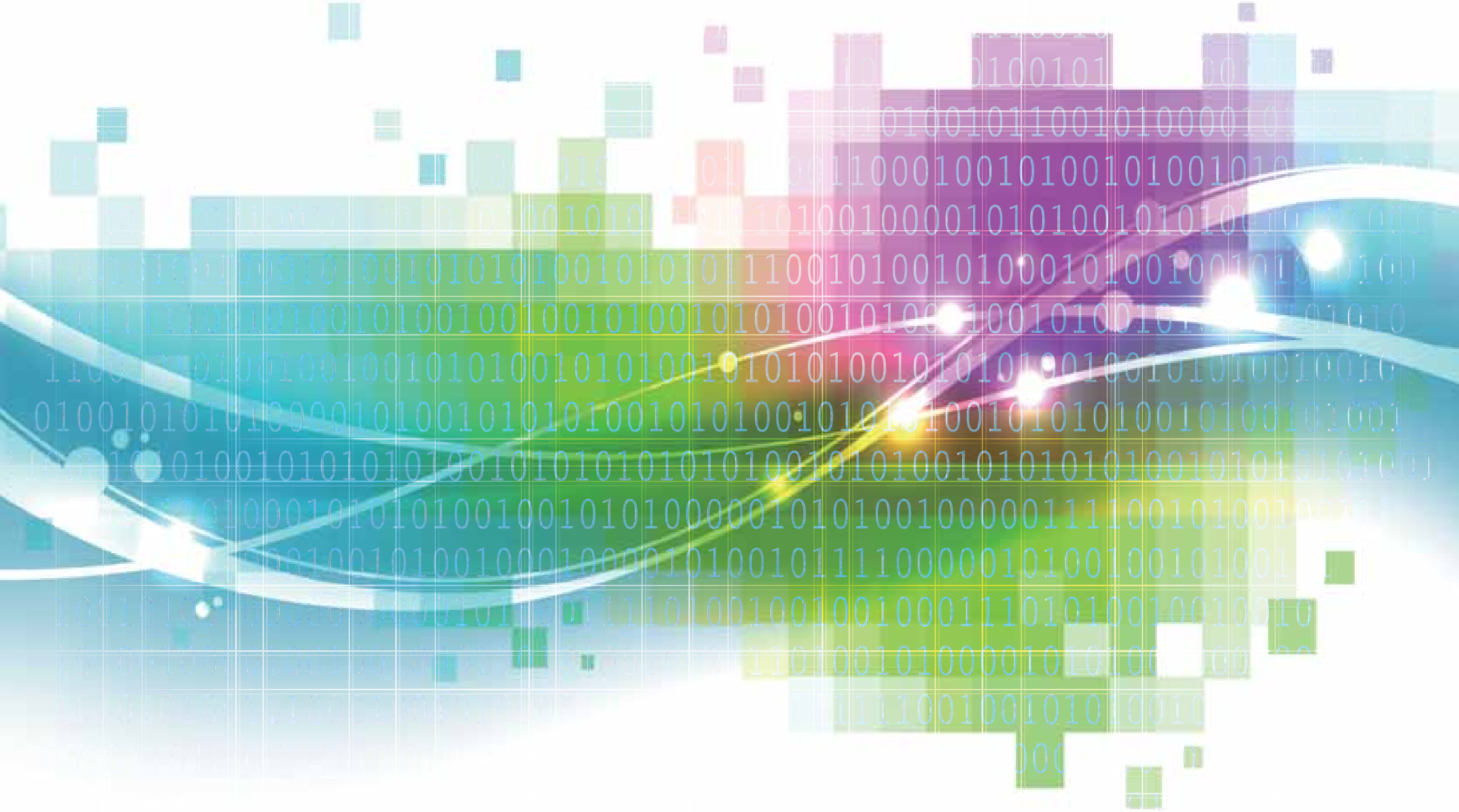
北京迪信通商貿股份有限公司
Beijing Digital Telecom Co., Ltd.

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
Stock Code : 06188



INTERIM REPORT 2017

Contents

COMPANY PROFILE

Beijing Digital Telecom Co., Ltd. (the "**Company**" or "**Beijing Digital**") was founded in 2001. As at 30 June 2017, the Company had 130 subsidiaries (collectively referred to as the "**Group**" or "**we**") and had opened more than 1,700 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 its business into Southeast Asian, Indian and African markets. Our business activities in oversea markets are gradually expanding and growing.

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Qi Xiangdong
Ms. Zhang Yunfei

Independent Non-executive Directors

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

SUPERVISORS

Ms. Wei Shuhui
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. Liu Songshan
Mr. Bian Yongzhuang

REMUNERATION AND ASSESSMENT COMMITTEE

Mr. Bian Yongzhuang *(Chairman)*
Ms. Zhang Yunfei
Mr. Vincent Man Choi, Li

STRATEGY COMMITTEE

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

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'S 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

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 HIGHLIGHTS

Items	For the first half ended 30 June **2017** **RMB’000**	 2016 RMB’000
Consolidated Statement of Profit or Loss		
Revenue	**7,691,322**	7,555,713
Gross Profit	**1,002,756**	916,470
Profit for the period	**150,174**	155,101
Attributable to:		
Owners of the parent	**149,539**	155,733
Non-controlling interests	**635**	(632)
Earning per share attributable to ordinary equity holders of the parent		
– Basic and diluted (RMB)	**0.22**	0.23
Total comprehensive income for the period	**147,794**	155,101
Attributable to:		
Owners of the parent	**147,159**	155,733
Non-controlling interests	**635**	(632)

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Consolidated Balance Sheet		
Non-current assets	**371,147**	308,809
Current assets	**7,689,724**	7,013,306
Total assets	**8,060,871**	7,322,115
Current liabilities	**4,127,775**	4,152,501
Total assets less current liabilities	**3,933,096**	3,169,614
Non-current liabilities	**595,832**	–
Net assets	**3,337,264**	3,169,614
Non-controlling interests	**80,461**	59,970
Share Capital	**666,667**	666,667
Other reserves	**2,590,136**	2,442,977
Equity attributable to owners of the parent	**3,256,803**	3,109,644

