Contents

Company Profile

Beijing Digital Telecom Co., Ltd. (the "**Company**", together with its subsidiaries the "**Group**") was founded in 2001 with more than 100 subsidiaries and more than 1,600 independently operated outlets and franchised outlets covering 21 provinces and 4 municipalities in China. Since its establishment, the Company has been focusing on the sales of mobile telecommunication devices and the provision of related services. With its extensive offline sales channels and online sales platform, the Company provides comprehensive services to its customers, ranging from the sales of mobile phone hardware and accessories, provision of value-added services for software, and provision of personalized services and after-sales services for mobile phones.

Since 2016, the Group has commenced to expand into oversea markets and gained a foothold in Southeast Asian and Indian markets. In the future, the Group will gradually expand into African market to step up the Group's global presence.

Leveraging on its core competitive edge gained from its services and innovation, the Company persists in creating excellent experience and true value for the customers through its quality products, convenient shopping environment and attentive one-stop services.

The Company has been listed in Hong Kong (06188. HK) since 2014.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Donghai *(Chairman)*
Mr. Liu Yajun
Mr. Liu Songshan
Ms. Liu Wencui
Ms. Liu Hua

Non-executive Director

Mr. Qi Xiangdong

Independent Non-executive Directors

Mr. Lv Tingjie
Mr. Bian Yongzhuang
Mr. Vincent Man Choi, Li

SUPERVISORS

Ms. Xiao Hong
Mr. Li Wanlin
Mr. Hu Yuzhong

JOINT COMPANY SECRETARIES

Ms. Li Dongmei
Ms. Ng Sau Mei

AUTHORIZED REPRESENTATIVES

Mr. Liu Yajun
Ms. Li Dongmei

AUDIT COMMITTEE

Mr. Vincent Man Choi, Li *(Chairman)*
Mr. Lv Tingjie
Mr. Bian Yongzhuang

NOMINATION COMMITTEE

Mr. Lv Tingjie *(Chairman)*
Mr. Bian Yongzhuang
Mr. Liu Songshan

REMUNERATION AND ASSESSMENT COMMITTEE

Mr. Bian Yongzhuang *(Chairman)*
Ms. Liu Hua
Mr. Vincent Man Choi, Li

STRATEGY COMMITTEE

Mr. Liu Donghai *(Chairman)*
Mr. Liu Yajun
Mr. Liu Songshan
Mr. Lv Tingjie
Mr. Qi Xiangdong

REGISTERED OFFICE

No. 101, 4/F, C Yi'an Business Building
18 Building Yi'an Jiayuan
Beiwa West
Haidian District
Beijing
PRC

HEADQUARTERS

No. 101, 4/F, C Yi'an Business Building
18 Building Yi'an Jiayuan
Beiwa West
Haidian District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISERS

As to Hong Kong law and United States law:
Clifford Chance
27th Floor, Jardine House
One Connaught Place
Central
Hong Kong

As to PRC law:
Zhong Lun Law Firm
36-37/F, SK Tower
6A Jianguomenwai Avenue
Beijing
PRC

AUDITOR

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

STOCK CODE

6188

COMPANY WEBSITE

www.dixintong.com

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
(Lincui Road Sub-branch, Beijing)
Block 24, Yilin Jiayuan
Lincui Road
Chaoyang District
Beijing
PRC

Shanghai Pudong Development Bank Co., Ltd.
(Business Department of Beijing Branch)
18 Taipingqiao Avenue
Xicheng District
Beijing
PRC

China Minsheng Banking Corp. Ltd.
(Fuchengmen Sub-branch, Beijing)
2 Fuwai Avenue
Xicheng District
Beijing
PRC

Citibank (China) Co., Ltd.
(Beijing Branch)
17/F, Excel Centre
6 Wudinghou Avenue
Xicheng District
Beijing
PRC

Financial Highlight

Items	For the half year ended 30 June 2016 RMB'000	2015 RMB'000
Consolidated Statement of Profit or Loss		
Revenue	**7,555,713**	7,564,308
Gross Profit	**916,470**	928,337
Profit for the year and total comprehensive income	**155,101**	152,251
Attributable to:		
Owners of the parent	**155,733**	153,046
Non-controlling interests	**(632)**	(795)
Earnings per share attributable to ordinary equity holders of the parent		
– Basic and diluted (RMB/Share)	**0.23**	0.23

	30 June 2016 RMB'000	31 December 2015 RMB'000
Consolidated Balance Sheet		
Non-current assets	**277,659**	298,712
Current assets	**6,354,608**	6,848,862
Total assets	**6,632,267**	7,147,574
Current liabilities	**3,617,563**	4,301,072
Total assets less current liabilities	**3,014,704**	2,846,502
Non-controlling interests	**58,685**	45,216
Net assets	**2,967,704**	2,753,286
Share Capital	**666,667**	666,667
Reserves	**2,242,352**	2,086,619
Equity attributable to owners of the parent	**2,909,019**	2,753,286

Financial Highlight

	For the half year ended 30 June	
	2016	2015
	RMB'000	RMB'000
Consolidated Statement of Cash Flow		
Net cash flow from operating activities	**278,926**	75,913
Net cash flow used in investment activities	**(46,335)**	(118,984)
Net cash flow from/(used in) financing activities	**(298,740)**	358,236
Net increase/(decrease) in cash and cash equivalents	**(66,149)**	315,165
Cash and cash equivalents at the beginning of the period	**441,844**	335,298
Cash and cash equivalents at the end of the period	**375,695**	650,463

Management Discussion and Analysis

I. BUSINESS REVIEW

For the six months ended 30 June 2016, the Group sold 5,204,102 sets of mobile phones, representing an increase of 5,772 sets or 0.11% as compared with 5,198,330 sets for the same period of 2015. Operating revenue for the first half of 2016 amounted to RMB7,555,712,900, representing a decrease of RMB8,595,900 or 0.11% from RMB7,564,308,800 for the same period of 2015. Net profit for the first half of 2016 amounted to RMB155,100,970, representing an increase of RMB2,849,730 or 1.87% from RMB152,251,240 for the same period of 2015.

II. FINANCIAL POSITION AND OPERATING RESULTS

(i) Overview

For the six months ended 30 June 2016, the Group recorded a net profit of RMB155,100,970, representing an increase of RMB2,849,730 or 1.87% from RMB152,251,240 for the same period of 2015. In particular, net profit attributable to equity owners of the Company for the period amounted to RMB155,733,410, representing an increase of RMB2,687,080 or 1.76% from RMB153,046,330 for the same period of 2015.

