迪信通

Beijing Digital Telecom Co., Ltd.
北京迪信通商貿股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 6188)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2014

FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2014:

Revenue of the Group was RMB6,708.23 million, representing an increase by 13.46% from the same period last year.

Net profit attributable to the equity holders of the Company was RMB132.21 million, representing an increase by 21.54% from the same period last year.

Basic earnings of each Share was RMB0.26 per share, representing an increase by RMB0.04 per share from the same period last year.

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, 2014 (the "**2014 Interim Results**") of the Company and its subsidiaries (the "**Group**"), together with comparable figures for the same period in 2013.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended June 30, 2014

		For the six months ended June 30,	
		2014	2013
		Unaudited	Unaudited
	Notes	***RMB'000***	*RMB'000*
Revenue	*5*	**6,708,231**	5,912,500
Cost of sales		**(5,784,520)**	(5,128,624)
Gross profit		**923,711**	783,876
Other income and gains	*5*	**10,332**	13,143
Selling and distribution costs		**(519,894)**	(444,846)
Administrative expenses		**(168,124)**	(126,411)
Other expenses		**(8,302)**	(24,876)
Finance costs		**(58,442)**	(48,650)
Profit before tax	*6*	**179,281**	152,236
Income tax expense	*7*	**(47,308)**	(40,535)
Profit for the period and total comprehensive income		**131,973**	111,701
Attributable to:			
Owners of the parent		**132,213**	108,785
Non-controlling interests		**(240)**	2,916
		131,973	111,701
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	*9*	**0.26**	0.22

Details of the dividends for the reporting period are disclosed in note 8 to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2014

	Notes	**June 30, 2014 Unaudited** ***RMB'000***	December 31, 2013 Audited *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**169,330**	170,436
Goodwill		**57,302**	57,302
Other intangible assets		**276**	885
Deferred tax assets		**23,591**	22,230
Total non-current assets		**250,499**	250,853
CURRENT ASSETS			
Inventories	*11*	**1,576,213**	1,617,067
Trade and bills receivable	*12*	**1,354,740**	1,252,499
Prepayments, deposits and other receivables		**572,631**	666,262
Due from a related party		**–**	5,300
Pledged deposits	*13*	**579,915**	514,070
Cash and cash equivalents	*13*	**405,460**	301,939
Total current assets		**4,488,959**	4,357,137
CURRENT LIABILITIES			
Interest-bearing loans	*14*	**1,746,694**	1,698,753
Trade and bills payable	*15*	**1,071,643**	1,078,465
Other payables and accruals		**284,794**	316,208
Due to a related party		**1,440**	1,701
Tax payable		**58,716**	69,340
Total current liabilities		**3,163,287**	3,164,467
NET CURRENT ASSETS		**1,325,672**	1,192,670
TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS		**1,576,171**	1,443,523
EQUITY			
Equity attributable to owners of the parent:			
Issued capital	*16*	**500,000**	500,000
Reserves		**1,055,868**	923,655
		1,555,868	1,423,655
Non-controlling interests		**20,303**	19,868
Total equity		**1,576,171**	1,443,523

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2014

	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 June 30, 2014:							
As at 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 at June 30, 2014 (Unaudited)	500,000	37,184	108,203	910,481	1,555,868	20,303	1,576,171
Six months ended June 30, 2013:							
As at December 31, 2012 (Audited)	500,000	37,184	80,784	739,246	1,357,214	4,971	1,362,185
Total comprehensive income for the period	–	–	–	108,785	108,785	2,916	111,701
Dividends declared and paid	–	–	–	(200,000)	(200,000)	–	(200,000)
As at June 30, 2013 (Unaudited)	500,000	37,184	80,784	648,031	1,265,999	7,887	1,273,886

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2014

	For the six months ended June 30,	
	2014	2013
	Unaudited	Unaudited
	RMB'000	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**179,281**	152,236
Adjustments for:		
Finance costs	**58,442**	48,650
Provision for impairment of trade receivables	**5,538**	18,066
Provision/(reversal) for impairment of other receivables	**510**	(1,740)
(Reversal)/provision for impairment of inventories	**(599)**	7,249
Depreciation	**37,547**	30,350
Amortisation of intangible assets	**609**	258
Loss on disposal of property, plant and equipment	**348**	712
Increase in trade and bills receivable	**(107,779)**	(261,058)
Decrease in prepayments, deposits and other receivables	**93,121**	65,029
Decrease/(increase) in inventories	**41,453**	(221,837)
(Decrease)/increase in trade and bills payable	**(6,822)**	321,992
(Decrease)/increase in other payables and accruals	**(31,414)**	7,293
Decrease in due from a related party	**5,300**	826
(Decrease)/increase in due to a related party	**(261)**	1,867
Cash generated from operations	**275,274**	169,893
Income tax paid	**(59,293)**	(55,041)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**215,981**	114,852

	For the six months ended June 30,	
	2014	2013
	Unaudited	Unaudited
	RMB'000	*RMB'000*
CASH FLOWS FROM AND NET CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(36,789)**	(31,956)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(36,789)**	(31,956)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	**1,775,390**	2,156,054
Increase of pledged deposits	**(65,845)**	(153,537)
Repayment of bank loans	**(1,727,449)**	(1,971,335)
Interest paid	**(58,442)**	(48,650)
Dividends paid	**–**	(200,000)
Capital contribution from non-controlling shareholders	**675**	–
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(75,671)**	(217,468)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**103,521**	(134,572)
Cash and cash equivalents at beginning of period	**301,939**	529,735
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**405,460**	395,163

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2014

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 PREPARATION

The Interim Condensed Consolidated Financial Statements for the six months ended June 30, 2014 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 financial statements for the year ended December 31, 2013.