	For the first half ended 30 June 2017 RMB'000	2016 RMB'000
Consolidated Statement of Cash Flow		
Net cash flows (used in)/from operating activities	**(575,050)**	278,926
Net cash flows used in investment activities	**(197,125)**	(46,335)
Net cash flows from/(used in) financing activities	**458,416**	(298,740)
Net decrease in cash and cash equivalents	**(313,759)**	(66,149)
Cash and cash equivalents at beginning of the period	**784,756**	441,844
Effect of foreign exchange rate changes	**(495)**	–
Cash and cash equivalents at end of the period	**470,502**	375,695

I. BUSINESS REVIEW

For the six months ended 30 June 2017, the Group sold 5,095,860 sets of mobile phones, representing a decrease of 108,240 sets or 2.08% as compared with 5,204,100 sets for the same period of 2016. Operating revenue for the first half of 2017 amounted to RMB7,691,321,980, representing an increase of RMB135,609,080 or 1.79% from RMB7,555,712,900 for the same period of 2016. Net profit for the first half of 2017 amounted to RMB150,174,380, representing a decrease of RMB4,926,590 or 3.18% from RMB155,100,970 for the same period of 2016.

II. FINANCIAL POSITION AND OPERATING RESULTS

(i) Overview

For the six months ended 30 June 2017, the Group recorded a net profit of RMB150,174,380, representing a decrease of RMB4,926,590 or 3.18% from RMB155,100,970 for the same period of 2016. In particular, net profit attributable to equity owners of the Company for the period amounted to RMB149,539,400, representing a decrease of RMB6,194,010 or 3.98% from RMB155,733,410 for the same period of 2016.

(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			
	2016 RMB'000	**2017** **RMB'000**	**Change of amount** RMB'000	**Rate of change**
Operating revenue	7,555,712.90	**7,691,321.98**	135,609.08	1.79%
Cost of sales	(6,639,242.79)	**(6,688,565.98)**	(49,323.19)	0.74%
Gross profit	916,470.11	**1,002,756.00**	86,285.89	9.42%
Other income and gains	72,855.70	**28,855.68**	(44,000.02)	(60.39%)
Selling and distribution expenses	(556,114.65)	**(552,069.60)**	4,045.05	(0.73%)
Administrative expenses	(164,489.28)	**(160,621.21)**	3,868.07	(2.35%)
Other expenses	(23,758.88)	**(48,314.70)**	(24,555.82)	103.35%
Finance costs	(52,924.61)	**(85,436.58)**	(32,511.97)	61.43%
Investment gains	(545.97)	**784.99**	1,330.96	(243.78%)
Profit before tax	191,492.42	**185,954.58**	(5,537.84)	(2.89%)
Income tax expenses	(36,391.45)	**(35,780.20)**	611.25	(1.68%)
Total net profit for the year after taxation	155,100.97	**150,174.38**	(4,926.59)	(3.18%)
Net Profit attributable to the parent company	155,733.41	**149,539.40**	(6,194.01)	(3.98%)
Equity attributable to minority shareholders	(632.44)	**634.98**	1,267.42	(200.40%)

II. FINANCIAL POSITION AND OPERATING RESULTS *(Continued)*

(ii) Consolidated comprehensive income statement *(Continued)*

1. *Operating revenue*

For the six months ended 30 June 2017, operating revenue of the Group amounted to RMB7,691,321,980, representing an increase of RMB135,609,080 or 1.79% from RMB7,555,712,900 for the same period in 2016. Increase in revenue mainly resulted from an increase in income from sales of our franchise business which was mainly due to the increase in the number of franchisees. Our sales of mobile telecommunications devices and accessories included (i) sales of our retail business; (ii) sales of our franchised business; and (iii) sales of our wholesale business. Revenue from our retail business included revenue from sales of mobile telecommunications devices and accessories in our independently operated stores, 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					
	2016		**2017**		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**	7,231,062.68	95.71%	**7,362,789.02**	**95.73%**	131,726.34	1.82%
Including: Sales from retail of mobile telecommunications devices and accessories	4,119,784.91	54.53%	**4,123,597.58**	**53.62%**	3,812.67	0.09%
Sales of telecommunications devices and accessories to franchisees	1,210,555.49	16.02%	**1,365,307.06**	**17.75%**	154,751.57	12.78%
Wholesale of mobile telecommunications devices and accessories	1,900,722.28	25.16%	**1,873,884.38**	**24.36%**	(26,837.90)	(1.41%)
(2) **Service income from mobile carriers**	275,287.83	3.64%	**276,983.45**	**3.60%**	1,695.62	0.62%
(3) **Other service fee income**	49,362.39	0.65%	**51,549.51**	**0.67%**	2,187.12	4.43%
Total	7,555,712.90	100.00%	**7,691,321.98**	**100.00%**	135,609.08	1.79%

For the six months ended 30 June 2017, the Group's service income from mobile carriers amounted to RMB276,983,450, representing an increase of RMB1,695,620 or 0.62% from the service income from mobile carriers of RMB275,287,830 for the same period in 2016. The increase of the service income from mobile carriers was attributable to the improvement in the cooperation with the three major mobile carriers in 2017.

