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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2015
AND INSIDE INFORMATION**

FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2015:

Revenue of the Group was RMB7,564,308,800, representing an increase of 12.76% from the same period last year.

Net profit attributable to the equity holders of the Company was RMB153,046,330, representing an increase of 15.76% from the same period last year.

Basic earnings of each Share was RMB0.23 per share, representing a decrease of RMB0.03 per share from the same period last year.

INSIDE INFORMATION

The following information is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

On August 27, 2015, the Board passed a resolution in relation to (i) the proposed establishment of a joint venture by the Company and Shenzhen Zhanxiang Investment Company Limited (深圳市展想投資有限公司); and (ii) the proposed investment to Beijing Feiying Changyou Science and Technology Company Limited (北京飛鷹暢游科技有限公司) by the Company.

The board of directors (the “**Board**”) of Beijing Digital Telecom Co., Ltd. (the “**Company**”)/(the “**Director**”) is pleased to announce the unaudited consolidated results for the six months ended June 30, 2015 of the Company and its subsidiaries (the “**Group**”), together with comparable figures for the same period in 2014.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
 OTHER COMPREHENSIVE INCOME**

For the six months ended June 30, 2015

	Notes	For the six months ended June 30,	
		2015 Unaudited RMB'000	2014 Unaudited RMB'000
Revenue	4	7,564,308	6,708,231
Cost of sales		(6,635,971)	(5,768,130)
Gross profit		928,337	940,101
Other income and gains	4	26,216	10,332
Selling and distribution costs		(525,861)	(519,894)
Administrative expenses		(166,148)	(168,124)
Other expenses		(21,408)	(24,692)
Finance costs		(62,316)	(58,442)
Share of profits of a joint venture		299	—
Profit before tax	5	179,119	179,281
Income tax expense	6	(26,868)	(47,308)
Profit for the period and total comprehensive income		152,251	131,973
Attributable to:			
Owners of the parent		153,046	132,213
Non-controlling interests		(795)	(240)
		152,251	131,973
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	7	0.23	0.26

The Directors did not propose an interim dividend for the reporting period.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2015

	<i>Notes</i>	June 30, 2015 Unaudited RMB'000	December 31, 2014 Audited RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	147,407	154,118
Goodwill		57,302	57,302
Other intangible assets		558	614
Investment in a joint venture		1,294	994
Available-for-sale investments		7,055	7,055
Deferred tax assets		27,701	27,864
		<hr/>	<hr/>
Total non-current assets		241,317	247,947
CURRENT ASSETS			
Inventories	9	1,868,722	1,936,026
Trade and bills receivable	10	1,681,200	1,675,695
Prepayments, deposits and other receivables		1,017,970	894,781
Due from related parties		4,172	2,170
Pledged deposits	11	704,665	355,382
Cash and cash equivalents	11	650,463	335,298
		<hr/>	<hr/>
Total current assets		5,927,192	5,199,352
CURRENT LIABILITIES			
Interest-bearing loans	12	2,676,217	1,903,472
Trade and bills payable	13	504,486	703,509
Other payables and accruals		289,238	295,768
Due to a related party		229	1,739
Tax payable		127,795	121,608
		<hr/>	<hr/>
Total current liabilities		3,597,965	3,026,096
NET CURRENT ASSETS		<hr/> 2,329,227	<hr/> 2,173,256
TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS		<hr/> 2,570,544	<hr/> 2,421,203
EQUITY			
Equity attributable to owners of the parent:			
Issued capital	14	666,667	666,667
Reserves		1,882,603	1,732,867
		<hr/>	<hr/>
		2,549,270	2,399,534
Non-controlling interests		<hr/> 21,274	<hr/> 21,669
Total equity		<hr/> 2,570,544	<hr/> 2,421,203

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2015

	Attributable to owners of the parent					Non-controlling interests	Total equity
	Issued capital	Capital reserve	Statutory reserve funds	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended June 30, 2015:							
As of December 31, 2014 (Audited)	666,667	528,263	140,039	1,064,565	2,399,534	21,669	2,421,203
Total comprehensive income for the period	-	-	-	153,046	153,046	(795)	152,251
Capital contribution from non-controlling shareholders	-	-	-	-	-	400	400
Share issue expenses	-	(3,310)	-	-	(3,310)	-	(3,310)
As of June 30, 2015 (Unaudited)	<u>666,667</u>	<u>524,953</u>	<u>140,039</u>	<u>1,217,611</u>	<u>2,549,270</u>	<u>21,274</u>	<u>2,570,544</u>
Six months ended June 30, 2014:							
As of December 31, 2013 (Audited)	500,000	37,184	108,203	778,268	1,423,655	19,868	1,443,523
Total comprehensive income for the period	-	-	-	132,213	132,213	(240)	131,973
Capital contribution from non-controlling shareholders	-	-	-	-	-	675	675
As of June 30, 2014 (Unaudited)	<u>500,000</u>	<u>37,184</u>	<u>108,203</u>	<u>910,481</u>	<u>1,555,868</u>	<u>20,303</u>	<u>1,576,171</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2015

	For the six months ended June 30,	
	2015	2014
	Unaudited	Unaudited
	RMB'000	RMB'000
CASH FLOWS FROM		
OPERATING ACTIVITIES		
Profit before tax	179,119	179,281
Adjustments for:		
Finance costs	62,316	58,442
Share of profits of a joint venture	(299)	–
Provision for impairment of trade receivables	834	5,538
Provision for impairment of other receivables	423	510
Provision for impairment of inventories	19,281	15,791
Depreciation	41,404	37,547
Amortisation of intangible assets	208	609
Loss on disposal of property, plant and equipment	130	348
Increase in trade and bills receivable	(6,339)	(107,779)
(Decrease)/Increase in prepayments, deposits and other receivables	(39,605)	93,121
Decrease in inventories	48,023	25,063
Decrease in trade and bills payable	(199,023)	(6,822)
Decrease in other payables and accruals	(6,529)	(31,414)
(Increase)/decrease in due from related parties	(2,002)	5,300
Decrease in due to related parties	(1,510)	(261)
	<hr/>	<hr/>
Cash generated from operations	96,431	275,274
Income tax paid	(20,518)	(59,293)
	<hr/>	<hr/>
NET CASH FLOWS FROM		
OPERATING ACTIVITIES	75,913	215,981
	<hr/>	<hr/>