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.

3 CHANGES TO THE ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Interim Condensed Consolidated Financial Statements are consistent with those used in the preparation of the financial statements for the year ended December 31, 2013, except for the adoption of new standards and interpretations effective as of January 1, 2014. Accordingly, the Interim Condenses Financial Statements should be read in conjunction with the financial statements ended December 31, 2013.

Several other new standards and amendments apply for the first time in 2014. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the effect of these changes are disclosed below.

The nature and the impact of each new standard or amendment are described below:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. These amendments have no impact on the Group.

IFRIC 21 Levies

IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 Income Taxes) and fines or other penalties for breaches of legislation. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognized before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements. These amendments have no impact on the Group.

4. 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 July to the early of October are mainly attributed to the increased demand for mobile telecommunications devices and accessories during the peak 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.

5. 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,	
	2014	2013
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Revenue		
Sales of mobile telecommunications devices and accessories	**6,269,651**	5,611,411
Included:		
Retail of mobile telecommunications devices and accessories	**3,502,353**	3,272,819
Sales of telecommunications devices and accessories to franchisees	**971,322**	825,191
Wholesale of mobile telecommunications devices and accessories	**1,795,976**	1,513,401
Service income from mobile carriers	**374,386**	243,289
Other service fee income	**64,194**	57,800
	6,708,231	5,912,500

	For the six months ended June 30,	
	2014	2013
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Other income and gains		
Interest income	**5,443**	3,861
Government grants *(note (a))*	**2,464**	7,505
Others	**2,425**	1,777
	10,332	13,143

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.

6. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	For the six months ended June 30,	
	2014	2013
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Cost of inventories sold and services provided	**5,784,520**	5,128,624
Depreciation	**37,547**	30,350
Amortisation of intangible assets	**609**	258
Lease payments under operating leases	**185,192**	156,352
Auditors' remuneration	**4,733**	258
Employee benefit expense (including Directors' remuneration)		
–Wages and salaries	**212,378**	181,182
–Pension scheme contributions	**24,682**	22,459
	237,060	203,641
Provision for impairment of trade receivables	**5,538**	18,066
Provision/(reversal) for impairment of other receivables	**510**	(1,740)
(Reversal)/provision for impairment of inventories	**(599)**	7,249
Loss on disposal of property, plant and equipment	**348**	712

7. 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,	
	2014	2013
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Current tax		
Income tax in the PRC		
for the reporting period	**48,669**	46,494
Deferred tax	**(1,361)**	(5,959)
	47,308	40,535

8. DIVIDENDS

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

Pursuant to the resolution of a meeting of the board of Directors on April 20, 2013, the Company proposed a dividend in an amount of RMB200,000,000, which was also subsequently approved by the Company's shareholders at an extraordinary shareholders' meeting on April 20, 2013.

9. 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 relevant periods.

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

	For the six months ended June 30,	
	2014	2013
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**132,213**	108,785
Shares		
Weighted average number of ordinary shares	**500,000,000**	500,000,000

10. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended June 30, 2014, the Group acquired property, plant and equipment at a cost of RMB36,789,000 (for the six months ended June 30, 2013: RMB31,956,000).

Property, plant and equipment with a net book value of RMB348,000 were disposed of by the Group during the six months ended June 30, 2014 (for the six months ended June 30, 2013: RMB712,000), resulting in a net loss on disposal of RMB348,000 (for the six months ended June 30, 2013: RMB712,000).

11. INVENTORIES

	June 30, 2014	December 31, 2013
	Unaudited	Audited
	RMB'000	*RMB'000*
Merchandise for resale	**1,589,795**	1,631,916
Consumable supplies	**2,209**	1,541
	1,592,004	1,633,457
Less: provision against inventories	**(15,791)**	(16,390)
	1,576,213	1,617,067

12. TRADE AND BILLS RECEIVABLE

	June 30, 2014	December 31, 2013
	Unaudited	Audited
	RMB'000	*RMB'000*
Bills receivable	**–**	340
Trade receivable	**1,426,252**	1,318,133
	1,426,252	1,318,473
Less: impairment for trade receivables	**(71,512)**	(65,974)
	1,354,740	1,252,499

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

	June 30, 2014	December 31, 2013
	Unaudited	Audited
	RMB'000	*RMB'000*
Within 90 days	**1,067,025**	875,828
91 to 180 days	**165,503**	199,128
181 to 365 days	**67,265**	145,604
Over 1 year	**54,947**	31,939
	1,354,740	1,252,499

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

	June 30, 2014	December 31, 2013
	Unaudited	Audited
	RMB'000	*RMB'000*
Neither past due nor impaired	**1,066,584**	884,533
Past due but not impaired		
Less than 90 days	**165,503**	198,478
91 to 180 days	**39,782**	81,426
181 to 365 days	**46,399**	57,294
Over 1 year	**36,472**	30,428
	1,354,740	1,252,159

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.