II. FINANCIAL POSITION AND OPERATING RESULTS *(Continued)*

(ii) Consolidated comprehensive income statement *(Continued)*

1. *Operating revenue (Continued)*

The following table sets forth our service income from each of the major mobile carriers for the first half of 2016 and the first half of 2017:

Item	For the six months ended 30 June					
	2016		**2017**		**Change of amount**	**Rate of change**
	RMB'000	% of total revenue	**RMB'000**	**% of total revenue**	RMB'000	
China Mobile	109,801.22	39.89%	**127,145.08**	**45.91%**	17,343.86	15.80%
China Unicom	46,638.87	16.94%	**24,826.25**	**8.96%**	(21,812.62)	(46.77%)
China Telecom	118,818.28	43.16%	**124,972.44**	**45.12%**	6,154.16	5.18%
Dixintong Telecommunications Services	29.46	0.01%	**39.68**	**0.01%**	10.22	34.69%
Total	275,287.83	100.00%	**276,983.45**	**100.00%**	1,695.62	0.62%

"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.

II. FINANCIAL POSITION AND OPERATING RESULTS *(Continued)*

(ii) Consolidated comprehensive income statement *(Continued)*

2. *Cost of sales*

For the six months ended 30 June 2017, the Group's cost of sales amounted to RMB6,688,565,980, representing an increase of RMB49,323,190 or 0.74% from the cost of sales of RMB6,639,242,790 for the same period in 2016, which was mainly due to the 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					
	2016		**2017**		**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	6,583,440.30	99.16%	**6,654,160.12**	**99.49%**	70,719.82	1.07%
Including: Sales from retail of mobile telecommunications devices and accessories	3,536,974.44	53.27%	**3,505,073.72**	**52.41%**	(31,900.71)	(0.90%)
Sales of telecommunications devices and accessories to franchisees	1,184,807.72	17.85%	**1,325,108.80**	**19.81%**	140,301.08	11.84%
Wholesale of mobile telecommunications devices and accessories	1,861,658.14	28.04%	**1,823,977.60**	**27.27%**	(37,680.54)	(2.02%)
(2) Service income from mobile carriers	54,181.71	0.82%	**32,913.27**	**0.49%**	(21,268.44)	(39.25%)
(3) Other service fee income	1,620.78	0.02%	**1,492.59**	**0.02%**	(128.19)	(7.91%)
Total	6,639,242.79	100.00%	**6,688,565.98**	**100.00%**	49,323.19	0.74%

II. FINANCIAL POSITION AND OPERATING RESULTS *(Continued)*

(ii) Consolidated comprehensive income statement *(Continued)*

3. *Gross profit and gross profit margin*

Gross profit represents operating revenue net of cost of sales. For the six months ended 30 June 2017, the Group's gross profit amounted to RMB1,002,756,000, representing an increase of RMB86,285,890 or 9.42%, from RMB916,470,110 for the same period in 2016. For the six months ended 30 June 2016 and 2017, our overall gross profit margins were 12.13% and 13.04%, respectively. Increase in our overall gross profit margin as compared with the same period of 2016 was primarily driven by an increase in gross profit margin for sales of mobile telecommunications devices and accessories. The increase in our gross profit margin for sales of mobiles telecommunications devices and accessories was primarily attributable to the increase in the sales portion of mobiles from domestic manufactures, which has higher gross profit margin.

Item	For the six months ended 30 June							
	2016			**2017**				
	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	647,622.38	70.66%	8.96%	**708,628.90**	**70.67%**	**9.62%**	61,006.52	9.42%
Including: Sales from retail of mobile telecommunications devices and accessories	582,810.47	63.59%	14.15%	**618,523.86**	**61.68%**	**15.00%**	35,713.39	6.13%
Sales of telecommunications devices and accessories to franchisees	25,747.77	2.81%	2.13%	**40,198.26**	**4.01%**	**2.94%**	14,450.49	56.12%
Wholesale of mobile telecommunications devices and accessories	39,064.14	4.26%	2.06%	**49,906.78**	**4.98%**	**2.66%**	10,842.64	27.76%
(2) Service income from mobile carriers	221,106.12	24.13%	80.32%	**244,070.18**	**24.34%**	**88.12%**	22,964.06	10.39%
(3) Other service fee income	47,741.61	5.21%	96.72%	**50,056.92**	**4.99%**	**97.10%**	2,315.31	4.85%
Total	916,470.11	100.00%	12.13%	**1,002,756.00**	**100.00%**	**13.04%**	86,285.89	9.42%

II. FINANCIAL POSITION AND OPERATING RESULTS *(Continued)*

(ii) Consolidated comprehensive income statement *(Continued)*

4. Sales volume and average selling price of mobile handsets

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

Item	For the six months ended 30 June			
	2016	**2017**	**Change of amount**	**Rate of change**
Sales of mobile handsets (in RMB thousands)	6,893,293.64	**7,114,118.51**	220,824.87	3.20%
Sales volume (in handsets)	5,204,102.00	**5,095,861.00**	(108,241.00)	(2.08%)
Average selling price (RMB/per handset)	1,324.59	**1,396.06**	71.47	5.40%

5. Other income and gains

Other income and gains include: (i) interest income; (ii) government grants; (iii) gain on disposal of a subsidiary; and (iv) others. For the six months ended 30 June 2017, the Group's other income and gains amounted to RMB28,855,680, representing a decrease of RMB44,000,020 or 60.39% from RMB72,855,700 for the same period in 2016. The decrease in other income and gains was primarily attributable to a decrease in both interest income and government grants for the first half of 2017.

