technology Development Co., Ltd. (和德信通(北京)科技發展公司) in connection with purchase of mobile phone insurances. The transaction with a company controlled by the controlling shareholder represented trade receivables from and payables to Beijing Dixintong Telecommunications Services Co., Ltd. in connection with the purchase and sales of handsets and the sales of phone number cards as agent. We expect to continue transactions with these related parties. Our Directors are of the opinion that such related party transactions were based on normal commercial terms and conducted on an arm's length basis.

11. Indebtedness – bank borrowings

For the year ended December 31, 2015, our bank borrowings were primarily short term in nature and repayable within one year. The following table sets forth our outstanding borrowing as of the dates indicated:

Items	As of December 31, 2014 *RMB'000*	**2015** ***RMB'000***
Bank loans:		
Unsecured, repayable within one year	1,446,386.79	**2,010,750.00**
Secured and repayable within one year	457,085.00	**1,141,542.50**
Unsecured long-term liabilities	–	**48,000.00**
Total	1,903,471.79	**3,200,292.50**
The bank loans bear interest at rates per annum in the range of	5.60%–7.80%	**3.55%–7.28%**

During the year ended December 31, 2015, we entered into various loan agreements with banks to finance our business operations and expansion. These bank loans were repayable within one year or on demand. These bank loans were variable-rate bank loans which carry interest at the People's Bank of China benchmark rate plus a premium. We mainly used these bank loans to purchase mobile telecommunication devices and accessories.

Our bank loans as of December 31, 2015 amounted to RMB3,200,292,500, representing an increase of RMB1,296,820,710 or 68.13% from RMB1,903,471,790 as of December 31, 2014. Such increase was primarily due to (i) our need for purchasing more mobile telecommunication devices and accessories as a result of our sales growth driven by our business expansion; and (ii) the financing need resulting from some suppliers not granting credit periods to us and requiring prepayments or current payments.

We are subject to certain customary restrictive covenants pursuant to our loan agreements with the banks. Subject to certain exceptions and waivers, these covenants may restrict our ability to (i) incur additional indebtedness; (ii) make major change to our corporate structure, such as to undertake or encourage joint venture, mergers and acquisitions, consolidations, reduction of registered share capital and reorganisations or to make other changes such as liquidation or dissolution, (iii) sell, transfer or dispose of material assets; and (iv) make investments and engage in certain transactions with affiliates or subsidiaries.

Our Directors confirmed that during the year ended December 31, 2015 and up to the date of this announcement, we did not have any material default in payment of trade and non-trade payables and bank borrowings, nor did we breach any financial covenants. Save as disclosed herein, the agreements under our banking borrowings do not contain any covenant that will have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors also confirmed that as of the date of this announcement, we did not have any plan to raise material external debt financing. Except as disclosed in "Financial Information – Indebtedness" above, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as of December 31, 2015, being the latest practicable date for our indebtedness statement.

(V) Key financial ratios

The following table sets out our current ratio, gearing ratio and net debt-to-equity ratio as of the dates indicated:

	As of December 31,			
Items	2014	**2015**	**Change**	**Percentage of change**
Current ratio	1.72	**1.59**	(0.13)	(7.56%)
Gearing ratio	39.31%	**49.64%**	10.33%	26.28%
Net debt-to-equity ratio	64.77%	**98.57%**	33.80%	52.18%

Current ratio is our current assets divided by our current liabilities at the end of each financial period. Our current ratio remained relatively steady during the year ended December 31, 2015.