	For the six months ended June 30,	
	2015	2014
	Unaudited	Unaudited
	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(35,045)	(36,789)
Purchases of items of other intangible assets	(152)	–
Proceeds from sale of property, plant and equipment	220	–
Prepayment of acquisition of a subsidiary	(84,007)	–
	<u>(118,984)</u>	<u>(36,789)</u>
NET CASH FLOWS USED IN INVESTING ACTIVITIES		
	<u>(118,984)</u>	<u>(36,789)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issue expenses	(3,310)	–
New bank loans	2,913,155	1,775,390
Capital contribution from non-controlling shareholders	400	675
Decrease in pledged deposits	(349,283)	(65,845)
Repayment of bank loans	(2,140,410)	(1,727,449)
Interest paid	(62,316)	(58,442)
	<u>358,236</u>	<u>(75,671)</u>
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
	<u>358,236</u>	<u>(75,671)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	<u>315,165</u>	<u>103,521</u>
Cash and cash equivalents at beginning of period	<u>335,298</u>	<u>301,939</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
	<u><u>650,463</u></u>	<u><u>405,460</u></u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2015

1. CORPORATE INFORMATION

Beijing Digital Telecom Co., Ltd. (the “Company”) is a joint stock company with limited liability established in the People’s Republic of China (the “PRC”). The registered office of the Company is No.101, 4/F, C Yi’an Business Building, 18 Building Yi’an Jiayuan, Beiwa West, Haidian District, Beijing, the PRC.

During the reporting period, the Group was principally engaged in the sale of mobile telecommunications devices and accessories and the provision of related services.

In the opinion of the Directors, the controlling shareholders of the Company are Mr. Liu Songshan, Mr. Liu Donghai, Ms. Liu Hua, Ms. Liu Wencui and Ms. Liu Yongmei, who are brothers and sisters.

2. BASIS OF PRESENTATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The Interim Condensed Consolidated Financial Statements for the six months ended June 30, 2015 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as of December 31, 2014.

The Interim Condensed Consolidated Financial Statements has been prepared under the historical cost convention. The Interim Condensed Consolidated Financial Statements is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2015, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, 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 in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

IFRS 2 *Share-based Payment*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

The above definitions are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods, and thus these amendments do not impact the Group's accounting policies.

IFRS 3 *Business Combinations*

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current interim period.

IAS 24 *Related Party Disclosures*

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

The Group has no joint arrangement, and thus this amendment is not relevant for the Group and its subsidiaries.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and 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 Group does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into a business unit based on its products and services and has one reportable operating segment which is the sale of mobile telecommunications devices and accessories and the provision of related services in the PRC. Management monitors the results of the Group's operating results of its business as a whole for the purpose of making decisions about resources allocation and performance assessment.

Information about major customers

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

Geographical information

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

Seasonality of operations

Due to the seasonal nature, higher revenues and operating profits are usually expected in the second half of the year rather than in the first six months. Higher sales during the period from July to the early of October are mainly attributed to the increased demand for mobile telecommunications devices and accessories during the holiday season, as well as in November and December, due to increased demand for new series of mobile telecommunications devices. This information is provided to allow for a better understanding of the results, however, management has concluded that this is not 'highly seasonal' in accordance with IAS 34.

4. 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:

	For the six months ended June 30,	
	2015	2014
	Unaudited	Unaudited
	RMB'000	RMB'000
Revenue		
Sales of mobile telecommunications devices and accessories	7,221,136	6,269,651
Included:		
Retail of mobile telecommunications devices and accessories	4,098,281	3,502,353
Sales of telecommunications devices and accessories to franchisees	1,167,796	971,322
Wholesale of mobile telecommunications devices and accessories	1,955,059	1,795,976
Service income from mobile carriers	290,694	374,386
Other service fee income	52,478	64,194
	<u>7,564,308</u>	<u>6,708,231</u>
	For the six months ended June 30,	
	2015	2014
	Unaudited	Unaudited
	RMB'000	RMB'000
Other income and gains		
Interest income	5,271	5,443
Government grants (<i>note (a)</i>)	19,013	2,464
Others	1,932	2,425
	<u>26,216</u>	<u>10,332</u>

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 the government grants.

5. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	For the six months ended June 30,	
	2015 Unaudited RMB'000	2014 Unaudited RMB'000
Cost of inventories sold and services provided	6,635,971	5,784,520
Depreciation	41,404	37,547
Amortisation of intangible assets	208	609
Lease payments under operating leases	192,341	185,192
Auditors' remuneration	3,170	4,733
Employee benefit expense (including Directors' remuneration)		
– Wages and salaries	250,122	212,378
– Pension scheme contributions	25,998	24,682
	<u>276,120</u>	<u>237,060</u>
Provision for impairment of trade receivables	834	5,538
Provision for impairment of other receivables	423	510
Provision for impairment of inventories	19,281	15,791
Loss on disposal of property, plant and equipment	130	348
	<u><u>130</u></u>	<u><u>348</u></u>

6. INCOME TAX

The provision for PRC current income tax is based on a 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. The major components of income tax expense are as follows:

	For the six months ended June 30,	
	2015 Unaudited RMB'000	2014 Unaudited RMB'000
Current tax		
Income tax in the PRC for the reporting period	26,705	48,669
Deferred tax	163	(1,361)
	<u>26,868</u>	<u>47,308</u>

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

The calculation of basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the reporting periods.

The Group had no potential dilutive ordinary shares in issue during the reporting periods. The calculation of basic earnings per share is based on:

	For the six months ended June 30,	
	2015	2014
	Unaudited	Unaudited
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	153,046	132,213
	<u><u>153,046</u></u>	<u><u>132,213</u></u>
Shares		
Weighted average number of ordinary shares	666,667,000	500,000,000
	<u><u>666,667,000</u></u>	<u><u>500,000,000</u></u>

8. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended June 30, 2015, the Group acquired property, plant and equipment at a cost of RMB35,045,000 (for the six months ended June 30, 2014: RMB36,789,000).

Property, plant and equipment with a net book value of RMB351,000 were disposed of by the Group during the six months ended June 30, 2015 (for the six months ended June 30, 2014: RMB348,000), resulting in a net loss on disposal of RMB130,000 (for the six months ended June 30, 2014: RMB348,000).

9. INVENTORIES

	June 30,	December 31,
	2015	2014
	Unaudited	Audited
	RMB'000	RMB'000
Merchandise for resale	1,857,638	1,953,644
Consumable supplies	30,365	1,573
	<u><u>1,888,003</u></u>	<u><u>1,955,217</u></u>
Less: provision against inventories	(19,281)	(19,191)
	<u><u>1,868,722</u></u>	<u><u>1,936,026</u></u>

10. TRADE AND BILLS RECEIVABLE

	June 30, 2015 Unaudited RMB'000	December 31, 2014 Audited RMB'000
Bills receivable	2,000	–
Trade receivable	1,766,853	1,762,514
	1,768,853	1,762,514
Less: impairment for trade receivables	(87,653)	(86,819)
	1,681,200	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 telecommunications devices and accessories. The credit period offered to unincorporated customers is considered on a case-by-case basis. The Group maintains strict control 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 and bills receivables are unsecured and non-interest-bearing.