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

Item	For the six months ended 30 June			
	2016 RMB'000	**2017 RMB'000**	**Change of amount** RMB'000	**Rate of change**
Interest income	11,022.40	**5,605.19**	(5,417.21)	(49.15%)
Government grants	59,705.68	**21,843.05**	(37,862.63)	(63.42%)
Gain on disposal of a subsidiary	1.14	**–**	(1.14)	(100.00%)
Others	2,126.48	**1,407.44**	(719.04)	(33.81%)
Total	72,855.70	**28,855.68**	(44,000.02)	(60.39%)

II. FINANCIAL POSITION AND OPERATING RESULTS *(Continued)*

(ii) Consolidated comprehensive income statement *(Continued)*

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
	2016	**2017**	2016	**2017**		
	RMB'000	**RMB'000**			RMB'000	
Staff salaries	217,790.17	**225,934.95**	39.17%	**40.93%**	8,144.78	3.74%
Office expenses	5,832.00	**6,029.57**	1.05%	**1.09%**	197.57	3.39%
Travelling expenses	3,828.99	**3,693.73**	0.69%	**0.67%**	(135.26)	(3.53%)
Transportation expenses	8,183.69	**8,121.32**	1.47%	**1.47%**	(62.37)	(0.76%)
Business entertainment expenses	2,009.73	**1,752.83**	0.36%	**0.32%**	(256.90)	(12.78%)
Communication expenses	1,590.18	**1,726.73**	0.29%	**0.31%**	136.55	8.59%
Rentals and property management expenses	191,594.74	**194,685.29**	34.45%	**35.26%**	3,090.55	1.61%
Repair expenses	2,353.45	**2,566.21**	0.42%	**0.46%**	212.76	9.04%
Advertising and promotion expenses	41,748.49	**41,749.28**	7.51%	**7.56%**	0.79	0.00%
Depreciation expenses	4,010.55	**3,806.02**	0.72%	**0.69%**	(204.53)	(5.10%)
Amortization of long-term deferred expenses	36,200.75	**22,640.78**	6.51%	**4.10%**	(13,559.97)	(37.46%)
Amortization of low-cost consumables	1,845.43	**1,673.55**	0.33%	**0.30%**	(171.88)	(9.31%)
Market management fees	10,662.12	**10,809.45**	1.92%	**1.96%**	147.33	1.38%
Utilities	16,205.17	**16,393.21**	2.91%	**2.97%**	188.04	1.16%
Others	12,259.19	**10,486.68**	2.20%	**1.90%**	(1,772.51)	(14.46%)
Total	556,114.65	**552,069.60**	100.00%	**100.00%**	(4,045.05)	(0.73%)

For the six months ended 30 June 2017, total selling and distribution expenses of the Group amounted to RMB552,069,600, representing a decrease of RMB4,045,050 or 0.73% from the total selling and distribution expenses of RMB556,114,650 for the same period in 2016, which was mainly due to the combined influence of a decrease in amortization of long-term deferred expenses and an increase in staff salaries.

For the six months ended 30 June 2017, total staff salaries of the Group amounted to RMB225,934,950, representing an increase of RMB8,144,780 or 3.74% from the total staff salaries of RMB217,790,170 for the same period in 2016. Such increase was attributable to the increase in the number of marketing staffs for our business expansion and development in the average salaries and benefits for them.

II. FINANCIAL POSITION AND OPERATING RESULTS *(Continued)*

(ii) Consolidated comprehensive income statement *(Continued)*

6. *Selling and distribution expenses (Continued)*

For the six months ended 30 June 2017, total amortization of long-term deferred expenses of the Group amounted to RMB22,640,780, representing a decrease of RMB13,559,970 or 37.46% from the total amortization of long-term deferred expenses of RMB36,200,750 for the same period in 2016. Such decrease was attributable to the increased decoration expenses assumed by the handsets manufacturers in line with the increased number of brand zones in our stores for them.

7. *Administrative expenses*

Item	For the six months ended 30 June					
	Administrative expenses		% of total expenses		Change of amount	Rate of change
	2016 RMB'000	**2017** **RMB'000**	2016	**2017**	RMB'000	
Staff salaries	73,777.44	**72,060.94**	44.85%	**44.86%**	(1,716.50)	(2.33%)
Tax expenses	3,809.70	–	2.32%	**0.00%**	(3,809.70)	(100.00%)
Office expenses	4,317.02	**4,258.97**	2.62%	**2.65%**	(58.05)	(1.34%)
Depreciation expenses	5,098.27	**6,351.34**	3.10%	**3.95%**	1,253.07	24.58%
Amortization of intangible assets	302.11	**290.46**	0.18%	**0.18%**	(11.65)	(3.86%)
Amortization of long-term deferred expenses	813.32	**747.98**	0.49%	**0.47%**	(65.34)	(8.03%)
Amortization of low-cost consumables	2,470.68	**2,236.98**	1.50%	**1.39%**	(233.70)	(9.46%)
Travelling expenses	7,393.72	**6,761.39**	4.49%	**4.21%**	(632.33)	(8.55%)
Rental and property management fees	7,266.84	**6,242.60**	4.42%	**3.89%**	(1,024.24)	(14.09%)
Business entertainment expenses	4,352.19	**3,627.06**	2.65%	**2.26%**	(725.13)	(16.66%)
Communication expenses	2,136.28	**1,878.68**	1.30%	**1.17%**	(257.60)	(12.06%)
Agency fees	13,845.12	**8,714.23**	8.42%	**5.43%**	(5,130.89)	(37.06%)
Transportation expenses	8,456.63	**6,782.56**	5.14%	**4.22%**	(1,674.07)	(19.80%)
Financial institution charges	20,824.48	**31,155.32**	12.66%	**19.40%**	10,330.84	49.61%
Others	9,625.48	**9,512.70**	5.86%	**5.92%**	(112.78)	(1.17%)
Total	164,489.28	**160,621.21**	100.00%	**100.00%**	(3,868.07)	(2.35%)

For the six months ended 30 June 2017, the Group's total administrative expenses amounted to RMB160,621,210, representing a decrease of RMB3,868,070 or 2.35% from RMB164,489,280 for the same period in 2016. Such decrease in administrative expenses was primarily attributable to the following fluctuations:

II. FINANCIAL POSITION AND OPERATING RESULTS *(Continued)*

(ii) Consolidated comprehensive income statement *(Continued)*

7. Administrative expenses (Continued)

For the six months ended 30 June 2017, the Group's total staff salaries amounted to RMB72,060,940, representing a decrease of RMB1,716,500, or 2.33% as compared to the total staff salaries of RMB73,777,440 for the corresponding period in 2016. The decrease was due to the reduction of the number of the back-office staff members.