13. 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,	
	2014	2013
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Cash and bank balances	**405,460**	395,163
Time deposits	**579,915**	535,709
	985,375	930,872
Less: pledged time deposits		
pledged for bank borrowing	**184,925**	175,487
pledged for bank acceptance notes	**394,990**	360,222
	579,915	535,709
Cash and cash equivalents, denominated in RMB	**405,460**	395,163

14. INTEREST-BEARING LOANS

	June 30, 2014	December 31, 2013
	Unaudited	Audited
	RMB'000	*RMB'000*
Current		
Unsecured, repayable within one year	**1,189,324**	–
Secured, repayable within one year	**557,370**	8,000
Secured and guaranteed by controlling shareholders	**–**	477,949
Guaranteed by controlling shareholders	**–**	1,212,804
	1,746,694	1,698,753
The bank loans bear interest at rates per annum in the range of	**4.39% to 7.80%**	5.60% to 7.80%

15. TRADE AND BILLS PAYABLE

	June 30, 2014 Unaudited ***RMB'000***	December 31, 2013 Audited *RMB'000*
Trade payables	**495,849**	545,434
Bill payables	**575,794**	533,031
	1,071,643	1,078,465

	June 30, 2014 Unaudited ***RMB'000***	December 31, 2013 Audited *RMB'000*
Within 90 days	**1,014,096**	1,004,864
91 to 180 days	**31,935**	33,295
181 to 365 days	**22,719**	29,644
Over 1 year	**2,893**	10,662
	1,071,643	1,078,465

16. ISSUED CAPITAL

	June 30, 2014 Unaudited ***RMB'000***	December 31, 2013 Audited *RMB'000*
Registered, issued and fully paid:		
500,000,000 ordinary shares of RMB1 each	**500,000**	500,000

17. COMMITMENTS

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

18. RELATED PARTY TRANSACTIONS

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

		For the six months ended June 30,	
		2014	2013
		Unaudited	Unaudited
		RMB'000	*RMB'000*
A joint venture entity[1]:			
Sales of goods	*(i)*	**–**	14
Purchases of goods	*(i)*	**293**	–
Loans provided by a company controlled by the controlling shareholders	*(ii)*	**500**	–

1 The investment in the joint venture entity, Hollard-D.Phone (Beijing) Technology Development 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) Other transactions with related parties

The Company's controlling shareholders have guaranteed bank loans of the Group during the reporting period, as detailed in note 14, which have all been released before the end of the reporting period.

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

	For the six months ended June 30,	
	2014	2013
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Salaries, allowances, bonuses and other expenses	**2,728**	2,702

19. 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

	Loans and receivables	
	June 30, 2014	December 31, 2013
	Unaudited	Audited
	RMB'000	*RMB'000*
Trade and bills receivable	**1,354,740**	1,252,499
Financial assets included in prepayments, deposits and other receivables	**122,759**	121,938
Due from a related party	**–**	5,300
Pledged deposits	**579,915**	514,070
Cash and cash equivalents	**405,460**	301,939
	2,462,874	2,195,746

Financial liabilities

	Financial liabilities at amortised cost	
	June 30, 2014	December 31, 2013
	Unaudited	Audited
	RMB'000	*RMB'000*
Trade and bills payable	**1,071,643**	1,078,465
Financial liabilities included in other payables and accruals	**101,810**	99,854
Due to a related party	**1,440**	1,701
Interest-bearing loans	**1,746,694**	1,698,753
	2,921,587	2,878,773

20. 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.

21. 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, 2014.

MANAGEMENT DISCUSSION & ANALYSIS

MARKET REVIEW

The PRC economy remained steady despite growth slowdown during the reporting period. Overall, telecommunications industry in the PRC experienced steady development. Local handset manufacturers gradually increased in their market share of the PRC market (already over 60%), bringing an overhaul to the market conditions where domination by foreign brands used to be the norm when 3G became prevalent. Due to the decrease of subsidies provided by mobile carriers for end-users, manufacturers of telecommunication devices began to draw more attention to sales through the channel of retailers. As 4G licenses were issued by the PRC government at the end of 2013, 4G telecommunications business was in rapid development thanks to the stimulation of the 4G-related industry and strategic policies for broadband services. In July 2014, 4G's market share exceeded 20%, and 4G handsets will be developing at a greater speed in the coming half-year period. The Ministry of Industry and Information Technology of the PRC first allowed virtual network operation business during the reporting period and trial operation already began for virtual operators.

BUSINESS REVIEW

Sales of mobile handsets by the Group were 5.10 million for the six months ended June 30, 2014, representing an increase of 0.72 million or approximately 16.28% from 4.38 million for the same period last year. Operating revenue for the first half of 2014 was RMB6,708.23 million, representing an increase of RMB795.73 million or 13.46% from RMB5,912.50 million for the same period last year. Net profit for the first half of 2014 was RMB131.97 million, representing an increase by RMB20.27 million or 18.15% from RMB111.70 million for the same period last year.