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

	June 30, 2015 Unaudited RMB'000	December 31, 2014 Audited RMB'000
Within 90 days	1,483,383	1,299,643
91 to 180 days	132,612	199,757
181 to 365 days	29,012	145,387
Over 1 year	36,193	30,908
	1,681,200	1,675,695

An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	June 30, 2015 Unaudited RMB'000	December 31, 2014 Audited RMB'000
Neither past due nor impaired	1,297,120	1,281,406
Past due but not impaired		
Less than 90 days	192,284	201,289
91 to 180 days	107,274	105,676
181 to 365 days	63,035	59,994
Over 1 year	21,487	27,330
	1,681,200	1,675,695

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

For the purpose of the interim condensed statement of cash flows, cash and cash equivalents are comprised of the following:

	For the six months ended June 30,	
	2015 Unaudited RMB'000	2014 Unaudited RMB'000
Cash and bank balances	650,463	405,460
Time deposits	704,665	579,915
	<u>1,355,128</u>	<u>985,375</u>
Less: pledged time deposits		
pledged for bank borrowing	130,996	184,925
pledged for bank acceptance notes	573,669	394,990
	<u>704,665</u>	<u>579,915</u>
Cash and cash equivalents, denominated in RMB	<u>650,463</u>	<u>405,460</u>

12. INTEREST-BEARING LOANS

	June 30,	December 31,
	2015 Unaudited RMB'000	2014 Audited RMB'000
Current		
Unsecured, repayable within one year	2,023,024	1,446,387
Secured, repayable within one year	653,193	457,085
	<u>2,676,217</u>	<u>1,903,472</u>
The bank loans bear interest at rates per annum in the range of	5.20% to 7.50%	4.39% to 7.80%

13. TRADE AND BILLS PAYABLE

	June 30, 2015 Unaudited RMB'000	December 31, 2014 Audited RMB'000
Trade payables	410,484	445,540
Bill payables	<u>94,002</u>	<u>257,969</u>
	<u>504,486</u>	<u>703,509</u>
	June 30, 2015 Unaudited RMB'000	December 31, 2014 Audited RMB'000
Within 90 days	465,409	649,015
91 to 180 days	18,775	26,182
181 to 365 days	14,734	20,547
Over 1 year	<u>5,568</u>	<u>7,765</u>
	<u>504,486</u>	<u>703,509</u>

14. ISSUED CAPITAL

	June 30, 2015 Unaudited RMB'000	December 31, 2014 Audited RMB'000
Registered, issued and fully paid: 666,667,000 ordinary shares of RMB1 each	<u>666,667</u>	<u>666,667</u>

15. COMMITMENTS

At the end of the reporting period, the Group had no significant capital commitments.

16. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the reporting period:

		For the six months ended June 30,	
		2015	2014
		Unaudited	Unaudited
		RMB'000	RMB'000
A joint venture entity ¹ :			
Purchases of goods	(i)	–	293
A fellow subsidiary ² :			
Sales of goods	(i)	273	–
Purchases of goods	(i)	137	–
Service income	(i)	5,092	–
Loans provided by a company controlled by the controlling shareholders	(ii)	–	500
		<u>–</u>	<u>500</u>

¹ The investment in the joint venture entity, Hollard-D.Phone (Beijing) Technology Development Co., Ltd. is directly held by the Company.

² The investment in the fellow subsidiary entity, Beijing Dphone Communication Services Co., Ltd. is directly held by the Company.

Notes:

(i) The transaction prices were determined based on prices the Group transacted with independent third party customers and suppliers.

(ii) The loans were unsecured, interest-free and repayable on demand.

(b) Compensation of key management personnel of the Group:

		For the six months ended June 30,	
		2015	2014
		Unaudited	Unaudited
		RMB'000	RMB'000
Salaries, allowances, bonuses and other expenses		2,069	2,728
		<u>2,069</u>	<u>2,728</u>

17. FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments as of the end of each of the reporting periods are as follows:

Financial assets

	As of June 30, 2015		
	Loans and receivables Unaudited RMB'000	Available- for-sale financial assets Unaudited RMB'000	Total Unaudited RMB'000
Available-for-sale investments	–	7,055	7,055
Trade and bills receivable	1,681,200	–	1,681,200
Financial assets included in prepayments, deposits and other receivables	210,187	–	210,187
Due from a related party	4,172	–	4,172
Pledged deposits	704,665	–	704,665
Cash and cash equivalents	650,463	–	650,463
	3,250,687	7,055	3,257,742

	As of December 31, 2014		
	Loans and receivables Audited RMB'000	Available- for-sale financial assets Audited RMB'000	Total Audited RMB'000
Available-for-sale investments	–	7,055	7,055
Trade and bills receivable	1,675,695	–	1,675,695
Financial assets included in prepayments, deposits and other receivables	101,229	–	101,229
Due from a related party	2,170	–	2,170
Pledged deposits	355,382	–	355,382
Cash and cash equivalents	335,298	–	335,298
	2,469,774	7,055	2,476,829

Financial liabilities

	Financial liabilities at amortised cost	
	June 30, 2015	December 31, 2014
	Unaudited	Audited
	RMB'000	RMB'000
Trade and bills payable	504,486	703,509
Financial liabilities included in other payables and accruals	104,723	106,817
Due to a related party	229	1,739
Interest-bearing loans	2,676,217	1,903,472
	<u>3,285,655</u>	<u>2,715,537</u>

18. FAIR VALUE AND FAIR VALUE HIERARCHY

The fair values of cash and cash equivalents, pledged deposits, trade and bills receivable, financial assets included in prepayments, deposits and other receivables, amount due from a related party, trade and bills payable, financial liabilities included in other payables and accruals, amount due to a related party approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair value of interest-bearing loans has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values of interest-bearing loans at the end of each of the Relevant Periods approximated to their corresponding carrying amount due to their short term maturities.

As of June 30, 2015, the fair value information has not been disclosed for certain available-for-sale investments in equity instruments that do not have a quoted market price in an active market and are measured at cost less any impairment because their fair value cannot be measured reliably. The reason why the fair value cannot be measured reliably is because that the variability in the range of reasonable fair value estimates is significant for that investment or the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The carrying amount of these available-for-sale investments of the Group was RMB7,055,000 (2014: RMB7,055,000) and that of the Company was RMB7,055,000 (2014: RMB7,055,000), respectively. All of them are unlisted equity investments in China held by the Group.