For the six months ended 30 June 2017, the Group's total rents and property management fees amounted to RMB6,242,600, representing a decrease of RMB1,024,240, or 14.09% as compared to the total rents and property management fees of RMB7,266,840 for the corresponding period in 2016. The decrease was due to the rental reduction for the offices, as more branches of the Group shared the offices.

For the six months ended 30 June 2017, the Group's total agency fees amounted to RMB8,714,230, representing a decrease of RMB5,130,890, or 37.06% as compared to the total agency fee of RMB13,845,120 for the corresponding period in 2016. During the first half of 2016, the Group assumed a large amount of expenses for the consultations for the preparation of issuance of bonds and investment in Indian companies. In the first half of 2017, with the completion of issuance of bonds and great progress in the investment in Indian companies, the consultation fee sharply decreased.

For the six months ended 30 June 2017, the Group's total financial institution charges amounted to RMB31,155,320, representing an increase of RMB10,330,840 or 49.61% from RMB20,824,480 for the same period in 2016. The increase was mainly attributable to an increase in handling fee resulting from an upsurge in popularity of payment methods such as WeChat Payment and Alipay.

8. Finance costs

Item	**For the six months ended 30 June**			
	2016 RMB'000	**2017 RMB'000**	**Change of amount** RMB'000	**Rate of change**
Finance costs – interest expense	52,924.61	**85,436.58**	32,511.97	61.43%

For the six months ended 30 June 2017, the Group's total finance costs amounted to RMB85,436,580, representing an increase of RMB32,511,970 or 61.43% from RMB52,924,610 for the same period in 2016. Such increase in finance costs was primarily attributable to the increase in interest rate on the current short-term borrowings, increase in the current short-term borrowings and increase in interest payment for the bonds issued in the current period.

As of 30 June 2017, the Group had bank and other borrowings with fixed interest of RMB3,102,330,320.

II. FINANCIAL POSITION AND OPERATING RESULTS *(Continued)*

(ii) Consolidated comprehensive income statement *(Continued)*

9. *Other expenses*

Other expenses included impairment losses on assets, non-operating expenses and exchange losses. For the six months ended 30 June 2016 and 2017, our other expenses amounted to RMB23,758,880 and RMB48,314,700, respectively.

Item	For the six months ended 30 June			
	2016 RMB'000	**2017** **RMB'000**	**Change of amount** RMB'000	**Rate of change**
Impairment losses on assets	22,493.94	**43,171.41**	20,677.47	91.92%
Non-operating expenses	1,264.94	**4,076.37**	2,811.43	222.26%
Exchange losses	–	**1,066.92**	1,066.92	–
Total	23,758.88	**48,314.70**	24,555.82	103.35%

For the six months ended 30 June 2017, the Group's total other expenses amounted to RMB48,314,700, representing an increase of RMB24,555,820, or 103.35% from RMB23,758,880 for the same period in 2016, which was mainly attributable to an increase in impairment losses on assets resulting from an increase in balance of inventory, trade and other receivables for the current period. Loss from closure of unprofitable shops for the current period has increased our non-operating expenses.

10. *Income tax expense*

Our income tax expenses for the stated periods included PRC Enterprise Income Tax and deferred income tax for the year. The following table sets forth information relating to our income tax expenses for the periods indicated:

Item	For the six months ended 30 June			
	2016 RMB'000	**2017** **RMB'000**	**Change of amount** RMB'000	**Rate of change**
Current tax:				
Income tax in the PRC for the year	16,513.40	**36,362.04**	19,848.64	120.20%
Deferred tax	19,878.05	**(581.84)**	(20,459.89)	(102.93%)
Total	36,391.45	**35,780.20**	(611.25)	(1.68%)

For the six months ended 30 June 2017, the Group's total income tax amounted to RMB35,780,200, representing a decrease of RMB611,250 or 1.68% as compared with RMB36,391,450 for the same period of 2016. Such decrease was primarily attributable to a decrease in profit before tax.

II. FINANCIAL POSITION AND OPERATING RESULTS *(Continued)*

(ii) Consolidated comprehensive income statement *(Continued)*

11. Indebtedness – bank and other borrowings

As of 30 June 2017, our bank borrowings were primarily short term in nature, repayable within one year, and other borrowings repayable within three years. The following table sets forth our outstanding borrowing as of the dates indicated:

	31 December 2016 RMB'000	**30 June 2017 RMB'000**
Bank loans:		
Unsecured, repayable within one year	1,598,473.59	**871,000.00**
Secured, repayable within one year	1,409,928.95	**2,223,498.51**
Current portion of long term bank loans – unsecured	48,000.00	**47,000.00**
	3,056,402.54	**3,141,498.51**
Corporate bond:		
Non-current portion	–	**595,831.81**
	3,056,402.54	**3,737,330.32**
The bank loans bear interest at rates per annum in the range of	2.50% – 6.40%	**0.79% – 6.90%**

For the six months ended 30 June 2017, 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 and other borrowings as of 30 June 2017 amounted to RMB3,737,330,320, representing an increase of RMB680,927,780 or 22.27% from RMB3,056,402,540 as of 31 December 2016. Such increase was primarily due to the enhanced financing demands resulted from the development of our business.

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 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.

On 5 April 2017, we issued a corporate bond with a maturity of three years in an aggregate amount of RMB600,000,000, which bear interest at 7.50% per annum. The interest is payable annually in arrears and the maturity date is 5 April 2020.

II. FINANCIAL POSITION AND OPERATING RESULTS *(Continued)*

(ii) Consolidated comprehensive income statement *(Continued)*

11. Indebtedness – bank and other borrowings (Continued)

Our Directors confirmed that for the six months ended 30 June 2017 and up to the date of this 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 2017, being the latest practicable date for our indebtedness statement.