FINANCIAL POSITION AND OPERATING RESULTS

1. Overview

The reporting currency of the Group is RMB. For the six months ended June 30, 2014, the Group achieved the net profit of RMB131.97 million, which represented an increase of RMB20.27 million or 18.15% from RMB111.70 million for the same period in 2013. In particular, net profit attributable to owners of the Company of the period was RMB132.21 million, which represented an increase by RMB23.42 million or approximately 21.54% from RMB108.79 million for the same period in 2013.

2. Revenue

Total revenue of the Group for the six months ended June 30, 2014 amounted to RMB6,708.23 million, which represented an increase by RMB795.73 million or 13.46% from RMB5,912.50 million for the same period in 2013.

Set out in the table below is the information on operating revenue of the periods as indicated:

For the six months ended June 30, 2014

Items		1H2013 *RMB'000*	**1H2014** ***RMB'000***	Change *RMB'000*	Rate of Change
(1)	**Sales of mobile telecommunications devices and accessories**	5,611,411.94	**6,269,650.51**	658,238.57	11.73%
	Including: Sales from retail of mobile telecommunications devices and accessories	3,272,819.08	**3,502,352.69**	229,533.61	7.01%
	Sales of telecommunications devices and accessories to franchisees	825,191.26	**971,322.13**	146,130.87	17.71%
	Wholesale of mobile telecommunications devices and accessories	1,513,401.60	**1,795,975.69**	282,574.09	18.67%
(2)	**Service income from mobile carriers**	243,288.89	**374,385.78**	131,096.89	53.89%
(3)	**Other service fee income**	57,799.55	**64,194.29**	6,394.74	11.06%
Total		5,912,500.38	**6,708,230.58**	795,730.20	13.46%

Revenue of the Group mainly derived from the following three sectors:

(1) Sales of mobile telecommunications devices and accessories:

Sales of mobile telecommunications devices and accessories of the Group consist of sales from retail of mobile telecommunications and accessories through our independently operated outlets and online channels, sales of telecommunications devices and accessories to franchisees, and wholesale of mobile telecommunications devices and accessories.

The total revenue of the Group from retail of mobile telecommunications devices and accessories was RMB3,502.35 million during the six months ended June 30, 2014, representing an increase by RMB229.53 million or 7.01% from RMB3,272.82 million for the same period in 2013, which is attributable to (1) the increase in sales from retail of handsets of the Group by 0.21 million or 9.63% to 2.39 million during the six months ended June 30, 2014 as compared to 2.18 million for the same period in 2013; (2) the impact of changes in both domestic and overseas brand structures on the unit price for retail. The market share of local brands, which have lower unit prices of handsets than foreign brands, increased continuously and exceeded that of foreign brands in the first half of 2014, resulting in a lower average unit retail price of handsets. During the six months ended June 30, 2014, average unit retail price of the Group was RMB1,465.01, representing a decrease by RMB36.05 or 2.40% from RMB1,501.06 for the same period in 2013.

The total revenue of the Group from sales of telecommunications devices and accessories to franchisees was RMB971.32 million during the six months ended June 30, 2014, representing an increase by RMB146.13 million or 17.71% from

RMB825.19 million for the same period in 2013, which is attributable to (1) the increase in sales of telecommunications devices and accessories of the Group to franchisees by 0.21 million or approximately 23.17% to 1.14 million during the six months ended June 30, 2014 as compared to 0.93 million for the same period in 2013; (2) the impact of changes in both domestic and overseas brand structures on the unit price for sales of telecommunications devices and accessories to franchisees. The market share of local brands, which have lower unit prices of handsets than foreign brands, increased continuously and exceeded that of foreign brands in the six months ended June 30, 2014, resulting in a lower average unit price of telecommunications devices and accessories sold to franchisees. During the six months ended June 30, 2014, the average unit price of telecommunications devices and accessories of the Group sold to franchisees was RMB849.51, representing a decrease by RMB39.42 or 4.43% from RMB888.93 for the same period in 2013.

The total revenue of the Group from wholesale of mobile telecommunications devices and accessories was RMB1,795.98 million during the six months ended June 30, 2014, representing an increase by RMB282.58 million or 18.67% from RMB1,513.40 million for the same period in 2013, which is attributable to (1) the increase in wholesales of mobile telecommunications devices and accessories of the Group by 0.28 million or approximately 22.61% to 1.56 million during the six months ended June 30, 2014 as compared to 1.28 million for the same period in 2013; (2) the impact of changes in both domestic and overseas brand structures on the unit price for wholesales of mobile telecommunications devices and accessories. The market share of local brands, which have lower unit prices of handsets than foreign brands, increased continuously and exceeded foreign brands in the first half of 2014, resulting in a lower average unit price of wholesale mobile telecommunications devices and accessories. During the six months ended June 30, 2014, average unit price of wholesale mobile telecommunications devices and accessories of the Group was RMB1,147.73, representing a decrease by RMB38.13 or 3.22% from RMB1,185.86 for the same period in 2013.

(2) Service income from mobile carriers

The Group's total service income from mobile carriers was RMB374.39 million during the six months ended June 30, 2014, representing an increase by RMB131.10 million or 53.89% from RMB243.29 million for the same period in 2013. The high growth rate of service income from mobile carriers was mainly attributable to the increase in the sales of contract phones, which amounted to 1.16 million for the six months ended June 30, 2014, representing an increase by 0.40 million or approximately 52.66% from 0.76 million for the same period in 2013, which led to a significant increase in turnover data and talk-time usage fees.