(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 30 June			
	2015 RMB'000	**2016** **RMB'000**	**Change of amount** RMB'000	**Rate of change**
Revenue	7,564,308.80	**7,555,712.90**	–8,595.90	–0.11%
Cost of sales	(6,635,971.41)	**(6,639,242.79)**	–3,271.38	0.05%
Gross profit	928,337.39	**916,470.11**	–11,867.28	–1.28%
Other income and gains	26,216.53	**72,855.70**	46,639.17	177.90%
Selling and distribution expenses	(525,861.45)	**(556,114.65)**	–30,253.20	5.75%
Administrative expenses	(166,147.44)	**(164,489.28)**	1,658.16	–1.00%
Other expenses	(21,408.88)	**(23,758.88)**	–2,350.00	10.98%
Finance costs	(62,316.43)	**(52,924.61)**	9,391.82	–15.07%
Investment gains	299.39	**(545.97)**	–845.36	–282.36%
Profit before tax	179,119.11	**191,492.42**	12,373.31	6.91%
Income tax expenses	(26,867.87)	**(36,391.45)**	–9,523.58	35.45%
Total net profit for the year after taxation	152,251.24	**155,100.97**	2,849.73	1.87%
Net Profit attributable to the parent company	153,046.33	**155,733.41**	2,687.08	1.76%
Equity attributable to minority shareholders	(795.09)	**(632.44)**	162.65	–20.46%

1. Operating revenue

Operating revenue of the Group for the six months ended 30 June 2016 amounted to RMB7,555,712,900, representing a decrease of RMB8,595,900 or 0.11% from RMB7,564,308,800 for the same period in 2015. Decrease in revenue mainly resulted from a decrease of service income from mobile carriers and other service fee income. 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 instore 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 30 June					
		2015		2016		Change of amount	Rate of change
		RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	
(1)	Sales of mobile telecommunications devices and accessories	7,221,136.16	95.46%	7,231,062.68	95.71%	9,926.52	0.14%
	Including: Sales from retail of mobile telecommunications devices and accessories	4,098,281.74	54.18%	4,119,784.91	54.53%	21,503.17	0.52%
	Sales of telecommunications devices and accessories to franchisees	1,167,795.74	15.44%	1,210,555.49	16.02%	42,759.75	3.66%
	Wholesale of mobile telecommunications devices and accessories	1,955,058.68	25.85%	1,900,722.28	25.16%	–54,336.40	–2.78%
(2)	Service income from mobile carriers	290,694.53	3.84%	275,287.83	3.64%	–15,406.70	–5.30%
(3)	Other service fee income	52,478.11	0.69%	49,362.39	0.65%	–3,115.72	–5.94%
Total		7,564,308.80	100.00%	7,555,712.90	100.00%	–8,595.90	–0.11%

The Group's service income from mobile carriers amounted to RMB275,287,830 for the six months ended 30 June 2016, representing a decrease of RMB15,406,700 or 5.30% from the service income from mobile carriers of RMB290,694,530 for the same period in 2015. The decrease of the service income from mobile carriers was attributable to the decrease of mobile terminal subsidies of the three carriers resulted from the 2016 macro policy.

The following table sets forth our service income from each of the major mobile carriers for the first half of 2015 and the first half of 2016:

Item	For the six months ended 30 June					
	2015		**2016**		**Change of amount**	**Rate of change**
	RMB'000	% of total revenue	**RMB'000**	**% of total revenue**	RMB'000	
China Mobile	126,561.09	43.54%	**109,801.22**	**39.89%**	–16,759.87	–13.24%
China Unicom	47,661.62	16.40%	**46,638.87**	**16.94%**	–1,022.75	–2.15%
China Telecom	113,185.13	38.93%	**118,818.28**	**43.16%**	5,633.15	4.98%
Dixintong Telecommunications Services	3,286.69	1.13%	**29.46**	**0.01%**	–3,257.23	–99.10%
Total	290,694.53	100.00%	**275,287.83**	**100.00%**	–15,406.70	–5.30%

"Dixintong Telecommunications Services" refers to Beijing Dixintong Telecommunications Services Co., Ltd. (北京迪信通通信服務有限公司), a related party of the Company. For details of related party transactions, please refer to the sub-section headed "Related Party Transactions" in this section.

2. *Cost of sales*

The Group's cost of sales for the six months ended 30 June 2016 amounted to RMB6,639,242,790, representing an increase of RMB3,271,380 or 0.05% from the cost of sales of RMB6,635,971,410 for 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 30 June					
		2015		**2016**		**Change of amount**	**Rate of change**
		RMB'000	% of total cost	**RMB'000**	**% of total cost**	RMB'000	
(1)	**Sales of mobile telecommunications devices and accessories**	6,579,262.27	99.15%	**6,583,440.30**	**99.16%**	4,178.03	0.06%
	Including: Sales from retail of mobile telecommunications devices and accessories	3,521,295.22	53.07%	**3,536,974.44**	**53.27%**	15,679.22	0.45%
	Sales of telecommunications devices and accessories to franchisees	1,144,102.43	17.24%	**1,184,807.72**	**17.85%**	40,705.29	3.56%
	Wholesale of mobile telecommunications devices and accessories	1,913,864.62	28.84%	**1,861,658.14**	**28.04%**	–52,206.48	–2.73%
(2)	**Service income from mobile carriers**	55,100.62	0.83%	**54,181.71**	**0.82%**	–918.91	–1.67%
(3)	**Other service fee income**	1,608.52	0.02%	**1,620.78**	**0.02%**	12.26	0.76%
Total		6,635,971.41	100.00%	**6,639,242.79**	**100.00%**	3,271.38	0.05%

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 30 June 2016 amounted to RMB916,470,110, representing a decrease of RMB11,867,280 or 1.28%, from RMB928,337,390 for the same period in 2015. Our overall gross profit margins for the six months ended 30 June 2015 and 2016 were 12.27% and 12.13%, respectively. Decrease in our overall gross profit margin as compared with the same period of 2015 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 30 June							
		2015			2016				
		Gross profit RMB'000	% of total gross profit	Gross profit margin	Gross profit RMB'000	% of total gross profit	Gross profit margin	Change of amount RMB'000	Rate of change
(1)	Sales of mobile telecommunications devices and accessories	641,873.89	69.14%	8.89%	647,622.38	70.66%	8.96%	5,748.49	0.90%
	Including: Sales from retail of mobile telecommunications devices and accessories	576,986.52	62.15%	14.08%	582,810.47	63.59%	14.15%	5,823.95	1.01%
	Sales of telecommunications devices and accessories to franchisees	23,693.31	2.55%	2.03%	25,747.77	2.81%	2.13%	2,054.46	8.67%
	Wholesale of mobile telecommunications devices and accessories	41,194.06	4.44%	2.11%	39,064.14	4.26%	2.06%	–2,129.92	–5.17%
(2)	Service income from mobile carriers	235,593.91	25.38%	81.05%	221,106.12	24.13%	80.32%	–14,487.79	–6.15%
(3)	Other service fee income	50,869.59	5.48%	96.93%	47,741.61	5.21%	96.72%	–3,127.98	–6.15%
Total		928,337.39	100.00%	12.27%	916,470.11	100.00%	12.13%	–11,867.28	–1.28%

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 30 June			
	2015	**2016**	Change of amount	Rate of change
Sales of mobile phone (in RMB thousands)	6,875,201.45	**6,893,293.64**	18,092.19	0.26%
Sales volume (in handsets)	5,198,330.00	**5,204,102.00**	5,772.00	0.11%
Average selling price (RMB/per handset)	1,322.58	**1,324.59**	2.01	0.15%

5. Other income and gains

Other income and gains include: (i)interest income; (ii) government grants; (iii) gain on disposal of a subsidiary; (iv)gain on disposal of property, plant and equipment; and (v) others. The Group's other income and gains for the six months ended 30 June 2016 amounted to RMB72,855,700, representing an increase of RMB46,639,170 or 177.90% from RMB26,216,530 for the same period in 2015, which was primarily attributable to an increase in interest income and increased government grants for the first half of 2016.