(iii) Current assets and financial position

As of 30 June 2017, the Group had cash and cash equivalents in an amount of RMB470,502,110, representing a decrease of RMB314,253,150 or 40.04% as compared to RMB784,755,260 as of 31 December 2016.

As of 30 June 2017, the Group had bank and other borrowings in an amount of RMB3,737,330,320, representing an increase of RMB680,927,780 or 22.27% as compared to RMB3,056,402,540 as of 31 December 2016.

(iv) Capital expenditure

For the six months ended 30 June 2017, the Group's capital expenditure amounted to RMB19,798,520, 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.

II. FINANCIAL POSITION AND OPERATING RESULTS *(Continued)*

(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 2017 and 2016, as well as balances with related parties as at 30 June 2017 and 31 December 2016:

		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
Associates:					
Shenzhen Dixinjuhe Communications	**2017**	**–**	**13,274.62**	**–**	**16,901.63**
Co., Ltd.[1]	2016	2,198.00	–	–	1,830.58
Shanxi Hartcourt Intermediation	**2017**	**–**	**–**	**–**	**666.60**
Information Technology Co., Ltd [2]	2016	–	–	–	666.60
Shanghai Diju Information	**2017**	**19,965.85**	**–**	**15,625.93**	**–**
Technology Co., Ltd. [3]	2016	–	–	–	–
Joint ventures:					
Hollard-D.Phone (Beijing)	**2017**	**–**	**13,692.94**	**4,782.07**	**83.94**
Technology Development Co., Ltd.[4]	2016	–	29,825.00	49.95	6,264.10
Guangzhou Zhongqi Energy	**2017**	**28,021.57**	**5,022.34**	**26,890.50**	**972.77**
Technology Limited Company [4]	2016	–	–	7,919.31	–
Fellow subsidiary:					
Beijing Dphone Communication	**2017**	**91.33**	**–**	**4,239.34**	**136.41**
Services Co., Ltd.[5]	2016	63.00	–	4,806.47	87.60
A company significantly influenced by the controlling shareholders					
Beijing Tianxingyuanjing Technology	**2017**	**2,267.31**	**–**	**586.84**	**–**
Development Co., Ltd.[6]	2016	3,774.00	41.00	728.55	–

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

2 The investment in the associated venture entity, Shanxi Hartcourt Intermediation Information Technology Co., Ltd. is directly held by Shanghai Dixin Electronic Communication Technology Co., Ltd. which is a subsidiary of the Group.

3 The investment in the associated venture entity, Shanghai Diju Information Technology Co., Ltd. is directly held by Shanghai Chuanda Communication Technology Co., Ltd. which is a subsidiary of the Group.

4 The investments in the joint venture entities, Hollard-D.Phone (Beijing) Technology Development Co., Ltd. and Guangzhou Zhongqi Energy Technology Co., Ltd are directly held by the Company.

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

6 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.

The Board is of opinion that such related party transactions were based on normal commercial terms and conducted on an arm's length basis.

II. FINANCIAL POSITION AND OPERATING RESULTS *(Continued)*

(vi) Key financial ratios

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

Item	31 December 2016	**30 June 2017**	**Change**	**Rate of change**
Current ratio	1.69	**1.86**	0.17	10.06%
Gearing ratio	41.75%	**49.47%**	7.72%	18.49%
Net debt-to-equity ratio	71.67%	**97.89%**	26.22%	36.58%

Current ratio is calculated by our current assets divided by our current liabilities at the end of each financial period. Our current ratio was 1.86 as at 30 June 2017, representing an increase of 0.17, or 10.06%, as compared to 1.69 as at 31 December 2016.

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 and other borrowings, less cash and cash equivalents. As of 30 June 2017, our gearing ratio increased by 7.72 percentage points from 41.75% as of 31 December 2016 to 49.47%, representing an increase of 18.49%, which was mainly due to the successful issuance of corporate bonds by the Company in the first half of 2017.

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 increased by 26.22 percentage points from 71.67% as of 31 December 2016 to the net debt-to-equity ratio of 97.89% as of 30 June 2017, representing an increase of 36.58%, which was mainly due to the successful issuance of bonds in the first half of 2017.

(vii) Material acquisitions and disposals

For details of the Group's material acquisitions for the six months ended 30 June 2017, please refer to sub-section headed "(xii) Material Investments" in this section.

(viii) Contingent liabilities

As of 30 June 2017, the Group had no material contingent liabilities.

II. FINANCIAL POSITION AND OPERATING RESULTS *(Continued)*

(ix) Use of proceeds

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 2017:

Account holder	**Banker**	**Account number**	**Balance** HK$'000
Beijing Digital Telecom Co., Ltd.	Standard Chartered Bank (Hong Kong) Limited	44717867377	6,979.01

As of 30 June 2017, HK$876,356,080 out of the net proceeds had been utilized. As of 30 June 2017, the balance of the special account for raised proceeds amounted to HK$6,979,010 (including interest accruing on the special account of HK$10,370).

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.

II. FINANCIAL POSITION AND OPERATING RESULTS *(Continued)*

(ix) Use of proceeds *(Continued)*

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 2017 are set out in the following table:

Item	Amount paid HK$'000	Percentage
Expansion of retail and distribution network	472,414.94	53.91%
Repayment of bank borrowings	118,703.28	13.54%
Upgrade of information system to further improve management capability	55,584.09	6.34%
Upgrade of existing outlets and establishment of new call centers and new after-sales services system in the PRC	34,472.32	3.93%
Undertaking multi-functional mobile internet projects	44,060.18	5.03%
Working capital and other general corporate purpose	79,457.73	9.07%
Payment of listing agency fees	71,663.54	8.18%
Total	876,356.08	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

For the six months ended 30 June 2017, the Group did not have any charge on assets.

(xii) Material investments

For the six months ended 30 June 2017, the Group did not have any material investment.