19. EVENTS AFTER THE REPORTING PERIODS.

- (1) On July 23, 2015, the Group acquired 75% of the voting shares of Yunfu SCI Commercial Properties Co., Ltd. (雲浮深商投商用置業有限公司) (“Yunfu”), an unlisted company that specialized in development, operation and sales of real estate. The Group acquired Yunfu to expand into the real estate industry. The purchase consideration is RMB90,000,000 in cash, payable before the end of 2015. The acquisition will be accounted for using the acquisition method in the Group’s annual financial statements as of December 31, 2015.

The fair values of the identifiable assets and liabilities of Yunfu as of the date of acquisition (23 July 2015) were as follows:

	Fair value recognised on acquisition RMB'000
Assets	
Property, plant and equipment	8,348
Intangible assets	2
Cash	4,388
Prepayments and other receivables	37,776
Due from Shenzhen Digital Investment Holding Co., Ltd.*	5,993
Inventories	181,132
	<hr/>
	237,639
Liabilities	
Accruals and other payables	(126,676)
Tax payable	(331)
	<hr/>
Total identifiable net assets at fair value	110,632
Non-controlling interests	(27,658)
	<hr/>
	82,974
Goodwill arising on acquisition (provisional)**	7,026
	<hr/>
Purchase consideration transferred	90,000
	<hr/> <hr/>

* The balance represents further capital injection payable by Shenzhen Digital Investment Holding Co., Ltd. (深圳迪信通投資控股有限公司).

** The fair values of identifiable net assets of Yunfu are determined based on a preliminary valuation carried out by a qualified independent valuer. The fair values have been determined on a provisional basis and are subject to changes pending on the finalisation of the valuation. Thus, goodwill may be correspondingly adjusted.

- (2) On August 27, 2015, the Board of the Company passed a resolution in relation to the establishment of a joint venture. The Company proposed to establish a joint venture with Shenzhen Zhanxiang Investment Company Limited (深圳市展想投資有限公司) in Beijing for the development of African market. The registered capital of the joint venture is RMB100,000,000 and is 50% owned by each joint venture partner, respectively. After the establishment, the joint venture will first expand into Nigeria to further develop new business and market in Africa.

- (3) On August 27, 2015, the Board of the Company passed a resolution in relation to the proposed investment in Beijing Feiying Changyou Science and Technology Company Limited (北京飛鷹暢游科技有限公司) (“**Feiying**”) by the Company. The Company intends to invest in cash of RMB3,000,000 and open up the offline physical stores to Feiying as a strategic cooperative recourse (preliminarily valued at RMB3,000,000) to conduct the business of exchanging old mobile phones with new ones. Upon the completion of the investment, the Company will hold 10% equity of Feiying.

20. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on August 27, 2015.

MANAGEMENT DISCUSSION & ANALYSIS

I. BUSINESS REVIEW

For the six months ended June 30, 2015, the Group sold 5,198,330 sets of mobile phones, representing an increase of 99,463 sets or 1.95% as compared with 5,098,867 sets for the same period of 2014. Operating revenue for the first half of 2015 amounted to RMB7,564,308,800, representing an increase of RMB856,078,220 or 12.76% from RMB6,708,230,580 for the same period of 2014. Net profit for the first half of 2015 amounted to RMB152,251,240, representing an increase of RMB20,278,330 or 15.37% from RMB131,972,910 for the same period of 2014.

II. FINANCIAL POSITION AND OPERATING RESULTS

(I) Overview

For the six months ended June 30, 2015, the Group recorded a net profit of RMB152,251,240, representing an increase of RMB20,278,330 or 15.37% from RMB131,972,910 for the same period of 2014. In particular, net profit attributable to equity owners of the Company for the period amounted to RMB153,046,330, representing an increase of RMB20,833,450 or 15.76% from RMB132,212,880 for the same period of 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. Therefore, 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.

Item	For the six months ended June 30,			Rate of change
	2014 RMB'000	2015 RMB'000	Change of amount RMB'000	
Revenue	6,708,230.58	7,564,308.80	856,078.22	12.76%
Cost of sales	(5,768,129.92)	(6,635,971.41)	-867,841.49	15.05%
Gross profit	940,100.66	928,337.39	-11,763.27	-1.25%
Other income and gains	10,331.91	26,216.53	15,884.62	153.74%
Selling and distribution expenses	(519,894.32)	(525,861.45)	-5,967.13	1.15%
Administrative expenses	(168,123.31)	(166,147.44)	1,975.87	-1.18%
Other expenses	(24,691.51)	(21,408.88)	3,282.63	-13.29%
Finance costs	(58,442.90)	(62,316.43)	-3,873.53	6.63%
Investment gains	-	299.39	299.39	-
Profit before tax	179,280.53	179,119.11	-161.42	-0.09%
Income tax expense	(47,307.62)	(26,867.87)	20,439.75	-43.21%
Total net profit for the year after taxation	131,972.91	152,251.24	20,278.33	15.37%
Net profit attributable to the parent company	132,212.88	153,046.33	20,833.45	15.76%
Equity attributable to minority shareholders	(239.97)	(795.09)	-555.12	231.33%

1. Operating revenue

Operating revenue of the Group for the six months ended June 30, 2015 amounted to RMB7,564,308,800, representing an increase of RMB856,078,220 or 12.76% from RMB6,708,230,580 for the same period in 2014. Revenue growth was mainly driven by the increase of sales of mobile telecommunication devices and accessories. Our sales of mobile telecommunications devices and accessories included (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 included revenue from sales of mobile telecommunications devices and accessories in our independently operated stores and in-store shops, stores in cooperation with the mobile carriers, and online sales platforms. Revenue from our franchise business included revenue from sales of mobile telecommunications devices and accessories to our franchisees. Revenue from our wholesale business included revenue from sales of mobile telecommunications devices and accessories we distributed to mobile carriers and other third party retailers.

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

Item	For the six months ended June 30,				Change of amount RMB'000	Rate of change
	2014		2015			
	RMB'000	% of total revenue	RMB'000	% of total revenue		
(1) Sales of mobile telecommunications devices and accessories	6,269,650.51	93.46%	7,221,136.16	95.46%	951,485.65	15.18%
Including: Sales from retail of mobile telecommunications devices and accessories	3,502,352.69	52.21%	4,098,281.74	54.18%	595,929.05	17.02%
Sales of telecommunications devices and accessories to franchisees	971,322.13	14.48%	1,167,795.74	15.44%	196,473.61	20.23%
Wholesale of mobile telecommunications devices and accessories	1,795,975.69	26.77%	1,955,058.68	25.85%	159,082.99	8.86%
(2) Service income from mobile carriers	374,385.78	5.58%	290,694.53	3.84%	-83,691.25	-22.35%
(3) Other service fee income	64,194.29	0.96%	52,478.11	0.69%	-11,716.18	-18.25%
Total	6,708,230.58	100.00%	7,564,308.80	100.00%	856,078.22	12.76%

The Group's service income from mobile carriers amounted to RMB290,694,530 for the six months ended June 30, 2015, representing a decrease of RMB83,691,250 or 22.35% from RMB374,385,780 for the same period in 2014. Such decrease was attributable to the decrease of mobile terminal subsidies of the three carriers resulted from the 2015 macro policy.