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

Item	For the six months ended 30 June			
	2015 RMB'000	**2016 RMB'000**	Change of amount RMB'000	Rate of change
Interest income	5,271.11	**11,022.40**	5,751.29	109.11%
Government grants	19,012.95	**59,705.68**	40,692.73	214.03%
Gain on disposal of a subsidiary	–	**1.14**	1.14	–
Gain on disposal of property, plant and equipment	7.41	**–**	–7.41	–100.00%
Others	1,925.06	**2,126.48**	201.42	10.46%
Total	26,216.53	**72,855.70**	46,639.17	177.90%

6. Selling and distribution expenses

Item	For the six months ended 30 June					
	Selling and distribution expenses		% of total expenses		Change of amount	Rate of change
	2015 RMB'000	2016 RMB'000	2015	2016	RMB'000	
Staff salaries	205,115.07	**217,790.17**	39.01%	**39.17%**	12,675.10	6.18%
Office expenses	5,542.56	**5,832.00**	1.05%	**1.05%**	289.44	5.22%
Travelling expenses	3,887.15	**3,828.99**	0.74%	**0.69%**	–58.16	–1.50%
Transportation expenses	7,860.81	**8,183.69**	1.49%	**1.47%**	322.88	4.11%
Business entertainment expenses	1,915.64	**2,009.73**	0.36%	**0.36%**	94.09	4.91%
Communication expenses	1,501.45	**1,590.18**	0.29%	**0.29%**	88.73	5.91%
Rentals and property management expenses	185,121.76	**191,594.74**	35.20%	**34.45%**	6,472.98	3.50%
Repair expenses	2,248.12	**2,353.45**	0.43%	**0.42%**	105.33	4.69%
Advertising and promotion expenses	38,803.95	**41,748.49**	7.38%	**7.51%**	2,944.54	7.59%
Depreciation expenses	3,019.67	**4,010.55**	0.57%	**0.72%**	990.88	32.81%
Amortization of long-term deferred expenses	32,830.02	**36,200.75**	6.24%	**6.51%**	3,370.73	10.27%
Amortization of low-cost consumables	1,763.63	**1,845.43**	0.34%	**0.33%**	81.80	4.64%
Market management fees	10,157.78	**10,662.12**	1.93%	**1.92%**	504.34	4.97%
Utilities	15,481.90	**16,205.17**	2.94%	**2.91%**	723.27	4.67%
Others	10,611.94	**12,259.19**	2.03%	**2.20%**	1,647.25	15.52%
Total	525,861.45	**556,114.65**	100.00%	**100.00%**	30,253.20	5.75%

Total selling and distribution expenses for the six months ended 30 June 2016 amounted to RMB556,114,650, representing an increase of RMB30,253,200 or 5.75% from the total selling and distribution expenses of RMB525,861,450 for the same period in 2015, which was mainly due to the growth of staff salaries, rentals and property management expenses and amortization of long-term deferred expenses and the increase of advertising and promotion expenses.

Total staff salaries for the six months ended 30 June 2016 amounted to RMB217,790,170, representing an increase of RMB12,675,100 or 6.18% from the total staff salaries of RMB205,115,070 for the same period in 2015. 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 30 June 2016 amounted to RMB191,594,740, representing an increase of RMB6,472,980 or 3.50% from the total rentals and property management expenses of RMB185,121,760 for the same period in 2015. 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 30 June 2016 amounted to RMB36,200,750, representing an increase of RMB3,370,730 or 10.27% from the total amortization of long-term deferred expenses of RMB32,830,020 for the same period in 2015. 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 30 June 2016 amounted to RMB41,748,490, representing an increase of RMB2,944,540 or 7.59% from the total advertising and promotion expenses of RMB38,308,950 for the same period in 2015. The increase of advertising and promotion expenses was mainly attributable to the increase of advertising campaign.

7. *Administrative expenses*

Item	For the six months ended 30 June					
	Administrative expenses		% of total expenses			
	2015 RMB'000	**2016 RMB'000**	2015	**2016**	Change of amount RMB'000	Rate of change
Staff salaries	71,005.36	**73,777.44**	42.74%	**44.85%**	2,772.08	3.90%
Tax expenses	3,413.04	**3,809.70**	2.05%	**2.32%**	396.66	11.62%
Office expenses	4,281.65	**4,317.02**	2.58%	**2.62%**	35.37	0.83%
Depreciation expenses	4,865.28	**5,098.27**	2.93%	**3.10%**	232.99	4.79%
Amortization of intangible assets	207.86	**302.11**	0.13%	**0.18%**	94.25	45.34%
Amortization of long-term deferred expenses	689.39	**813.32**	0.41%	**0.49%**	123.93	17.98%
Amortization of low-cost consumables	2,360.93	**2,470.68**	1.42%	**1.50%**	109.75	4.65%
Travelling expenses	6,824.99	**7,393.72**	4.11%	**4.49%**	568.73	8.33%
Rental and property management fees	7,219.24	**7,266.84**	4.35%	**4.42%**	47.60	0.66%
Business entertainment expenses	4,223.95	**4,352.19**	2.54%	**2.65%**	128.24	3.04%
Communication expenses	1,784.01	**2,136.28**	1.07%	**1.30%**	352.27	19.75%
Agency fees	11,966.04	**13,845.12**	7.20%	**8.42%**	1,879.08	15.70%
Transportation expenses	8,152.49	**8,456.63**	4.91%	**5.14%**	304.14	3.73%
Financial institution charges	30,179.78	**20,824.48**	18.16%	**12.66%**	–9,355.30	–31.00%
Others	8,973.43	**9,625.48**	5.40%	**5.86%**	652.05	7.27%
Total	166,147.44	**164,489.28**	100.00%	**100.00%**	–1,658.16	–1.00%

The Group's total administrative expenses for the six months ended 30 June 2016 amounted to RMB164,489,280, representing a decrease of RMB1,658,160 or 1.00% from RMB166,147,440 for the same period in 2015. Such decrease in administrative expenses was primarily attributable to the decrease in financial institution charges.

Total financial institution charges for the six months ended 30 June 2016 amounted to RMB20,824,480, representing a decrease of RMB9,355,300 or 31.00% from RMB30,179,780 for the same period in 2015. The decrease was mainly attributable to the decrease of POS card charge rate.

8. *Finance costs*

Item	For the six months ended 30 June 2015 RMB'000	**2016 RMB'000**	**Change of amount** RMB'000	**Rate of change**
Finance costs – interest expense	62,316.43	**52,924.61**	–9,391.82	–15.07%

The Group's total finance costs for the six months ended 30 June 2016 amounted to RMB52,924,610, representing a decrease of RMB9,391,820 or 15.07% from RMB62,316,430 for the same period in 2015. Such decrease in finance costs was primarily attributable to the decrease in our short-term bank borrowings and interest rate in borrowings.