II. FINANCIAL POSITION AND OPERATING RESULTS *(Continued)*

(xiii) Equity arrangements

For the six months ended 30 June 2017, no equity subscription was conducted by the Group. As of the date of this 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

On 17 April, 2017, a resolution relating to "The Formation of a Wholly-owned Subsidiary, Guangzhou Dichengtong Internet Micro Loan Co., Ltd. (廣州市迪誠通網絡小額貸款有限公司) (hereinafter referred as "**Dicheng Micro Loan**")" was considered and approved at the 27th meeting of the second session of the Board of the Company. The registered capital of Dicheng Micro Loan will be RMB300 million and the principal business of the company is to provide small loans including consumer loans, supply chain financing, and lines of credit. The potential clients will mainly be the end consumers within the Beijing Digital's chain ecosystem for mobile handsets, the staff members of Beijing Digital and small and medium enterprises. The registered capital of Dicheng Micro Loan was funded from the Group's internal resources.

(xvi) Employees and remunerations policies

As of 30 June 2017, the Group had 7,354 employees. Salary costs and employees' benefit expenses of the Group were approximately RMB297,995,890 for the six months ended 30 June 2017. Remunerations for the Company's 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.

III. BUSINESS OUTLOOK FOR THE SECOND HALF OF 2017

For the year of 2017, 4G communication market will substantially be stable. While attracting new customers, the carriers will also put more focus on retaining their existing customers. Domestic handset manufacturers increasingly value the importance of opening physical outlets and the competition among various brands has become keener. Facing such changes in the market, we have to enhance the Company's performances with the focus on the following aspects:

(1) To prioritize the improvement on the profitability of the physical retail outlets

On the one hand, we shall increase the profitability in existing outlets by provision of training to our staff members, negotiation for rent reduction with the landlords and cooperation with the manufacturers. On the other hand, we shall open more self-owned shops in suitable cities at county level in order to increase our market shares.

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

In 2017, we shall take advantage of the competitive edges of our extensive geographical coverage to generate more business to our physical outlets by using such online resources as our official website, mobile stores, credit card shopping, television shopping channels and Tmall's flagship stores to realize the synergy effect of OTO.

III. BUSINESS OUTLOOK FOR THE SECOND HALF OF 2017 *(Continued)*

(3) To enhance our cooperation with three major mobile carriers on product supply and expand into a new market

On the one hand, we shall jointly operate our outlets with the mobile carriers, and on the other hand, take advantage of the business opportunities brought by the growth of 4G business to increase our supply to the mobile carriers. Through our mobile points of sale, we shall go to the communities and enter wholesale market to conclude more contracts with potential customers, sell more mobile handsets and accessories and provide more communication services for the convenience of the public.

To support China Mobile Group's "IOT" (Internet of Things) strategy, we shall vigorously develop and apply new business and expand the sale of unmanned flying vehicles and other services.

(4) To continue enhancing our brand value

In 2017, with reliance on the sales and distribution ability of the network of our own self-owned shops and franchisees, we shall vigorously develop our own brands in order to realize the growth in scale and efficiency.

(5) To improve our services and increase the influence of our brand

In 2016, we introduced customer service hotline to help our end users to solve the problems they might face. Our concept of "full-hearted loyalty" has been well received by our customers and has accumulated a large number of fans of Beijing Digital. In 2017, 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 continue expanding into oversea retail markets of mobile handsets

In 2016, the Group commenced the preparation of entering to India market and cooperated with Transsion to expand into African market. During the first half of 2017, we performed well in African market and steady growth is expected for the second half of 2017.

(7) To introduce revolutionary retail concept in the mobile telecommunications devices industry by providing customers new shopping experience

During the first half of 2017, we opened the brand new D. Phone UP+ stores in a number of cities, such as Beijing and Shanghai. Unlike the traditional retail stores, the new concept stores provide customers unrivaled shopping experience through innovative, personalized and ingenious intelligent products as well as cozy interior design for interaction.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2017.

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

As at 30 June 2017, the interests and short positions of the directors of the Company (the "**Directors**"), the supervisors of the Company (the "**Supervisors**") and chief executives of the Company (the "**Chief Executives**") 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 to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, 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	Nature of Interests	Number of shares/ underlying shares held (long position/ short position/ lending pool)	Percentage of the relevant class of share capital (%) (note 1)	Percentage of the total share capital (%) (note 1)
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 Liu Yongmei respectively hold 34.89%, 5.13%, 52.33%, 2.52% and 5.13% interests 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% interests in Digital Science & Technology. Accordingly, pursuant to the SFO, 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 Di Er Tong.

   Liu Hua resigned as Executive Director on 28 July 2017.

3. Beijing Rong Feng Tai Management and Consulting Company Limited (北京融豐泰管理諮詢有限公司) ("**Rong Feng Tai**") directly holds 7,500,000 Domestic shares of the Company, and Liu Wencui holds 66.27% interests in Rong Feng Tai. Accordingly, pursuant to the SFO, Liu Wencui is deemed to be interested in 7,500,000 Domestic shares held by Rong Feng Tai.

Save as disclosed above, as of 30 June 2017, none of the Directors, the Supervisors and the Chief Executives 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) which were required to be notified to the Company and 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 under such provisions of the SFO), or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Codes.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 June 2017, to the knowledge of the Directors, the following persons (other than the Directors, the Supervisors and the Chief Executives) had interests or short positions in the shares and underlying shares of the Company which fell to be noticed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Director	Type of Share	Nature of Interests	Number of shares/ underlying shares held (long position/ short position/ lending pool)	Percentage of the relevant class of share capital (%) (note 1)	Percentage of the total share capital (%) (note 1)
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 (long position)	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
Lenovo Group Limited	H Shares	Beneficial owner	32,435,500 (long position)	9.86	4.87
Digital China Group Co., Ltd. ("**Digital China Group**") (note 3)	H Shares	Interest of controlled corporation	158,350,000 (long position)	48.14	23.75
Digital China (China) Limited ("**Digital China (China)**") (note 3)	H Shares	Interest of controlled corporation	158,350,000 (long position)	48.14	23.75
Digital China (HK) Limited ("**Digital China**") (note 3)	H Shares	Beneficial owner	158,350,000 (long position)	48.14	23.75

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 the SFO, 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. Digital China directly holds 158,350,000 H Shares of the Company, and Digital China Group holds 100% interests of Digital China through Digital China (China), its wholly-owned subsidiary. Accordingly, pursuant to the SFO, Digital China Group and Digital China (China) are deemed to be interested in 158,350,000 H Shares held by Digital China.