(3) Other service fee income

The Group's total other service fee income was RMB64.19 million during the six months ended June 30, 2014, representing an increase by RMB6.39 million or 11.06% from RMB57.80 million for the same period in 2013, which is mainly attributable to the growth in revenue from value-added business by 14.60% for the six months ended June 30, 2014 as compared to the same period of 2013.

3. Costs

Our costs of sales primarily consist of the costs from sales of mobile telecommunications devices and accessories, sales from service income from mobile carriers and sales from other service fee income.

Set out in the table below is the information on the cost of sales of the periods as indicated:

For the six months ended June 30, 2014

Items		1H2013 *RMB'000*	**1H2014** ***RMB'000***	**Change** *RMB'000*	**Rate of Change**
(1)	**Sales of mobile telecommunications devices and accessories**	5,081,641.89	**5,733,126.62**	651,484.73	12.82%
	Including: Sales from retail of mobile telecommunications devices and accessories	2,798,873.85	**3,023,609.50**	224,735.65	8.03%
	Sales of telecommunications devices and accessories to franchisees	805,963.58	**951,157.86**	145,194.28	18.01%
	Wholesale of mobile telecommunications devices and accessories	1,476,804.46	**1,758,359.26**	281,554.80	19.07%
(2)	**Service income from mobile carriers**	39,032.44	**46,855.99**	7,823.55	20.04%
(3)	**Other service fee income**	7,949.92	**4,537.39**	–3,412.53	–42.93%
Total		5,128,624.25	**5,784,520.00**	655,895.75	12.79%

The total cost of sales was RMB5,784.52 million during the six months ended June 30, 2014, representing an increase by RMB655.90 million or 12.79% from RMB5,128.62 million for the same period last year, which is mainly attributable to the growth of revenue.

4. Gross profit and gross profit margin

Gross profit represents revenue net of cost of sales.

Set out in the table below is the information on the gross profit of the periods as indicated:

For the six months ended June 30, 2014

Items		1H2013 *RMB'000*	**1H2014** ***RMB'000***	Change *RMB'000*	Rate of Change
(1)	**Sales of mobile telecommunications devices and accessories**	529,770.05	**536,523.89**	6,753.84	1.27%
	Including: Sales from retail of mobile telecommunications devices and accessories	473,945.23	**478,743.19**	4,797.96	1.01%
	Sales of telecommunications devices and accessories to franchisees	19,227.68	**20,164.27**	936.59	4.87%
	Wholesale of mobile telecommunications devices and accessories	36,597.14	**37,616.43**	1,019.29	2.79%
(2)	**Service income from mobile carriers**	204,256.45	**327,529.79**	123,273.34	60.35%
(3)	**Other service fee income**	49,849.63	**59,656.90**	9,807.27	19.67%
Total		783,876.13	**923,710.58**	139,834.45	17.84%

Set out in the table below is the information on the gross profit margin of the periods as indicated:

For the six months ended June 30, 2014

Items		Gross profit margin for 1H2013	**Gross profit margin for 1H2014**
(1)	**Sales of mobile telecommunications devices and accessories**	9.44%	**8.56%**
	Including: Sales from retail of mobile telecommunications devices and accessories	14.48%	**13.67%**
	Sales of telecommunications devices and accessories to franchisees	2.33%	**2.08%**
	Wholesale of mobile telecommunications devices and accessories	2.42%	**2.09%**
(2)	**Service income from mobile carriers**	83.96%	**87.48%**
(3)	**Other service fee income**	86.25%	**92.93%**
Total gross profit margin		13.26%	**13.77%**

For the six months ended June 30, 2014, the total gross profit of the Group was RMB923.71 million, representing an increase by RMB139.83 million or 17.84% from RMB783.88 million for the same period in 2013. The gross profit margin of the Group increased from 13.26% in the six months ended June 30, 2013 to 13.77% in the six months ended June 30, 2014.

The gross profit from sales from retails of mobile telecommunications devices and accessories of the Group for the six months ended June 30, 2014 was RMB478.74 million, representing an increase by RMB4.79 million or 1.01% from RMB473.95 million for the same period in 2013. The gross profit margin of sales from retails of mobile telecommunications devices and accessories decreased from 14.48% in the six months ended June 30, 2013 to 13.67% in the six months ended June 30, 2014, which is mainly attributable to the higher increase in purchase costs than that in selling prices of smartphones and 3G and 4G handsets.

The gross profit from sales of telecommunications devices and accessories to franchisees for the six months ended June 30, 2014 was RMB20.16 million, representing an increase by RMB0.93 million or approximately 4.87% from RMB19.23 million for the same period in 2013. The gross profit margin of sales of telecommunications devices and accessories to franchisees decreased from 2.33% in the six months ended June 30, 2013 to 2.08% in the six months ended June 30, 2014. The Company made a mild reduction on its gross profit margin of sales to franchisees in order to increase its sales volumes with a view to obtaining products with greater competitiveness in terms of pricing from manufacturers.