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

Item	For the six months ended June 30,					
	2014		2015		Change of amount	Rate of change
	RMB'000	% of total revenue	RMB'000	% of total revenue		
China Mobile	131,392.46	35.10%	126,561.09	43.54%	-4,831.37	-3.68%
China Unicom	49,090.27	13.11%	47,661.62	16.40%	-1,428.65	-2.91%
China Telecom	193,903.05	51.79%	113,185.13	38.93%	-80,717.92	-41.63%
Dixintong Telecommunications Services	-	-	3,286.69	1.13%	3,286.69	-
Total	374,385.78	100.00%	290,694.53	100.00%	-83,691.25	-22.35%

“Dixintong Telecommunications Services” refers to Beijing Dixintong Telecommunications Services Co., Ltd. (北京迪信通通信服务有限公司), a related party of the Company. 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 six months ended June 30, 2015 amounted to RMB6,635,971,410, representing an increase of RMB867,841,490 or 15.05% from RMB5,768,129,920 of the same period of last year, which was mainly due to the increase in cost of sales in line with growth in operating revenue.

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

Item	For the six months ended June 30,					
	2014		2015		Change of amount	Rate of change
	RMB'000	% of total costs	RMB'000	% of total costs		
(1) Sales of mobile telecommunications devices and accessories	5,716,736.54	99.11%	6,579,262.27	99.15%	862,525.73	15.09%
Including: Sales from retail of mobile telecommunications devices and accessories	3,007,219.42	52.14%	3,521,295.22	53.06%	514,075.80	17.09%
Sales of telecommunications devices and accessories to franchisees	951,157.86	16.49%	1,144,102.43	17.24%	192,944.57	20.29%
Wholesale of mobile telecommunications devices and accessories	1,758,359.26	30.48%	1,913,864.62	28.84%	155,505.36	8.84%
(2) Service income from mobile carriers	46,855.99	0.81%	55,100.62	0.83%	8,244.63	17.60%
(3) Other service fee income	4,537.39	0.08%	1,608.52	0.02%	-2,928.87	-64.55%
Total	5,768,129.92	100.00%	6,635,971.41	100.00%	867,841.49	15.05%

3. Gross profit and gross profit margin

Gross profit represents revenue net of cost of sales. The Group's gross profit for the six months ended June 30, 2015 amounted to RMB928,337,390, representing a decrease of RMB11,763,270 or 1.25%, from RMB940,100,660 for the same period in 2014. Our overall gross profit margins for the six months ended June 30, 2014 and 2015 were 14.01% and 12.27%, respectively. Decrease in our overall gross profit margin as compared with the same period of 2014 was primarily driven by decrease in gross profit margin for service income from mobile carriers for the current period. The increase in our gross profit margin for sales from retail of mobile telecommunications devices and accessories was primarily attributable to (i) growth in selling price in excess of growth in cost for the current period; and (ii) the decrease of mobile terminal subsidies of operators, resulting in the lower of sales of contract phones and thus causing the growth of overall gross profit of sales of mobiles. The higher gross profit margin of our service income from mobile carriers and other service fee income was primarily attributable to lower sales costs incurred by such businesses.

Item	For the six months ended June 30,							
	2014			2015			Change of amount RMB'000	Rate of change
	Gross profit RMB'000	% of total gross profit	Gross profit margin	Gross profit RMB'000	% of total gross profit	Gross profit margin		
(1) Sales of mobile telecommunications devices and accessories	552,913.97	58.81%	8.82%	641,873.89	69.14%	8.89%	88,959.92	16.09%
Including: Sales from retail of mobile telecommunications devices and accessories	495,133.27	52.67%	14.14%	576,986.52	62.15%	14.08%	81,853.25	16.53%
Sales of telecommunications devices and accessories to franchisees	20,164.27	2.14%	2.08%	23,693.31	2.55%	2.03%	3,529.04	17.50%
Wholesale of mobile telecommunications devices and accessories	37,616.43	4.00%	2.09%	41,194.06	4.44%	2.11%	3,577.63	9.51%
(2) Service income from mobile carriers	327,529.79	34.84%	87.48%	235,593.91	25.38%	81.05%	-91,935.88	-28.07%
(3) Other service fee income	59,656.90	6.35%	92.93%	50,869.59	5.48%	96.93%	-8,787.31	-14.73%
Total	940,100.66	100.00%	14.01%	928,337.39	100.00%	12.27%	-11,763.27	-1.25%

4. Sales volume and average selling price of mobile phone

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

Item	For the six months ended June 30,			Rate of change
	2014	2015	Change of amount	
Sales of mobile phone (in RMB thousands)	5,968,149.94	6,875,201.45	907,051.51	15.20%
Sales volume (in handsets)	5,098,867.00	5,198,330.00	99,463.00	1.95%
Average selling price (RMB/per handset)	1,170.49	1,322.58	152.09	12.99%

5. Other income and gains

Other income and gains include: (i) interest income; (ii) government grants; (iii) gain on disposal of subsidiaries; (iv) gain on disposal of property, plant and equipment; and (v) others. The Group's other income and gains for the six months ended June 30, 2015 amounted to RMB26,216,530, representing an increase of RMB15,884,620 or 153.74% from RMB10,331,910 for the same period in 2014, which was primarily attributable to increased government grants for the first half of 2015.