Gearing ratio is net debt divided by the sum of net debt and total equity at the end of each financial period and multiplied by 100%. Net debt includes interest-bearing bank loans, less cash and cash equivalents. Our gearing ratio increased from 39.31% as of December 31, 2014 to 49.64% as of December 31, 2015. This increase was primarily due to the Company's higher growth in net debt than in total equity for 2015. Total equity as of December 31, 2015 amounted to RMB2,798,501,880, representing an increase of RMB377,298,450 or 15.58% as compared with RMB2,421,203,430 as of December 31, 2014, and growth in total equity was primarily attributable to growth in net profit and the increase in shareholding equity capital for 2015. The Group's total retained profit as of December 31, 2015 amounted to RMB1,385,954,880, representing an increase of RMB321,389,830 or 30.19% as compared with the total retained profit of RMB1,064,565,050 for the same period in 2014. Surplus reserves as of December 31, 2015 amounted to RMB175,711,370, representing an increase of RMB35,672,340 or 25.47% compared with RMB140,039,030 as of December 31, 2014. Net debt as of December 31, 2015 amounted to RMB2,758,448,500, representing an increase of RMB1,190,275,180 or 75.90% as compared with RMB1,568,173,320 as of December 31, 2014. Our net debt was mainly due to the 68.13% increase in interest-bearing bank borrowings from RMB1,903,471,790 as of December 31, 2014 to RMB3,200,292,500 as of December 31, 2015.

Net debt-to-equity ratio equals net debt divided by total equity as the end of the financial period and multiplied by 100%. Our net debt-to-equity ratio as of December 31, 2015 was 98.57%, which was 33.80% higher than 64.77% as of December 31, 2014, representing a growth ratio of 52.18%. This was primarily due to the Company's higher growth in net debt than in total equity for 2015. Total equity as of December 31, 2015 amounted to RMB2,798,501,880, representing an increase of RMB377,298,450 or 15.58% as compared with RMB2,421,203,430 as of December 31, 2014, and growth in total equity was primarily attributable to the growth in net profit and the increase in shareholding equity capital for 2015. The Group's total retained profit for the year ended December 31, 2015 amounted to RMB1,385,954,880, representing an increase of RMB321,389,830 or 30.19% as compared with total retained profit of RMB1,064,565,050 for the same period in 2014. Surplus reserve as of December 31, 2015 amounted to RMB175,711,370, representing an increase of RMB35,672,340 or 25.47% compared with RMB140,039,030 as of December 31, 2014. Net debt as of December 31, 2015 amounted to RMB2,758,448,500, representing an increase of RMB1,190,275,180, or 75.90% compared with RMB1,568,173,320 as of December 31, 2014. Our net debt reflected mainly the 68.13% increase in interest-bearing bank borrowings from RMB1,903,471,790 as of December 31, 2014 to RMB3,200,292,500 as of December 31, 2015.

(VI) Material acquisitions and disposals

Details of the Group's material acquisitions for the year ended December 31, 2015 are set out in the section headed "Material investments".

(VII) Contingent liabilities

As of December 31, 2015, the Group had no material contingent liabilities.

(VIII) Use of proceeds

In 2014, we had completed the global offering of 166,667,000 H shares in Hong Kong at an offer price of HK$5.30 per share, raising proceeds with an aggregate amount of HK$883,335,100 which had been placed in a special account.

The following table sets forth details of the proceeds in the special account as of the date indicated:

As of December 31, 2015 *Unit: HK$'000*

Account holder	**Banker**	**Account number**	**Balance**
Beijing Digital Telecom Co., Ltd.	Standard Chartered Bank (Hong Kong) Limited	44717867377	9,326.58

As of December 31, 2015, HK$874,008,520 out of the net proceeds had been utilised. As of December 31, 2015, the balance of the proceeds in the special account amounted to HK$9,326,580 (including accrued interest accruing of HK$9,140).

To regulate the management of proceeds and protect investors' interests, the Company has formulated the "Regulations for the Management of Issues Proceeds of Beijing Digital Telecom Co., Ltd." to set out specific provisions for the deposit, utilisation, management of fund application and supervision of use.