The gross profit from wholesale of mobile telecommunications devices and accessories for the six months ended June 30, 2014 was RMB37.62 million, representing an increase by RMB1.02 million or 2.79% from RMB36.60 million for the same period in 2013. The gross profit margin of wholesale of mobile telecommunications devices and accessories decreased from 2.42% in the six months ended June 30, 2013 to 2.09% in the six months ended June 30, 2014. The decrease in gross profit margin of wholesale of mobile telecommunications devices and accessories was attributable to the same cause of changes in gross profit of sales to franchisees as stated above.

The gross profit from service from mobile carriers for the six months ended June 30, 2014 was RMB327.53 million, representing an increase by RMB123.27 million or 60.35% from RMB204.26 million for the same period in 2013. The gross profit margin of service from mobile carriers increased from 83.96% in the six months ended June 30, 2013 to 87.48% in the six months ended June 30, 2014. Service from mobile carriers tend to have a higher gross profit margin as a result of the lower costs of sales involved in this business. The increase in the gross profit margin of service from mobile carriers was attributable to the increase in the sales of contract phones by 52.66% during the six months ended June 30, 2014 from the same period of 2013, which led to a significant increase in turnover data and talk-time usage fee and in gross profit margin.

The gross profit from other service fee was RMB59.66 million in the six months ended June 30, 2014, representing an increase by RMB9.81 million or approximately 19.67% from RMB49.85 million for the same period in 2013. The gross profit margin from other service fee increased from 86.25% in the six months ended June 30, 2013 to 92.93% in the six months ended June 30, 2014. Other service fee has a higher gross profit margin as a result of the lower costs of sales involved in this business. The increase in the gross profit margin of other service fee was attributable to the growth of value-added businesses in the six months ended June 30, 2014 by 14.60% as compared to the same period of 2013.

5. Selling expenses

Items	Selling expenses		As a percentage		Change	Rate of change
	1H2013	**1H2014**	1H2013	**1H2014**		
	RMB'000	***RMB'000***			*RMB'000*	
Staff salaries	175,221.83	**197,243.82**	39.39%	**37.94%**	22,021.99	12.57%
Office expenses	10,347.41	**8,359.54**	2.33%	**1.61%**	–1,987.87	–19.21%
Travelling expenses	2,332.34	**2,988.21**	0.52%	**0.57%**	655.87	28.12%
Transportation expenses	7,603.98	**8,663.11**	1.71%	**1.67%**	1,059.13	13.93%
Business entertainment expenses	3,626.79	**2,952.85**	0.81%	**0.57%**	–673.94	–18.58%
Communication expenses	1,657.89	**2,065.54**	0.37%	**0.40%**	407.65	24.59%
Rentals and property management expenses	151,604.15	**179,156.54**	34.08%	**34.46%**	27,552.39	18.17%
Repair expenses	2,172.67	**5,929.14**	0.49%	**1.14%**	3,756.47	172.90%
Advertising and promotion expenses	36,818.64	**46,693.95**	8.28%	**8.98%**	9,875.31	26.82%
Depreciation expenses	2,328.41	**3,022.56**	0.52%	**0.58%**	694.15	29.81%
Amortization of long-term deferred expenses	22,013.69	**27,772.42**	4.95%	**5.34%**	5,758.73	26.16%
Amortization of low-cost consumables	2,176.38	**3,360.59**	0.49%	**0.65%**	1,184.21	54.41%
Market management fees	4,810.47	**5,184.81**	1.08%	**1.00%**	374.34	7.78%
Utilities	13,461.80	**15,205.34**	3.03%	**2.92%**	1,743.54	12.95%
Others	8,669.22	**11,295.90**	1.95%	**2.17%**	2,626.68	30.30%
Total	444,845.67	**519,894.32**	100.00%	**100.00%**	75,048.65	16.87%

Our selling expenses during the six months ended June 30, 2014 was RMB519.89 million, representing an increase by RMB75.04 million or 16.87% from RMB444.85 million in the six months ended June 30, 2013, which was mainly attributable to the growth of staff salaries, rentals and property management expenses, advertising and promotion expenses, and amortization of long-term deferred expenses.

Staff salaries increased from RMB175.22 million in the six months ended June 30, 2013 to RMB197.24 million in the six months ended June 30, 2014, representing an increase by RMB22.02 million or 12.57%. The increase was attributable to the increase in manpower in our marketing staff to meet the requirements of our business expansion, as well as the raise in the average salaries and benefits given to our marketing staff.

Rentals and property management expenses increased from RMB151.60 million in the six months ended June 30, 2013 to RMB179.16 million in the six months ended June 30, 2014, representing an increase by RMB27.56 million or 18.17%. The increase was attributable to the increased rentals of our new retail outlets and certain old outlets upon expiry, leading to the increase in our rentals and property management expenses.

Advertising and promotion expenses increased from RMB36.82 million in the six months ended June 30, 2013 to RMB46.69 million in the six months ended June 30, 2014, representing an increase by RMB9.87 million or approximately 26.82%. Our advertising and promotion expenses increased as a result of increased promotional campaigns held to raise our brand awareness.