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

Item	For the six months ended June 30,			Rate of change
	2014	2015	Change of amount	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Interest income	5,442.97	5,271.11	-171.86	-3.16%
Government grants	2,463.96	19,012.95	16,548.99	671.64%
Gain on disposal of property, plant and equipment	51.24	7.41	-43.83	-85.54%
Others	2,373.74	1,925.06	-448.68	-18.90%
Total	<u>10,331.91</u>	<u>26,216.53</u>	<u>15,884.62</u>	<u>153.74%</u>

6. Selling and distribution expenses

Item	For the six months ended June 30,					
	Selling and distribution expenses		% of total expenses		Change of amount RMB'000	Rate of change
	2014 RMB'000	2015 RMB'000	2014	2015		
Staff salaries	197,243.82	205,115.07	37.94%	39.01%	7,871.25	3.99%
Office expenses	8,359.54	5,542.56	1.61%	1.05%	-2,816.98	-33.70%
Travelling expenses	2,988.21	3,887.15	0.57%	0.74%	898.94	30.08%
Transportation expenses	8,663.11	7,860.81	1.67%	1.49%	-802.30	-9.26%
Business entertainment expenses	2,952.85	1,915.64	0.57%	0.36%	-1,037.21	-35.13%
Communication expenses	2,065.54	1,501.45	0.40%	0.29%	-564.09	-27.31%
Rentals and property management expenses	179,156.54	185,121.76	34.46%	35.20%	5,965.22	3.33%
Repair expenses	5,929.14	2,248.12	1.14%	0.43%	-3,681.02	-62.08%
Advertising and promotion expenses	46,693.95	38,803.95	8.98%	7.38%	-7,890.00	-16.90%
Depreciation expenses	3,022.56	3,019.67	0.58%	0.57%	-2.89	-0.10%
Amortization of long-term deferred expenses	27,772.42	32,830.02	5.34%	6.24%	5,057.60	18.21%
Amortization of low-cost consumables	3,360.59	1,763.63	0.65%	0.34%	-1,596.96	-47.52%
Market management fees	5,184.81	10,157.78	1.00%	1.93%	4,972.97	95.91%
Utilities	15,205.34	15,481.90	2.92%	2.94%	276.56	1.82%
Others	11,295.90	10,611.94	2.17%	2.02%	-683.96	-6.05%
Total	519,894.32	525,861.45	100.00%	100.00%	5,967.13	1.15%

Total selling and distribution expenses for the six months ended June 30, 2015 amounted to RMB525,861,450, representing an increase of RMB5,967,130 or 1.15% from RMB519,894,320 of the same period in 2014, which was mainly due to the growth of staff salaries, rentals and property management expenses and amortization of long-term deferred expenses and the decrease of advertising and promotion expenses.

Total staff salaries for the six months ended June 30, 2015 amounted to RMB205,115,070, representing an increase of RMB7,871,250 or 3.99% from RMB197,243,820 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 for our marketing staff.

Total rentals and property management expenses for the six months ended June 30, 2015 amounted to RMB185,121,760, representing an increase of RMB5,965,220 or 3.33% from RMB179,156,540 for the same period in 2014. Such increase was attributable to the opening of new retail outlets and rental increments and property management expenses for certain old outlets upon expiry of leases.

Total amortization of long-term deferred expenses for the six months ended June 30, 2015 amounted to RMB32,830,020, representing an increase of RMB5,057,600 or 18.21% from RMB27,772,420 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.

Total advertising and promotion expenses for the six months ended June 30, 2015 amounted to RMB38,803,950, representing a decrease of RMB7,890,000 or 16.90% from RMB46,693,950 for the same period in 2014. Such decrease was attributable to the decrease of advertising campaign.

7. Administrative expenses

Item	For the six months ended June 30,					
	Administrative expenses		% of total expenses		Change of amount RMB'000	Rate of change
	2014 RMB'000	2015 RMB'000	2014	2015		
Staff salaries	66,982.47	71,005.36	39.84%	42.74%	4,022.89	6.01%
Tax expenses	3,535.24	3,413.04	2.10%	2.05%	-122.20	-3.46%
Office expenses	8,650.03	4,281.65	5.15%	2.58%	-4,368.38	-50.50%
Depreciation expenses	5,069.51	4,865.28	3.02%	2.93%	-204.23	-4.03%
Amortization of intangible assets	186.22	207.86	0.11%	0.13%	21.64	11.62%
Amortization of long-term deferred expenses	1,682.49	689.39	1.00%	0.41%	-993.10	-59.03%
Amortization of low-cost consumables	2,107.10	2,360.93	1.25%	1.42%	253.83	12.05%
Travelling expenses	7,902.96	6,824.99	4.70%	4.11%	-1,077.97	-13.64%
Rental and property management fees	6,559.93	7,219.24	3.90%	4.35%	659.31	10.05%
Business entertainment expenses	6,702.02	4,223.95	3.99%	2.54%	-2,478.07	-36.97%
Communication expenses	804.63	1,784.01	0.48%	1.07%	979.38	121.72%
Agency fees	7,036.10	11,966.04	4.19%	7.20%	4,929.94	70.07%
Transportation expenses	9,699.95	8,152.49	5.77%	4.91%	-1,547.46	-15.95%
Financial institution charges	18,488.55	30,179.78	11.00%	18.16%	11,691.23	63.23%
Listing fees	19,988.49	-	11.89%	0.00%	-19,988.49	-100.00%
Others	2,727.62	8,973.43	1.62%	5.40%	6,245.81	228.98%
Total	168,123.31	166,147.44	100.00%	100.00%	-1,975.87	-1.18%

The Group's total administrative expenses for the six months ended June 30, 2015 amounted to RMB166,147,440, representing a decrease of RMB1,975,870 or 1.18% from RMB168,123,310 for the same period in 2014. Such decrease in administrative expenses was primarily attributable to the increase in staff salaries and financial institution charges and the decrease of listing fees.

Total staff salaries for the six months ended June 30, 2015 amounted to RMB71,005,360, representing an increase of RMB4,022,890 or 6.01% from RMB66,982,470 for the same period in 2014. The increase was attributable to the increase in manpower of our management and administrative staff to meet the requirements of our business expansion, as well as the raise in the average salaries and benefits given to our management and administrative staff.

Total financial institution charges for the six months ended June 30, 2015 amounted to RMB30,179,780, representing an increase of RMB11,691,230 or 63.23% from RMB18,488,550 for the same period in 2014. The increase was mainly attributable to increase of financial institution charges resulted by the strong promotion of OTO (Online To Offline), BTC (Business To Customer) and other online sales business by the Group.

There were no listing fees for the six months ended June 30, 2015, representing a decrease of RMB19,988,490 or 100.00% from RMB19,988,490 for the same period in 2014. The decrease was mainly attributable to the payment of a huge amount of listing fees for listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2014, and there was no such expense in 2015.

8. *Finance costs*

Item	For the six months ended June 30,			
	2014	2015	Change	Rate
	<i>RMB'000</i>	<i>RMB'000</i>	<i>of amount</i> <i>RMB'000</i>	<i>of change</i>
Finance costs – interest expense	58,442.90	62,316.43	3,873.53	6.63%

The Group's total finance costs for the six months ended June 30, 2015 amounted to RMB62,316,430, representing an increase of RMB3,873,530 or 6.63% from RMB58,442,900 for the same period in 2014. Such growth in finance costs was primarily attributable to the increase in our short-term bank borrowings.