As of 30 June 2016, the Group has a short-term borrowing with fixed interest of RMB913,000,000.

9. *Other expenses*

Other expenses included impairment losses on assets and non-operating expenses. For the six months ended 30 June 2015 and 2016, other expenses amounted to RMB21,408,880 and RMB23,758,880, respectively.

Item	For the six months ended 30 June 2015 RMB'000	**2016 RMB'000**	**Change of amount** RMB'000	**Rate of change**
Impairment losses on assets	20,538.44	**22,493.94**	1,955.50	9.52%
Non-operating expenses	870.44	**1,264.94**	394.50	45.32%
Total	21,408.88	**23,758.88**	2,350.00	10.98%

The Group's total other expenses for the six months ended 30 June 2016 amounted to RMB23,758,880, representing an increase of RMB2,350,000 or 10.98% from RMB21,408,880 for the same period in 2015, which was mainly attributable to the increase 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 30 June			
	2015 RMB'000	**2016** **RMB'000**	**Change of amount** RMB'000	**Rate of change**
Current tax:				
Income tax in the PRC for the year	26,704.67	**16,513.40**	–10,191.27	–38.16%
Deferred tax	163.20	**19,878.05**	19,714.85	12,080.18%
Total	26,867.87	**36,391.45**	9,523.58	35.45%

The Group's total income tax for the six months ended 30 June 2016 amounted to RMB36,391,450, representing an increase of RMB9,523,580 or 35.45% as compared with RMB26,867,870 for the same period of 2015. Such increase was primarily attributable to the expiry of certain preferential income tax treatment previously enjoyed.

11. *Indebtedness – bank borrowings*

As of 30 June 2016, 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 31 December 2015 RMB'000	**As of 30 June 2016** **RMB'000**
Bank loans:		
Unsecured, repayable within one year	2,429,750.00	**2,084,389.96**
Secured and repayable within one year	722,542.50	**516,052.98**
Unsecured long-term liabilities	48,000.00	**47,000.00**
Total	3,200,292.50	**2,647,442.94**
The bank loans bear interest at rates per annum in the range of	3.55%–7.28%	**3.12%–5.70%**

As of 30 June 2016, 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 carried 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 30 June 2016 amounted to RMB2,647,442,940, representing a decrease of RMB552,849,560 or 17.27% from RMB3,200,292,500 as of 31 December 2015. Such decrease was primarily due to the substantial decrease in our bank borrowings resulting from the increase in net cash inflow from operating activities and the increase in our internal capital.

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 as of 30 June 2016 and up to the date of this interim report, 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. 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 30 June 2016, being the latest practicable date for our indebtedness statement.

(iii) Current assets and financial position

As of 30 June 2016, the Group had cash and cash equivalents in an amount of RMB375,694,630, representing a decrease of RMB66,149,370 or 14.97% as compared to RMB441,844,000 as of 31 December 2015.

As of 30 June 2016, the Group had loans in an amount of RMB2,647,442,940, representing a decrease of RMB552,849,560 or 17.27% as compared to RMB3,200,292,500 as of 31 December 2015.

(iv) Capital expenditure

For the six months ended 30 June 2016, the Group's capital expenditure amounted to RMB46,237,220, 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

The following table provides the total amount of transactions that have been entered into with related parties during the six months ended 30 June 2016 and 2015, as well as balances with related parties as at 30 June 2016 and 31 December 2015:

		Sales to related parties(i) RMB'000	Purchase from related parties(i) RMB'000	Amounts owed by related parties RMB'000	Amounts owed to related parties RMB'000
Associate:					
Shenzhen Dixinjuhe Communications Co., Ltd.[1]	**2016**	**2,198**	**–**	**2,934**	**–**
	2015	–	–	–	–
Joint venture in which the parentis a venture:					
Hollard-D.Phone (Beijing) Technology Development Co., Ltd.[2]	**2016**	**–**	**29,825**	**1,363**	**24,842**
	2015	–	–	286	–
Fellow subsidiary:					
Beijing Dphone Communication Services Co., Ltd.[3]	**2016**	**63**	**–**	**4,935**	**274**
	2015	5,365	137	3,887	229
A company significantly Influenced by the controlling shareholders[4]					
Beijing Tianxingyuanjing Technology Development Co., Ltd.[4]	**2016**	**3,774**	**41**	**–**	**–**
	2015	–	–	–	–

1 The investment in the associated venture entity, Shenzhen Dixinjuhe Communications Co., Ltd. is directly held by the Company.

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

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

4 The investment in the entity, Beijing Tianxingyuanjing Technology Development Co., Ltd. is held by Mr Liu Donghai and Mr Jinxin, who are the controlling shareholder and CEO of the Company, respectively. They hold 25% equity interest aggregately and have significant influence over the entity.

Note:

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

(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	31 December 2015	**30 June 2016**	**Change**	**Rate of change**
Current ratio	1.59	**1.76**	0.17	10.48%
Gearing ratio	49.64%	**43.36%**	–6.28%	–12.65%
Net debt-to-equity ratio	98.57%	**76.55%**	–22.02%	–22.34%

Current ratio is calculated by our current assets divided by our current liabilities at the end of each financial period. Our current ratio was 1.76 as at 30 June 2016, representing an increase of 0.17, or 10.48%, as compared to 1.59 as at 31 December 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 30 June 2016, the gearing ratio of the Group decrease by 6.28% from 49.64% as of 31 December 2015 to 43.36%, representing a decrease of 12.65%, which was mainly due to the decrease 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 decreased by 22.02% from 98.57% as of 31 December 2015 to the net debt-to-equity ratio of 76.55% as of 30 June 2016, representing a decrease by 22.34%, which was mainly due to the decrease in short-term loans during the first half of 2016.

(vii) Material acquisitions and disposals

For details of the Group's material acquisitions for six months ended 30 June 2016, please refer to sub-section headed "(xii) Material Investments" in this section.

(viii) Contingent liabilities

As of 30 June 2016, the Group had no material contingent liabilities.

(ix) Use of proceeds

As of 30 June 2016, we had completed the global offering of 166,667,000 H shares at an offer price of HK$5.30 per share in Hong Kong in 2014, raising proceeds with an aggregate amount of HK$883,335,100. The raised proceeds has been placed in a special account.

The following table sets forth details of funds in the special account for the raised proceeds as of 30 June 2016:

Account holder	Banker	Account number	Balance
			HK$'000
Beijing Digital Telecom Co., Ltd.	Standard Chartered Bank (Hong Kong) Limited	44717867377	8,815.43

As of 30 June 2016, HK$874,519,670 out of the net proceeds had been utilized. As of 30 June 2016, the balance of the special account for raised proceeds amounted to HK$8,815,430 (including interest accruing on the special account of HK$9,590).

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 30 June 2016 are set out in the following table:

Item	**Amount paid** HK$'000	**Percentage**
Expansion of retail and distribution network	472,414.94	54.02%
Repayment of bank borrowings	118,703.28	13.57%
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	79,398.21	9.08%
Payment of listing agency fees	69,886.65	7.99%
Total	874,519.67	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

The Group did not have any charge on assets as at 30 June 2016.