In accordance with the plan for the public offering, proceeds from the public offering of shares will be applied as to approximately 56% in the expansion of our retail and distribution network, approximately 14% in the repayment of bank loans, approximately 9% in the upgrade of information systems for further enhancement of our management ability, approximately 7% in the upgrade of existing outlets and establishment of new call centers and new after-sales services system in the PRC, approximately 6% in multi-functional mobile Internet projects and approximately 9% as working capital and for other general corporate purpose. The applications of our issue proceeds as at the date indicated are set out in the following table:

	For the year ended December 31, 2015	
Items	**Amount paid** *HK$'000*	**Percentage**
Expansion of retail and distribution network	472,414.94	54.05%
Repayment of bank borrowings	118,703.28	13.58%
Upgrade of information system to further improve management capability	55,584.09	6.36%
Upgrade of existing outlets and establishment of new call centers and new after-sales services system in the PRC	34,472.32	3.94%
Undertaking multi-functional mobile Internet projects	44,060.18	5.04%
Working capital and other general corporate purpose	79,372.07	9.08%
Payment of listing agency fees	69,401.64	7.95%
Total	874,008.52	100.00%

(IX) Foreign exchange rate risks

The Group is not exposed to risks in connection with fluctuations of exchange rates and relevant hedging.

(X) Pledge of assets

As of December 31, 2015, the Group did not have charge over its assets.

(XI) Material investments

A resolution in relation to acquisition of the 25% equity of Yunfu SCI Commercial Properties Co., Ltd. (雲浮深商投商用置業有限公司) by Shenzhen Digital Investment Holding Co., Ltd. (深圳迪信通投資控股有限公司), a subsidiary of the Company, from Shenzhen Shangzhihengye Investment Holding Co., Ltd. (深圳商置恒業投資控股有限公司) at a consideration of RMB10,000,000 was approved on the fourteenth meeting of the second session of the Board held on June 23, 2015. Upon the completion of the acquisition, Shenzhen Digital Investment Holding Co., Ltd. (深圳迪信通投資控股有限公司) invested RMB80,000,000 to increase the capital of Yunfu SCI Commercial Properties Co., Ltd. (雲浮深商投商用置業有限公司) to RMB120,000,000. Upon the capital increase, Shenzhen Digital Investment Holding Co., Ltd. (深圳迪信通投資控股有限公司) held 75% equity of Yunfu SCI Commercial Properties Co., Ltd. (雲浮深商投商用置業有限公司).

(XII) Equity arrangements

For the year ended December 31, 2015, no equity subscription was conducted by the Group. As of the date of this announcement, no equity scheme was made by the Group.

(XIII) Capital

No material change occurred in the capital structure of the Company since its listing date.

(XIV) Future material investment

The Group does not have any material investment plan in the near future.

III. BUSINESS OUTLOOK FOR 2016

Market research has shown that retailing of telecommunication devices would continue to grow steadily in 2016. The growth of offline market exceeded that of online market for the first time and 4G business continued to gain pace. With high market concentration of a few brands, the competition among various brands became keener. Facing such changes in the market, we have to enhance the Company's performances with the focus on the following aspects:

(1) To vigorously develop the Group's own brands and keep improving our brand value.

In 2016, we shall vigorously develop our own brands by taking advantages of the strong momentum of growth of 4G business and with reliance on the sales ability of the franchisees and our own distribution efforts in order to achieve simultaneous increase in our scale of economy and efficiency.

(2) To develop our physical retail channels steadily.

On the one hand, we shall strengthen our cooperation with three major mobile carriers through various modes of cooperation such as joint operation or licensing of our outlets; on the other hand, we shall enhance our attraction to potential franchisees through its own brand-building. In addition, we shall continue to intentionally seek to open more self-owned shops in suitable towns so as to increase our overall market shares.

(3) To develop our physical outlets steadily and at the same time continue to increase the proportion of our online business in order to further realize the integration of our OTO (online to offline) business.

Although the proportion of our online business to the Group's business has steadily increased during recent years, there was still relatively large room for growth considering the fact that online business accounted for 25% of the industry as a whole. In 2016, we shall take advantages of our geographic coverage to combine the online business with services provided in physical stores so as to realize the integration and development of our OTO (online to offline) business.