As of June 30, 2015, the Group has a short-term borrowing with fixed interest of RMB1,450,002,030.

9. Other expenses

Other expenses included impairment losses on assets, non-operating expenses and disposal of subsidiaries. For the six months ended June 30, 2014 and 2015, other expenses amounted to RMB24,691,510 and RMB21,408,880, respectively.

Item	For the six months ended June 30,			
	2014	2015	Change of amount	Rate of change
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Impairment losses on assets	21,838.72	20,538.44	-1,300.28	-5.95%
Non-operating expenses	2,852.79	870.44	-1,982.35	-69.49%
Total	<u>24,691.51</u>	<u>21,408.88</u>	<u>-3,282.63</u>	<u>-13.29%</u>

The Group's total other expenses for the six months ended June 30, 2015 amounted to RMB21,408,880, representing a decrease of RMB3,282,630 or 13.29% from RMB24,691,510 for the same period in 2014, which was mainly attributable to the decrease in impairment loss on assets and non-operating expenses for the current period.

10. Income tax expense

Our income tax expenses for the stated periods included PRC Enterprise Income Tax and deferred income tax.

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

Item	For the six months ended June 30,			
	2014	2015	Change of amount	Rate of change
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Current tax:				
Income tax in the PRC for the year	48,669.78	26,704.67	-21,965.11	-45.13%
Deferred tax	(1,362.16)	163.20	1,525.36	-111.98%
Total	<u>47,307.62</u>	<u>26,867.87</u>	<u>-20,439.75</u>	<u>-43.21%</u>

The Group's total income tax for the six months ended June 30, 2015 amounted to RMB26,867,870, representing a decrease of RMB20,439,750 or 43.21% as compared with RMB47,307,620 for the same period of 2014. Such decrease was primarily attributable to the preferential income tax that was granted.

(III) Current assets and financial position

As of June 30, 2015, the Group had cash and cash equivalents in an amount of RMB650,462,630, representing an increase of RMB315,164,160 or 94.00% as compared to RMB335,298,470 as of December 31, 2014.

As of June 30, 2015, the Group had loans in an amount of RMB2,676,217,230, representing an increase of RMB772,745,440 or 40.60% as compared to RMB1,903,471,790 as of December 31, 2014. All loans were short-term borrowings.

(IV) Capital expenditure

For the six months ended June 30, 2015, the Group's capital expenditure amounted to RMB35,044,320, which primarily included costs 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.

(V) Related party transactions

We entered into various transactions with related parties, including companies 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:

Item	For the six months ended June 30,			
	2014 <i>RMB'000</i>	2015 <i>RMB'000</i>	Change of amount <i>RMB'000</i>	Rate of change
Joint venture:				
Sales of goods	—	—	—	—
Purchase of goods	292.89	—	-292.89	-100.00%
Carriers' commission	—	—	—	—
Companies controlled by the controlling shareholders:				
Sales of goods	—	272.85	272.85	—
Purchase of goods	—	136.85	136.85	—
Carriers' commission	—	5,091.89	5,091.89	—
Total:				
Sales of goods	—	272.85	272.85	—
Purchase of goods	292.89	136.85	-156.04	-53.28%
Carriers' commission	—	5,091.89	5,091.89	—

The transaction with a joint venture 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. (北京迪信通通信服務有限公司) in connection with the purchase and sales of mobile phone and the sales of phone number cards as agent. We expect to continue the transactions with these related parties. The Board is of the opinion that such related party transactions were based on normal commercial terms and conducted on an arm's length basis.

(VI) Key financial ratios

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

Item	December 31, 2014	June 30, 2015	Change	Rate of change
Current ratio	1.72	1.65	-0.07	-3.49%
Gearing ratio	39.31%	44.07%	4.76%	12.12%
Net debt-to-equity ratio	64.77%	78.81%	14.04%	21.68%

Current ratio is calculated by our current assets divided by our current liabilities at the end of each financial period. Our current ratio remained relatively steady during the six months ended June 30, 2015.

Gearing ratio is calculated by net debt divided by net debt plus total equity as of the end of each financial period and multiplied by 100%. Net debt includes interest-bearing bank loans, less cash and cash equivalents. As of June 30, 2015, the gearing ratio of the Group (calculated by net debt divided by net debt plus shareholders' equity multiplied by 100%) was 44.07%, increased by 12.12% as compared to 39.31% as of December 31, 2014, which was mainly due to the increase of corporation short-term loans.

Net debt-to-equity ratio equals to net debt divided by total equity as of the end of the period and multiplied by 100%. Our net debt-to-equity ratio as of June 30, 2015 was 78.81%, increased by 21.68% as compared to 64.77% as of December 31, 2014, which was mainly due to the increase in short-term loans in the first half of 2015 and a higher growth recorded in net debt than in total equity.

(VII) Material acquisitions and disposals

For the six months ended June 30, 2015, the Group had no material acquisitions and disposals.

(VIII) Contingent liabilities

As of June 30, 2015, the Group had no material contingent liabilities.

(IX) Use of proceeds

As of June 30, 2015, we had completed the global offering of 166,667,000 H shares at an offer price of HK\$5.30 per share, raising proceeds with an aggregate amount of HK\$883,335,100. As of June 30, 2015, the raised proceeds had been placed in a special account.

The following table sets forth details of funds in the special account for the raised proceeds as of June 30, 2015:

Account holder	Banker	Account number	Balance <i>HK\$'000</i>
Beijing Digital Telecom Co., Ltd.	Standard Chartered Bank (Hong Kong) Limited	44717867377	10,618.10

As of June 30, 2015, HK\$872,717,000 out of the net proceeds had been utilized. As of June 30, 2015, the balance of the special account for raised proceeds amounted to HK\$10,618,100 (including interest accruing on the special account of HK\$8,710).

In order to regulate the management of raised 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, utilization, 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 54% in the expansion of our retail and distribution network, approximately 14% in the repayment of bank loans, approximately 6% in the upgrading of information systems for further enhancement of our management ability, approximately 4% in the upgrading of existing outlets and establishment of new call centers and new after-sales services system in the PRC, approximately 5% in multi-functional mobile internet projects and approximately 9% as working capital and for other general corporate purpose. The applications of our raised proceeds as of June 30, 2015 are set out in the following table:

Item	Amount paid <i>HK\$'000</i>	Percentage
Expansion of retail and distribution network	472,414.94	54.13%
Repayment of bank borrowings	118,703.28	13.60%
Upgrade of information system to further improve management capability	55,584.09	6.37%
Upgrade of existing outlets and establishment of new call centers and new after-sales services system in the PRC	34,472.32	3.95%
Undertaking multi-functional mobile internet projects	44,060.18	5.05%
Working capital and other general corporate purpose	78,658.24	9.01%
Payment of listing agency fees	68,823.95	7.89%
Total	872,717.00	100.00%

(X) Foreign exchange rate risks

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

(XI) Pledge of assets

As of June 30, 2015, buildings with net book value of RMB18,212,700 has been pledged to obtain the general bank financing of the Group.