(xii) Material investments

On 2 June 2016, the Board resolved to make a capital contribution of US$10,000,000 to set up Xindiya Investment Pte Ltd* (新迪亞投資有限公司) in Singapore. Upon the incorporation of the company, it would (1) acquire 49% equity interests in Spice Online Retail Pvt Limited from Spice Mobility Limited at a consideration of US$2,400,000 and provide a loan in the amount of US$2,500,000 to Spice Online Retail Pvt Limited after such acquisition; (2) make a capital contribution of US$2,400,000 to form, together with Omni Ventures Pvt Limited, a joint venture in India, which would be held as to 60% by the company. A loan of US$2,500,000 would be advanced to the joint venture after its incorporation.

(xiii) Equity arrangements

For the six months ended 30 June 2016, no equity subscription was conducted by the Group. As of the date of this interim report, 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

As of 30 June 2016, the Group had no future material investment.

(xiv) Employees and remunerations policies

As of 30 June 2016, the Group had 7,136 employees. Salary costs and employees' benefit expenses were approximately RMB291,567,610 for the six months ended 30 June 2016. 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.

BUSINESS OUTLOOK FOR THE SECOND HALF OF 2016

Retailing of telecommunication devices is growing steadily in 2016. The growth of offline market exceeded that of online market and 4G business has become the dominant force in the market. With high market concentration of a few brands, the competition among various brands became keener. We shall focus our efforts on the following works in the second half of 2016:

(1) To steadily develop our physical retail outlets and distribution channels.

On the one hand, we continue to intentionally seek to open more self-owned shops in suitable towns. On the other hand, we shall strengthen our cooperation with three major mobile carriers through various modes of cooperation. Finally, we need to vigorously develop our franchise business in order to expand our market coverage and strengthen the influence of our brand.

(2) To continue enhancing our cooperation with three major mobile carriers on product supply and increasing our marketing efforts.

Competition in 4G market among three major mobile carriers became keener. On this backdrop, we may capture the opportunities brought by the growth of 4G business to increase the product supply to mobile carries.

(3) To continue implementing the Group's strategy to develop its own brands and improve our brand value.

Through vigorous promotion of our franchise business and with reliance on the sales and distribution ability of the network of franchisees and our own self-owned shops, we may vigorously develop our own brands and gradually expand our owned brand product portfolio in order to strengthen the influence of our owned brand.

(4) To steadily grow our turnover in our physical outlets 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 Group's online business has grown rapidly, and in particular, its contribution has increased to represent approximately 10% of the Group's total revenue for the past year, there is still relatively large room for growth when considering its market shares in the online business industry as a whole. In the second half of 2016, we shall 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.

(5) To engrave deeply the concept of "full-hearted loyalty" in the minds of front-line staff members so as to create values through the provision of services.

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.

(6) To vigorously expand into oversea markets.

During the first half of 2016, the Group has successfully gained a foothold in India and implemented our strategy to expand into Southeast market, such as India, on the strength of Beijing Digital's experience in retailing industry. In the future, we shall expand into African market to step up the Group's global presence.

Other Information

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2016.

DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2016, the interests and short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

Name of Director	Type of shares	Capacity	Number of shares/ underlying shares held (long position/ short position/ lending pool)	Percentage of the relevant class of share capital (%)	Percentage of the total share capital (%)
Liu Donghai *(Note 2)*	Domestic shares	Interest of controlled corporation	312,700,000 (long position)	92.60	46.90
Liu Hua *(Note 2)*	Domestic shares	Interest of controlled corporation	312,700,000 (long position)	92.60	46.90
Liu Songshan *(Note 2)*	Domestic shares	Interest of controlled corporation	101,300,000 (long position)	30.00	15.19
Liu Wencui *(Notes 2, 3)*	Domestic shares	Interest of controlled corporation	320,200,000 (long position)	94.82	48.03

Notes:

1. The percentage is calculated with the number of the relevant class of shares of the Company issued as at date of this interim report divided by the total number of shares.

2. Beijing Di Er Tong Consulting Company Limited (北京迪爾通諮詢有限公司, "**Di Er Tong**") and Digital Science & Technology Group Limited (迪信通科技集團有限公司, "**Digital Science & Technology**"), directly hold 101,300,000 Domestic shares and 211,400,000 Domestic shares of the Company respectively, and Liu Donghai, Liu Hua, Liu Songshan, Liu Wencui and Lin Yongmei respectively hold 34.89%, 5.13%, 52.33%, 2.52% and 5.13% interest in Di Er Tong, and Liu Donghai, Liu Hua, Liu Wencui, Liu Yongmei and Liu Wenli respectively hold 84.72%, 5.06%, 3.93%, 5.06% and 1.23% interest in Digital Science & Technology. Accordingly, pursuant to the Securities and Futures Ordinance, Liu Donghai, Liu Hua and Liu Wencui are deemed to be interested in 101,300,000 Domestic shares and 211,400,000 Domestic shares held by Di Er Tong and Digital Science & Technology respectively, and Liu Songshan is deemed to be interested in 101,300,000 Domestic shares held by Digital Science & Technology.

3. Beijing Rong Feng Tai Management and Consulting Company Limited (北京融豐泰管理諮詢有限公司) directly holds 7,500,000 Domestic shares of the Company, and Liu Wencui holds 66.63% interest in Rong Feng Tai Management and Consulting Company Limited. Accordingly, pursuant to the Securities and Futures Ordinance, Liu Wencui is deemed to be interested in 7,500,000 Domestic shares held by Rong Feng Tai Management and Consulting Company Limited.

Save as disclosed above, as at 30 June 2016, none of the Directors, supervisors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or (ii) which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 June 2016, to the knowledge of the Directors, the following persons (other than the Directors, supervisors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which fell to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Type of shares	Capacity	Number of shares/ underlying shares held (long position/ short position/ lending pool)	Percentage of the relevant class of share capital (%)	Percentage of the total share capital (%)
Liu Yongmei *(Note 2)*	Domestic shares	Interest of controlled corporation	312,700,000 (long position)	92.60	46.90
Liu Wenli *(Note 2)*	Domestic shares	Interest of controlled corporation	211,400,000	62.60	31.71
Di Er Tong *(Note 2)*	Domestic shares	Beneficial owner	101,300,000 (long position)	30.00	15.19
Digital Science & Technology *(Note 2)*	Domestic shares	Beneficial owner	211,400,000 (long position)	62.60	31.71
3i Group plc *(Note 3)*	H shares	Interest of controlled corporation	87,100,000 (long position)	26.48	13.06
3i Investments GP Limited *(Note 3)*	H shares	Interest of controlled corporation	87,100,000 (long position)	26.48	13.06
3i Asia Pacific 2004-06 LP *(Note 3)*	H shares	Interest of controlled corporation	87,100,000 (long position)	26.48	13.06