Amortization of long-term deferred expenses increased from RMB22.01 million in the six months ended June 30, 2013 to RMB27.77 million in the six months ended June 30, 2014, representing an increase of RMB5.76 million or 26.16%. The increase was attributable to increased outlet renovation costs spent on our new retail outlets and old outlets.

6. Administrative Expenses

Items	Administrative Expenses		As a percentage		Change	Rate of change
	1H2013	**1H2014**	1H2013	**1H2014**		
	RMB'000	***RMB'000***			*RMB'000*	
Staff salaries	48,432.34	**66,982.47**	38.31%	**39.84%**	18,550.13	38.30%
Tax expenses	2,452.69	**3,535.24**	1.94%	**2.10%**	1,082.55	44.14%
Office expenses	11,010.20	**8,650.03**	8.71%	**5.15%**	–2,360.17	–21.44%
Depreciation expenses	4,500.00	**5,069.51**	3.56%	**3.02%**	569.51	12.66%
Amortization of intangible assets	258.02	**186.22**	0.21%	**0.11%**	–71.80	–27.83%
Amortization of long-term deferred expenses	1,507.54	**1,682.49**	1.19%	**1.00%**	174.95	11.60%
Amortization of low-cost consumables	1,434.74	**2,107.10**	1.13%	**1.25%**	672.36	46.86%
Travelling expenses	7,737.22	**7,902.96**	6.12%	**4.70%**	165.74	2.14%
Rental and property management fees	5,185.30	**6,559.93**	4.10%	**3.90%**	1,374.63	26.51%
Business entertainment expenses	6,632.51	**6,702.02**	5.25%	**3.99%**	69.51	1.05%
Communication expenses	1,539.79	**804.63**	1.22%	**0.48%**	–735.16	–47.74%
Agency fees	1,302.97	**27,024.59**	1.03%	**16.07%**	25,721.62	1974.08%
Transportation expenses	10,241.33	**9,699.95**	8.10%	**5.77%**	–541.38	–5.29%
Financial institution charges	19,276.34	**18,488.55**	15.25%	**11.00%**	–787.79	–4.09%
Others	4,900.28	**2,727.63**	3.88%	**1.62%**	–2,172.65	–44.34%
Total	126,411.27	**168,123.32**	100.00%	**100.00%**	41,712.05	33.00%

Our administrative expenses were RMB168.12 million in the six months ended June 30, 2014, representing an increase by RMB41.71 million or 33.00% from RMB126.41 million in the six months ended June 30, 2013, which was mainly attributable to the increase in staff salaries and agency fees.

Staff salaries increased from RMB48.43 million in the six months ended June 30, 2013 to RMB66.98 million in the six months ended June 30, 2014, representing an increase by RMB18.55 million or 38.30%. The increase was attributable to the increase in manpower in our managerial 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 managerial and administrative staff.

Agency fees increased from RMB1.30 million in the six months ended June 30, 2013 to RMB27.02 million in the six months ended June 30, 2014, representing an increase by RMB25.72 million or 1974.08%. Our agency fees increased as a result of the payments made to different agencies for our successful listing on The Stock Exchange of Hong Kong Limited.

7. Finance Costs

Items	1H2013 *RMB'000*	**1H2014** ***RMB'000***	**Change** ***RMB'000***	**Rate of Change**
Finance costs on interest expenses	48,649.59	**58,442.90**	9,793.31	20.13%

Finance costs (interest on bank loans wholly repayable within one year) increased from RMB48.65 million in the six months ended June 30, 2013 to RMB58.44 million in the six months ended June 30, 2014, representing an increase by RMB9.79 million or approximately 20.13%. The increase was mainly attributed to the increase in our short-term bank borrowings (one of the funding sources of the Company) from RMB1,475.42 million as at June 30, 2013 to RMB1,746.69 million as at June 30, 2014..

8. Other Expenses

Other expenses decreased from RMB24.88 million in the six months ended June 30, 2013 to RMB8.30 million in the six months ended June 30, 2014, representing a decrease by RMB16.58 million or approximately 66.63%, which is mainly attributable to the decrease in impairment loss on assets as shown in the following two aspects:

(1) Receivables (trade receivables and other receivables) increased by RMB103.64 million or 7.17% from December 31, 2013 to June 30, 2014, whereas the receivables as at June 30, 2013 increased by RMB236.03 million or 24.97% from December 31, 2012, resulting in a decrease in the loss on bad debts from our receivables.

(2) Inventory decreased by RMB40.85 million or 2.53% from December 31, 2013 to June 30, 2014, whereas inventory as at June 30, 2013 increased by RMB214.59 million or 17.14% from December 31, 2012, resulting in a decrease in allowance provided for inventory loss.

9. Income Tax Expenses

Income tax expenses increased from RMB40.53 million in the six months ended June 30, 2013 to RMB47.31 million in the six months ended June 30, 2014, representing an increase by RMB6.78 million or approximately 16.71%. The increase was mainly attributable to increased total profit before tax.

10. Profit for the period

For the six months ended June 30, 2014, the Group recorded net profit of RMB131.97 million, representing an increase by RMB20.27 million or 18.15% from RMB111.70 million for the same period in 2013. As a percentage over operating revenue, the net profit margin increased to 1.97% for the six months ended June 30, 2014 from 1.89% for the same period last year, mainly attributable to the increase in fees paid to partner mobile carriers.