(XII) 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).

(XIII) Equity arrangements

For the six months ended June 30, 2015, no equity subscription was conducted by the Group. As of the date of this announcement, no equity scheme was made by the Group.

(XIV) Capital

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

(XV) Future material investment

Details are set out under the section headed “Inside Information” in this announcement.

BUSINESS OUTLOOK FOR THE SECOND HALF OF 2015

The growth of 3G users slowing down in 2015, while the growth of 4G users were gaining pace. In order to seize the opportunities arising from the rapid growth of 4G users and to increase our sales and market shares, we will focus our efforts on the following works in the second half of 2015:

- (I) To develop our retail outlets and distribution network steadily by creating additional points of sales in third-tier cities and below.

With the increasing popularity of smartphones and the rapid business development in third-tier cities and below, in addition to properly expanding its outlets in large and medium-sized cities of first and second-tier, the Company also continues to consolidate its outlets expansion in third-tier cities and below, including county outlets, township outlets and franchise outlets, and improve the Company’s sales and market shares.

- (II) To further enhance our cooperation with the three major mobile carriers by increasing our sales efforts to raise contract sales and increase proportion. The Company will establish stronger presence in the operating houses under the cooperation with mobile carriers while making innovation to businesses of carriers. The Company will provide outlets management services for carriers and increase the commission scale, thus to maximum the economic benefits for the Company.

By leveraging the nation-wide outlets layout, professional procurement process of mobile phone, stock management and sales experience, the Company conducts comprehensive and deep cooperation with carriers in channel sharing and products sharing. Such cooperation mainly includes: carriers establish their special zones in the Company's retail store chains and authorize the Company to undertake agency service; the Company participates in the carriers' "outlets owned by carriers" (自建他营), carrying out terminal sales and providing carriers with service of goods delivery platform, which will expand the commission scale and increase the profit of the Company.

- (III) To reduce management cost by streamlining our organizational structure, and to improve management efficiency and minimize management cost by promoting resource integration and performance assessment.

The Company carries out a comprehensive performance assessment methods and indicators for different type of staffs for the purpose of improving management efficiency and reducing management cost. It separately sets up a "performance assessment form" to advocate the core value of the Company and guide the behaviors of its staffs. The Company resolutely implements the principle of connecting the assessment with competition employment, and employ excellent ones. According to the assessment results, the Company will eliminate a proportion of staffs annually thus to improve the general quality of the officers.

- (IV) To steadily promote the combination of online sales with retail sales in physical stores.

Through official website and the third party internet platforms, we guide consumers to gain experience consumption in physical stores of Digital Telecom to accept offline services, including contract advising, software installation, mobile phone beauty and after-sales repair and others, which would increase customer stickiness as well as improve customer experience satisfaction and loyalty. Meanwhile, we will continue to carry out the concept of "full-hearted loyalty" and promote the reputation, spread and re-buying rate from customers, thus achieve sustainable increase of sales.

- (V) To enhance the innovation of our profit model and identify new sources of profit growth, to broaden our coverage of the industry chain and further enhance combination with different industries through vigorous innovation.

The Company will continue to obtain high quality product resources from suppliers by means of strong retail network and sales capability, and to carry out customized mobile phone business while improving profitability. In addition, the Company innovatively launches club-model in respect of the outlets types to form consuming behaviors of fans through the form of Brand Tasting and premium club services. In addition to the traditional businesses, the Company will provide more services for customers in new business sectors such as mobile phone recycling, mobile phone quick service, consumer finance and traffic operation with an aim to enlarge the scale and increase the source and volume of profit for the Company.

EMPLOYEES AND REMUNERATIONS POLICIES

As of June 30, 2015, the Group had 7,086 employees. Salary costs and employees' benefit expenses were approximately RMB276,120,430 for the six months ended June 30, 2015. Remunerations for our existing employees include salaries, performance-based bonus, social insurance and housing provident fund. The Company also has various trainings for our employees, including professional qualities training, product and business information training, and management skills training, conducted mainly through online learning, conferences and skill-specific training programmes.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended June 30, 2015.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "CG Code") and Corporate Governance Report 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. For the six months ended June 30, 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 practice set out therein.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals, but due to Mr. Liu Donghai's background, qualifications and experience in the Company, he is considered the most suitable person to take both roles under the current circumstances. The Board is of the view that it is appropriate and in the best interests of the Company that Mr. Liu Donghai holds both positions at the current stage, as it helps to maintain the continuity of the policies and the stability and efficiency of the operations of the Company. The Board also meets regularly on a quarterly basis to review the operations of the Company led by Mr. Liu Donghai. Accordingly, the Board believes that this arrangement will not affect the balance of power and authorizations between the Board and the management of the Company.

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 six months ended June 30, 2015.

During the six months ended June 30, 2015, the Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standards set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended June 30, 2015, neither the Company nor its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

The Board has established an audit committee (the “**Audit Committee**”) which comprises three independent non-executive Directors, namely Mr. Vincent Man Choi, Li (the chairman), Mr. Bian Yongzhuang and Mr. Lv Tingjie.

The Audit Committee, together with the management of the Company and the external auditor, has reviewed the unaudited consolidated interim results of the Group for the six months ended June 30, 2015.

INSIDE INFORMATION

The following information is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

On August 27, 2015, the Board passed a resolution in relation to the establishment of a joint venture. The Company proposed to establish a joint venture with Shenzhen Zhanxiang Investment Company Limited (深圳市展想投資有限公司) in Beijing for the development of African market. The registered capital of the joint venture is RMB100,000,000 and is 50% owned by each joint venture partner, respectively. After the establishment, the joint venture will first expand into Nigeria to further develop new business and market in Africa.

On August 27, 2015, the Board passed a resolution in relation to the proposed investment in Beijing Feiying Changyou Science and Technology Company Limited (北京飛鷹暢游科技有限公 司) (“**Feiying**”) by the Company. The Company intends to invest in cash of RMB3,000,000 and open up the offline physical stores to Feiying as a strategic cooperative recourse (preliminarily valued at RMB3,000,000) to conduct the business of exchanging old mobile phones with new ones. Upon the completion of the investment, the Company will hold 10% equity of Feiying.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.dixintong.com). The Company’s 2015 interim 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, August 27, 2015

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.