Name of Shareholder	Type of shares	Capacity	Number of shares/ underlying shares held (long position/ short position/ lending pool)	Percentage of the relevant class of share capital (%)	Percentage of the total share capital (%)
3i Nominees Limited *(Note 3)*	H shares	Interest of controlled corporation	87,100,000 (long position)	26.48	13.06
3i Investments plc *(Note 3)*	H shares	Interest of controlled corporation	87,100,000 (long position)	26.48	13.06
3i Infocomm Limited *(Note 3)*	H shares	Beneficial owner	87,100,000 (long position)	26.48	13.06
China Diamond Holdings Company Limited *(Note 4)*	H shares	Interest of controlled corporation	71,250,000 (long position)	21.66	10.69
China Diamond Holdings III Limited *(Note 4)*	H shares	Interest of controlled corporation	71,250,000 (long position)	21.66	10.69
CDH China Growth Capital Holdings Company Limited *(Note 4)*	H shares	Interest of controlled corporation	71,250,000 (long position)	21.66	10.69
CDH China Growth Capital Fund II, L.P. *(Note 4)*	H shares	Interest of controlled corporation	71,250,000 (long position)	21.66	10.69
CDH Mobile Limited *(Note 4)*	H shares	Interest of controlled corporation	71,250,000 (long position)	21.66	10.69
CDH Mobile (HK) Limited *(Note 4)*	H shares	Beneficial owner	71,250,000 (long position)	21.66	10.69
Lenovo Group Limited	H shares	Beneficial owner	32,435,500 (long position)	9.86	4.87

Notes:

1. The percentage is calculated with the number of the relevant class of shares of the Company issued as at date of this interim report divided by the total number of shares.

2. Di Er Tong and Digital Science & Technology directly hold 101,300,000 Domestic shares and 211,400,000 Domestic shares of the Company respectively, Liu Yongmei holds controlling interests in Di Er Tong and Digital Science & Technology, and Liu Wenli holds controlling interests in Digital Science & Technology. Accordingly, pursuant to Securities and Futures Ordinance, Liu Yongmei is deemed to be interested in 101,300,000 Domestic shares and 211,400,000 Domestic shares held by Di Er Tong and Digital Science & Technology respectively, and Liu Wenli is deemed to be interested in 211,400,000 Domestic shares held by Digital Science & Technology.

3. 3i Infocomm Limited directly holds 87,100,000 H shares of the Company. 3i Nominees Limited holds 43.75% interest in 3i Infocomm Limited and 3i Asia Pacific 2004-06 LP holds 100% interest in 3i Nominees Limited. 3i Investments GP Limited holds 100% interest in 3i Asia Pacific 2004-06 LP and 3i Group plc holds 100% interest in 3i Investments GP Limited. Besides, 3i Investments plc as the manager of 3i Infocomm Limited holds 100% interest in 3i Infocomm Limited, and 3i Group plc holds 100% interest in 3i Investments plc. Accordingly, pursuant to the Securities and Futures Ordinance, 3i Group plc, 3i Investments GP Limited, 3i Asia Pacific 2004-06 LP, 3i Nominees Limited and 3i Investments plc are deemed to be interested in 87,100,000 H shares held by 3i Infocomm Limited.

4. CDH Mobile (HK) Limited directly holds 71,250,000 H share of the Company. CDH Mobile Limited holds 100% interest in CDH Mobile (HK) Limited and CDH China Growth Capital Fund II, L.P. holds 100% interest in CDH Mobile Limited. CDH China Growth Capital Holdings Company Limited holds a controlling interest in CDH China Growth Capital Fund II, L.P. and China Diamond Holdings III Limited holds 69.5% interest in CDH China Growth Capital Holdings Company Limited. Furthermore, China Diamond Holdings Company Limited holds 100% interest in China Diamond Holdings III Limited. Accordingly, pursuant to the Securities and Futures Ordinance, China Diamond Holdings Company Limited, China Diamond Holdings III Limited, CDH China Growth Capital Holdings Company Limited, CDH China Growth Capital Fund II, L.P. and CDH Mobile Limited are deemed to be interested in 71,250,000 H shares held by CDH Mobile (HK) Limited.

Save as disclosed above, as at 30 June 2016, there is no other person (other than Directors, supervisors and chief executives of the Company) to the Directors' knowledge who has interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and which have been recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this interim report, at no time during the six months ended 30 June 2016 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors or the supervisors to acquire benefits by means of acquisition of shares in, or debentures of, the Company, and none of the Directors or the supervisors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or had exercised any such right.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance. During the six months ended 30 June 2016, save as disclosed in this interim report, 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. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' and supervisors' securities transactions. Specific enquiries have been made to all Directors and supervisors, all of the Directors and supervisors has confirmed that they have complied with the standard requirements set out in the Model Code during the six months ended 30 June 2016.

During the six months ended 30 June 2016, 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 30 June 2016, 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 and the external auditor, has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2016.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS AND SUPERVISORS

Directors and supervisors have confirmed that there is no information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Report on Review of Interim Condensed Consolidated Financial Statements

22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

The Board of Directors
Beijing Digital Telecom Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Dear Sirs,

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated statement of financial position of Beijing Digital Telecom Co., Ltd. and its subsidiaries (the "Group") as of 30 June 2016 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants

30 August 2016

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June 2016 Unaudited RMB'000	2015 Unaudited RMB'000
Revenue	4	**7,555,713**	7,564,308
Cost of sales		**(6,639,243)**	(6,635,971)
Gross profit		**916,470**	928,337
Other income and gains	4	**72,856**	26,216
Selling and distribution costs		**(556,115)**	(525,861)
Administrative expenses		**(164,489)**	(166,148)
Other expenses		**(23,759)**	(21,408)
Finance costs		**(52,925)**	(62,316)
Share of profits/(losses) of associates and a joint venture		**(546)**	299
Profit before tax	5	**191,492**	179,119
Income tax expense	6	**(36,391)**	(26,868)
Profit for the period and total comprehensive income		**155,101**	152,251
Attributable to:			
Owners of the parent		**155,733**	153,046
Non-controlling interests		**(632)**	(795)
		155,101	152,251
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	7	**0.23**	0.23

Interim Condensed Consolidated Statement of Financial Position

30 June 2016

	Notes	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	152,561	154,222
Goodwill		57,476	57,476
Other intangible assets		1,150	785
Investment in a joint venture		2,091	2,111
Investments in associates		8,208	8,067
Available-for-sale investments		15,075	15,075
Deferred tax assets		41,098	60,976
Total non-current assets		277,659	298,712
CURRENT ASSETS			
Inventories	9	1,936,983	2,148,058
Properties under development		308,186	282,718
Trade receivables	10	1,851,825	1,870,659
Prepayments, deposits and other receivables		1,084,813	1,021,113
Due from related parties		9,233	3,662
Pledged deposits	11	787,873	1,080,808
Cash and cash equivalents	11	375,695	441,844
Total current assets		6,354,608	6,848,862
CURRENT LIABILITIES			
Interest-bearing bank borrowings	12	2,600,443	3,152,293
Trade and bills payable	13	447,043	551,460
Other payables and accruals		347,101	398,155
Due to related parties		25,115	665
Tax payable		197,861	198,499
Total current liabilities		3,617,563	4,301,072
NET CURRENT ASSETS		2,737,045	2,547,790
TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS		3,014,704	2,846,502
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	12	47,000	48,000
Total non-current liabilities		47,000	48,000
NET ASSETS		2,967,704	2,798,502