11. Current assets and financial position

As at June 30, 2014, the Group had cash and cash equivalents in the amount of RMB985.38 million, representing an increase by RMB54.51 million or 5.86% as compared to RMB930.87 million as at June 30, 2013.

As at June 30, 2014, the Group had loans in the amount of RMB1,746.69 million, representing an increase by RMB271.27 million or 18.39% as compared to RMB1,475.42 million as at June 30, 2013. All loans were short-term.

12. Capital expenditures

For the six months ended June 30, 2014, the Group incurred capital expenditures in the amount of RMB36.79 million, mainly for the purpose of acquiring and constructing fixed assets and renovation of new outlets and old outlets.

13. Gearing ratio

As at June 30, 2014, the gearing ratio of the Group (calculated by net debt divided by net debt plus shareholders' equity multiplied by 100%) was 46.00%, as compared to 49.20% as at December 31, 2013. The repayment capacity of the Company was further strengthened.

14. Foreign exchange rate risks

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

15. Quick Ratio

As at June 30, 2014, the quick ratio of the Group (calculated by current assets divided by current liabilities) was 1.4, as compared to 1.4 as at December 31, 2013. Our quick ratio remained largely stable.

16. Capital

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

17. Material investments

No material investment was made by the Group for the six months ended June 30, 2014.

18. Material acquisition and disposal

The Group had no material acquisition and disposal for the six months ended June 30, 2014.

19. Contingent liabilities

The Group had no material contingent liabilities as at June 30, 2014.

20. Pledge of assets

As at June 30, 2014, a property of the Group located at East Floor B1, E Tower of New Age Plaza, Huaihe Road, Luyang District, Hefei City, Anhui Province with original value of RMB28.47 million and net value of RMB19.56 million was pledged by Beijing Shengduo Trading Ltd. (北京勝多商貿有限責任公司), a holding subsidiary of the Company, to secure its borrowings.

21. Future material investments

From the date of the announcement until December 31, 2014, the Group has no material investment plan.

BUSINESS OUTLOOK FOR THE SECOND HALF OF 2014

2014 saw a reclining trend in the number of new 3G users, in contrast to the increasing number of new 4G users. Some of our key tasks for the second half of the year are listed below with the aim of seizing the opportunities created by the rapid growth of 4G users in order to increase our sales and market share.

1. Develop our retail outlets and distribution network steadily by creating additional operating nodes in third-tier cities and below.

2. Further enhance our cooperation with three major mobile carriers, increase our sales efforts, and raise contract sales in absolute number and percentage. Establish stronger presence in the operating houses under the cooperation with mobile carriers in order to increase received fees and create values for the Company.

3. Streamline our organisational structure to reduce management cost. Promote resource integration and performance assessment so as to improve management efficiency and minimise management cost.

4. Refine the synergy of O2O sales and service provision to guarantee better customer satisfaction and insist on our full-hearted loyalty to customers. Increase the sales of peripheral accessories for smartphones to increase monetization from individual customers.

   (Definition of O2O: it refers to a business model or strategy under which retail services and customer experience are enhanced by the combination of online and offline services which consist of user participation, sales and marketing across online and offline platforms. For retailers' strategies from online to offline platforms, they offer organised services for users by combing services of physical outlets with online services to enhance customer loyalty. For strategies from offline to online platforms, services are provided to non-Internet users through physical outlets, which gradually guide them to online shopping to increase the potential market share.)

5. Introduce innovation to our profit model and identify undiscovered sources of profit growth. Make innovative moves for development such as expanding the scope covered by us in the industry chain. Pursue merger opportunities with businesses of other industries and conduct well-organised planning for taxation.

EMPLOYEES AND REMUNERATIONS POLICIES

As at June 30, 2014, the Group had 6,825 employees. Salary costs and employees' benefit expenses were approximately RMB264.23 million for the six months ended June 30, 2014. Remunerations for our 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.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the listing of the Company (after deducting underwriting fees and related expenses) amounted to approximately HKD840.22 million, which is intended to be used for the purposes as set forth in the Company's prospectus dated June 25, 2014. As at the date of this announcement of interim results, the proceeds raised have been used in reimbursing bank loans and replenishing operating capital of the Company.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended June 30, 2014.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code of corporate governance. Since the listing of the Company on July 8, 2014 up to the date of this announcement of interim results, the Company has complied with all the code provisions of the CG Code and adopted most of the best practices set out therein.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

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 since the listing of the Company on July 8, 2014 up to the date of this announcement of interim results.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2014 and up to the date of this announcement of interim results.

AUDIT COMMITTEE

The Board has established an audit committee which comprises independent non-executive Directors, namely Mr. Vincent Man Choi, Li (chairman) and Mr. Lv Tingjie and non-executive Director, namely Mr. Wang Lin.

The Audit Committee, together with management and external auditor, have reviewed the unaudited interim results of the Group for the six months ended June 30, 2014. The Audit Committee has also reviewed the effectiveness of the internal control system of the Company and considers the internal control system to be effective and adequate.

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 2014 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, 2014

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. WANG Lin; and the independent non-executive directors are Mr. LV Tingjie, Mr. LENG Rongquan and Mr. Vincent Man Choi, LI.