(4) To enhance our cooperation with three major mobile carriers on product supply.

Market competition became keener on the backdrop of the competition among major domestic mobile carriers for new 4G users. In particular, China Mobile will offer more subsidies for its 4G business in 2016. In order to cope with that, we shall, on the one hand, open joint-operated outlets with mobile carriers and on the other hand, increase the product supply to mobile carries by taking advantages of the opportunity brought by growth of 4G business.

(5) To seek cooperation with exclusive shops with strong brand names.

Starting from the second half of 2015, major domestic mobile phone manufacturers have begun to attach more importance to the development of physical sales channels. In 2016, we shall cooperate with our manufacturing partners to open exclusive stores in order to increase market shares.

(6) To improve our services and strengthen the influence of our brand.

Our concept of "full-hearted loyalty" has been well received by our customers and has accumulated a large number of fans of Beijing Digital since it was launched in 2015. In 2016, we shall continue to eagerly pursue the "full-hearted loyalty" concept in order to enhance our prestige and reputation through high-quality customer services, so as to enhance the Group's brand influence and ultimately increase sales.

(7) To vigorously expand into oversea markets.

Taking advantage with the experience of Beijing Digital in retail selling, we shall put more efforts on the expansion into markets in Africa and Southeast Asia.

USE OF PROCEEDS FROM LISTING

Details for the use of the proceeds from listing for the year ended December 31, 2015 are set out in the section headed "Use of Proceeds" under "Management Discussion & Analysis".

FINAL DIVIDEND

The Board does not recommend any final dividend for the year ended December 31, 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from May 7, 2016 to June 6, 2016 (both days inclusive), for the purpose of determining shareholders' entitlement to attend the forthcoming Annual General Meeting to be held on June 6, 2016. Shareholders are required to lodge all transfer documents, accompanied by relevant share certificates and transfer forms, with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, No.183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on May 6, 2016.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance. During the year ended December 31, 2015, save as disclosed in this announcement, the Company has complied with all the code provisions of the CG Code and adopted most of the best practices.

According to Code Provision A.2.1 under the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Given Mr. Liu Donghai's background, qualification and experience in our Company, he is deemed as the best qualified person to take up both roles at present stage. The Board considers that it is beneficial to the Company at the present stage to have Mr. Liu Donghai's taking up both roles as it helps to maintain the continuity of the Company's policies and the stability and efficiency of the Company's operations and is appropriate and to the best interests of the Company. The Board will meet quarterly to review the operation of the Company under Mr. Liu Donghai's leadership. Thus, the Board does not consider that such arrangement will impair the balance of power and authority between the Board and the management of the Company. The Company will continue to review and enhance its corporate governance to ensure the compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct for Directors' and supervisors' securities transactions. Having made specific enquiry with the Directors and supervisors, all of the Directors and supervisors confirmed that they have complied with the required standards as set out in the Model Code during the year ended December 31, 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended December 31, 2015, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee, together with the management and the external auditor, have reviewed the accounting principles and practices adopted by the Group and reviewed the annual results of the Group for the year ended December 31, 2015.

This annual results announcement is based on the audited consolidated financial statements of the Group for the year ended December 31, 2015 which have been agreed with the auditor of the Company.

PUBLICATION OF ANNUAL RESULTS AND 2015 ANNUAL REPORT

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") (www.hkexnews.hk) and the Company (www.dixintong.com). The Company's 2015 annual report containing all the information required under the Listing Rules will be dispatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Beijing Digital Telecom Co., Ltd.
LIU Donghai
Chairman and executive Director

Beijing, March 29, 2016

As at the date of this announcement, the executive directors of the Company are Mr. LIU Donghai, Mr. LIU Yajun, Mr. LIU Songshan, Ms. LIU Wencui and Ms. LIU Hua; the non-executive director is Mr. QI Xiangdong; and the independent non-executive directors are Mr. LV Tingjie, Mr. BIAN Yongzhuang and Mr. Vincent Man Choi, LI.