Interim Condensed Consolidated Statement of Financial Position
30 June 2016

	Notes	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
EQUITY			
Equity attributable to owners of the parent:			
Issued capital	14	666,667	666,667
Reserves		2,242,352	2,086,619
		2,909,019	2,753,286
Non-controlling interests		58,685	45,216
Total equity		2,967,704	2,798,502

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Attributable to owners of the parent						
	Issued capital RMB'000	Capital reserve RMB'000	Statutory reserve funds RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Six months ended 30 June 2016:							
As at 31 December 2015 (Audited)	**666,667**	**524,953**	**175,711**	**1,385,955**	**2,753,286**	**45,216**	**2,798,502**
Total comprehensive income for the period	**–**	**–**	**–**	**155,733**	**155,733**	**(632)**	**155,101**
Capital contribution by non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**14,100**	**14,100**
Disposal of interest in a subsidiary	**–**	**–**	**–**	**–**	**–**	**1**	**1**
As at 30 June 2016 (Unaudited)	**666,667**	**524,953**	**175,711**	**1,541,688**	**2,909,019**	**58,685**	**2,967,704**
Six months ended 30 June 2015:							
As at 31 December 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 at 30 June 2015 (Unaudited)	666,667	524,953	140,039	1,217,611	2,549,270	21,274	2,570,544

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	For the six months ended 30 June 2016 Unaudited RMB'000	2015 Unaudited RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**191,492**	179,119
Adjustments for:		
Finance costs	**52,925**	62,316
Share of losses/(profits) of a joint venture and associates	**546**	(299)
Provision for impairment of trade receivables	**292**	834
Provision for impairment of other receivables	**50**	423
Provision for impairment of inventories	**22,152**	19,281
Depreciation	**46,122**	41,404
Amortisation of intangible assets	**302**	208
Gain on disposal of a subsidiary	**(1)**	–
Loss on disposal of property, plant and equipment	**1,109**	130
Decrease/(Increase)in trade receivables	**18,542**	(6,339)
Increase in prepayments, deposits and other receivables	**(64,050)**	(39,605)
Decrease in inventories	**188,923**	48,023
Increase in properties under development	**(25,468)**	–
Decrease in trade and bills payable	**(104,417)**	(199,023)
Decrease in other payables and accruals	**(51,321)**	(6,529)
Increase in due from related parties	**(5,571)**	(2,002)
Increase/(Decrease)in due to related parties	**24,450**	(1,510)
Cash generated from operations	**296,077**	96,431
Income tax paid	**(17,151)**	(20,518)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**278,926**	75,913
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of a subsidiary	**(98)**	–
Purchases of items of property, plant and equipment	**(45,570)**	(35,045)
Purchases of items of other intangible assets	**(667)**	(152)
Proceeds from sale of property, plant and equipment	**–**	220
Prepayment of acquisition of a subsidiary	**–**	(84,007)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(46,335)**	(118,984)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	RMB'000	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issue expenses	**–**	(3,310)
New bank loans	**3,364,251**	2,913,155
Capital contribution from non-controlling shareholders	**14,100**	400
Decrease/(Increase) in pledged deposits	**292,935**	(349,283)
Repayment of bank loans	**(3,917,101)**	(2,140,410)
Interest paid	**(52,925)**	(62,316)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	**(298,740)**	358,236
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(66,149)**	315,165
Cash and cash equivalents at beginning of period	**441,844**	335,298
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**375,695**	650,463

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

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 prepartation

The interim condensed consolidated financial statements for the six months ended 30 June 2016 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 at 31 December 2015.

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 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016. 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 2016, 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:

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. 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 if 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 and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through 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 effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 Agriculture. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants,IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact to the Group as the Group does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRS electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group’s consolidated financial statements.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively. These amendments do not have any impact on the Group.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively. These amendments do not have any impact on the Group.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. These amendments do not have any impact on the Group.

Amendments to IAS 1 Disclosure Initiative

- The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:
  - The materiality requirements in IAS 1
  - That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of OCI 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 the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not apply the consolidation exception.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services. For the six months ended 30 June 2015, the Group had one reportable operating segment which was engaged in the sale of mobile telecommunication devices and accessories. While in July 2015, a new operating segment was added through the acquisition of Yunfu SCI Commercial Properties Co., Limited. Therefore, for the six months ended 30 June 2016, the Group 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.

For the six months ended 30 June 2016	Mobile telecommunication devices RMB'000	Real estates RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	7,555,713	–	7,555,713
Revenue			7,555,713
Segment results	237,487	(4,090)	233,397
Reconciliation:			
Interest income	11,017	5	11,022
Finance costs	(52,925)	–	(52,925)
Profit/(loss) before tax	195,579	(4,085)	191,494
Segment assets	6,359,789	272,478	6,632,267
Segment liabilities	3,503,462	161,101	3,664,563
Other segment information:			
Impairment losses recognised in profit or loss	22,494	–	22,494
Depreciation and amortisation	46,358	66	46,424

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 30 June	
	2016	2015
	Unaudited	Unaudited
	RMB'000	RMB'000
Revenue		
Sales of mobile telecommunications devices and accessories	**7,231,063**	7,221,136
Included:		
Retail of mobile telecommunications devices and accessories	**4,119,785**	4,098,281
Sales of telecommunications devices and accessories to franchisees	**1,210,555**	1,167,796
Wholesale of mobile telecommunications devices and accessories	**1,900,723**	1,955,059
Service income from mobile carriers	**275,288**	290,694
Other service fee income	**49,362**	52,478
	7,555,713	7,564,308

	For the six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	RMB'000	RMB'000
Other income and gains		
Interest income	**11,022**	5,271
Government grants (note (a))	**59,706**	19,013
Others	**2,128**	1,932
	72,856	26,216

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 30 June	
	2016	2015
	Unaudited	Unaudited
	RMB'000	RMB'000
Cost of inventories sold and services provided	**6,639,243**	6,635,971
Depreciation	**46,122**	41,404
Amortisation of intangible assets	**302**	208
Lease payments under operating leases	**198,862**	192,341
Auditors' remuneration	**2,878**	3,170
Employee benefit expense (including Directors' remuneration)		
– Wages and salaries	**261,587**	250,122
– Pension scheme contributions	**29,981**	25,998
	291,568	276,120
Provision for impairment of trade receivables	**292**	834
Provision for impairment of other receivables	**50**	423
Provision for impairment of inventories	**22,152**	19,281
Loss on disposal of property, plant and equipment	**1,109**	130

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 1 January 2008. The major components of income tax expense are as follows:

	For the six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	RMB'000	RMB'000
Current tax		
Income tax in the PRC for the reporting period	**16,513**	26,705
Deferred tax	**19,878**	163
	36,391	26,868

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 30 June	
	2016	2015
	Unaudited	Unaudited
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**155,733**	153,046
Shares		
Weighted average number of ordinary shares	**666,667,000**	666,667,000

8. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2016, the Group acquired property, plant and equipment at a cost of RMB45,570 thousand (for the six months ended 30 June 2015: RMB35,045 thousand).

Property, plant and equipment with a net book value of RMB1,109 thousand were disposed of by the Group during the six months ended 30 June 2016 (for the six months ended 30 June 2015: RMB351 thousand), resulting in a net loss on disposal of RMB1,109 thousand (for the six months ended 30 June 2015: RMB130 thousand).

9. INVENTORIES

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Merchandise for resale	**1,958,411**	2,170,970
Consumable supplies	**724**	913
	1,959,135	2,171,883
Less: provision against inventories	**(22,152)**	(23,825)
	1,936,983	2,148,058

10. TRADE RECEIVABLES

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Trade receivables	**1,950,766**	1,969,308
Less: impairment for trade receivables	**(98,941)**	(98,649)
	1,851,825	1,870,659

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 receivable as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Within 90 days	**1,764,861**	1,753,546
91 to 180 days	**34,957**	39,931
181 to 365 days	**18,336**	40,940
Over 1 year	**33,671**	36,242
	1,851,825	1,870,659

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

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Neither past due nor impaired	**1,527,147**	1,540,451
Past due but not impaired		
Less than 90 days	**220,832**	224,731
91 to 180 days	**37,544**	37,983
181 to 365 days	**37,674**	36,981
Over 1 year	**28,628**	30,513
	1,851,825	1,870,659

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 comprised:

	For the six months ended 30 June 2016 Unaudited RMB'000	2015 Unaudited RMB'000
Cash and bank balances	**375,695**	650,463
Time deposits	**787,873**	704,665
	1,163,568	1,355,128
Less: pledged time deposits		
pledged for bank borrowing	**317,765**	130,996
pledged for bank acceptance notes	**470,108**	573,669
	787,873	704,665
Cash and cash equivalents, denominated in RMB	**375,695**	650,463

12. INTEREST-BEARING LOANS

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Current		
Unsecured, repayable within one year	**2,084,390**	2,429,750
Secured, repayable within one year	**514,053**	720,543
Current portion of long term bank loans – unsecured	**2,000**	2,000
	2,600,443	3,152,293
Non-Current		
Unsecured, repayable within one year	**47,000**	48,000
	2,647,443	3,200,293
The bank loans bear interest at rates per annum in the range of	**3.12% to 5.70%**	3.55% to 7.28%

13. TRADE AND BILLS PAYABLE

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Trade payables	**410,585**	479,610
Bill payables	**36,458**	71,850
	447,043	551,460

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Within 90 days	**413,145**	511,776
91 to 180 days	**16,696**	19,523
181 to 365 days	**12,906**	15,106
Over 1 year	**4,296**	5,055
	447,043	551,460

14. ISSUED CAPITAL

	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Registered, issued and fully paid:		
666,667,000 ordinary shares of RMB1 each	**666,667**	666,667

15. COMMITMENTS

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

16. RELATED PARTY TRANSACTIONS

(a) The following table provides the total amount of transactions that have been entered into with related parties during the six months ended 30 June 2016 and 2015, as well as balances with related parties as at 30 June 2016 and 31 December 2015:

		Sales to related parties[(i)] RMB'000	Purchase from related parties[(i)] RMB'000	Amounts owed by related parties RMB'000	Amounts owed to related parties RMB'000
Associate:					
Shenzhen Dixinjuhe Communications Co., Ltd.[1]	**2016**	**2,198**	**–**	**2,934**	**–**
	2015	–	–	–	–
Joint venture in which the parent is a venture:					
Hollard-D.Phone (Beijing) Technology Development Co., Ltd[2]	**2016**	**–**	**29,825**	**1,363**	**24,842**
	2015	–	–	286	–
Fellow subsidiary:					
Beijing Dphone Communication Services Co., Ltd[3]	**2016**	**63**	**–**	**4,935**	**274**
	2015	5,365	137	3,887	229
A company significantly Influenced by the controlling shareholders[4]					
Beijing Tianxingyuanjing Technology Development Co., Ltd.[4]	**2016**	**3,774**	**41**	**–**	**–**
	2015	–	–	–	–

1 The investment in the associated venture entity, Shenzhen Dixinjuhe Communications Co., Ltd. is directly held by the Company.

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

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

4 The investment in the entity, Beijing Tianxingyuanjing Technology Development Co., Ltd. is held by Mr Liu Donghai and Mr Jinxin, who are the controlling shareholder and CEO of the Company, respectively. They hold 25% equity interest aggregately and have significant influence over the entity.

Note:

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

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

	For the six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	RMB'000	RMB'000
Salaries, allowances, bonuses and other expenses	**2,228**	2,069

17. FINANCIAL INSTRUMENTS

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

Financial assets

	As at 30 June 2016		
	Loans and receivables	**Available-for-sale financial assets**	**Total**
	Unaudited	**Unaudited**	**Unaudited**
	RMB'000	**RMB'000**	**RMB'000**
Available-for-sale investments	**–**	**15,075**	**15,075**
Trade receivables	**1,851,825**	**–**	**1,851,825**
Financial assets included in prepayments, deposits and other receivables	**109,944**	**–**	**109,944**
Due from related parties	**9,233**	**–**	**9,233**
Pledged deposits	**787,873**	**–**	**787,873**
Cash and cash equivalents	**375,695**	**–**	**375,695**
	3,134,570	**15,075**	**3,149,645**

	As at 31 December 2015		
	Loans and receivables Audited RMB'000	Available-for-sale financial assets Audited RMB'000	Total Audited RMB'000
Available-for-sale investments	–	15,075	15,075
Trade receivables	1,870,659	–	1,870,659
Financial assets included in prepayments, deposits and other receivables	116,366	–	116,366
Due from a related party	3,662	–	3,662
Pledged deposits	1,080,808	–	1,080,808
Cash and cash equivalents	441,844	–	441,844
	3,513,339	15,075	3,528,414

Financial liabilities

	Financial liabilities at amortised cost	
	30 June 2016 Unaudited RMB'000	31 December 2015 Audited RMB'000
Trade and bills payable	**447,043**	551,460
Financial liabilities included in other payables and accruals	**84,073**	126,844
Due to a related party	**25,115**	665
Interest-bearing loans	**2,647,443**	3,200,293
	3,203,674	3,879,262

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 at 30 June 2016, 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 RMB15,075 thousand (2015: RMB15,075 thousand) and that of the Company was RMB15,075 thousand (2015: RMB15,075 thousand), respectively. All of them are unlisted equity investments in China held by the Group.

19. DISTRIBUTIONS MADE AND PROPOSED

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

20. EVENTS AFTER THE REPORTING PERIODS

On 30 March 2016, China Securities Regulatory Commission ("CSRC") approved the Company to publicly issue certain five-year domestic corporate bonds (the "Corporate Bonds") to qualified investors, pursuant to which the issuance of the corporate bonds should not exceed RMB900,000 thousand. The Corporate Bonds shall be issued in tranches. The first tranche of issuance shall be completed within 12 months from the date of the CSRC's approval, while the remaining tranches of issuance shall be completed within 24 months from the date of the CSRC's approval. As at the date of the approval of the unaudited interim condensed consolidated financial statements, the Company is in the process of the issuance of the first tranche.

21. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 August 2016.