Save as disclosed above, as of 30 June 2017, there is no other person (other than the Directors, the Supervisors and the Chief Executives) to the Directors' knowledge who has interests or short positions in the shares or underlying shares of the Company which fell to be noticed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or 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 report, at no time during the six months ended 30 June 2017 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 2017, save as disclosed in this 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 2017.

During the six months ended 30 June 2017, 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 THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2017, neither the Company nor its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

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

The Audit Committee, together with the management of the Company and the external auditor, has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2017.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS AND SUPERVISORS

Ms. Xiao Hong resigned as an employee representative Supervisor of the Company with effect from 6 June 2017. On the same day, Mr. Hu Yuzhong and Mr. Li Wanlin were appointed as shareholder representative Supervisors of the Company and Ms.Wei Shuhui was appointed as an employee representative Supervisor and the Chairwoman of the Board of Supervisors. For details, please refer to the announcements dated 30 March 2017 and 6 June 2017 and the circular of the Company dated 20 April 2017.

Ms. Liu Hua resigned as Executive Director and a member of Remuneration and Assessment Committee of the Company due to personal development reason with effect from 28 July 2017. Ms. Zhang Yunfei was appointed as Non-executive Director and a member of Remuneration and Assessment Committee of the Company on the same day. For details, please refer to the announcements dated 6 July 2017 and 28 July 2017 and the circular of the Company dated 13 July 2017. Save as disclosed above, the Directors and the Supervisors have confirmed that there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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 2017 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. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

30 August 2017

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

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June **2017** **Unaudited** **RMB'000**	 2016 Unaudited RMB'000
Revenue	4	**7,691,322**	7,555,713
Cost of sales		**(6,688,566)**	(6,639,243)
Gross profit		**1,002,756**	916,470
Other income and gains	4	**28,855**	72,856
Selling and distribution costs		**(552,070)**	(556,115)
Administrative expenses		**(160,621)**	(164,489)
Other expenses		**(48,314)**	(23,759)
Finance costs		**(85,437)**	(52,925)
Share of profits/(losses) of associates and joint ventures		**785**	(546)
Profit before tax	5	**185,954**	191,492
Income tax expense	6	**(35,780)**	(36,391)
PROFIT FOR THE PERIOD		**150,174**	155,101
Attributable to:			
Owners of the parent		**149,539**	155,733
Non-controlling interests		**635**	(632)
		150,174	155,101
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	7	**0.22**	0.23

	Notes	For the six months ended 30 June 2017 Unaudited RMB'000	2016 Unaudited RMB'000
PROFIT FOR THE PERIOD		**150,174**	155,101
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Share of other comprehensive loss of a joint venture		**(2,380)**	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**(2,380)**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**147,794**	155,101
Attributable to:			
Owners of the parent		**147,159**	155,733
Non-controlling interests		**635**	(632)
		147,794	155,101

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

	Notes	**30 June 2017 Unaudited RMB'000**	31 December 2016 Audited Restated RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	**143,077**	157,538
Goodwill		**57,476**	57,476
Other intangible assets		**563**	853
Investment in joint ventures		**69,734**	31,806
Investments in associates		**12,829**	8,077
Available-for-sale investments		**15,075**	15,075
Deferred tax assets		**38,566**	37,984
Loan receivable		**33,827**	–
Total non-current assets		**371,147**	308,809
CURRENT ASSETS			
Inventories	9	**2,379,606**	2,175,649
Properties under development		**365,062**	316,156
Trade receivables	10	**2,012,961**	1,772,276
Prepayments, deposits and other receivables		**1,446,278**	1,135,598
Due from related parties		**52,124**	13,504
Pledged deposits	11	**963,191**	815,367
Cash and cash equivalents	11	**470,502**	784,756
Total current assets		**7,689,724**	7,013,306
CURRENT LIABILITIES			
Interest-bearing bank borrowings	12	**3,141,498**	3,056,403
Trade and bills payable	13	**282,910**	443,240
Other payables and accruals		**429,468**	405,003
Due to related parties		**18,761**	8,848
Tax payable		**255,138**	239,007
Total current liabilities		**4,127,775**	4,152,501
NET CURRENT ASSETS		**3,561,949**	2,860,805
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,933,096**	3,169,614
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	**595,832**	–
NET ASSETS		**3,337,264**	3,169,614

30 June 2017

	Notes	**30 June 2017 Unaudited RMB'000**	31 December 2016 Audited Restated RMB'000
EQUITY			
Equity attributable to owners of the parent:			
Issued capital	14	**666,667**	666,667
Reserves		**2,590,136**	2,442,977
		3,256,803	3,109,644
Non-controlling interests		**80,461**	59,970
Total equity		**3,337,264**	3,169,614

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the parent							
	Issued capital RMB'000	Capital reserve RMB'000	Statutory reserve funds RMB'000	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Six months ended 30 June 2017:								
As at 31 December 2016 (as previously reported)	666,667	524,953	211,419	1,706,657	–	3,109,696	59,983	3,169,679
Retrospective adjustments of business combination under common control (note 2.3)	–	–	(7)	(45)	–	(52)	(13)	(65)
As at 31 December 2016 (as restated)	666,667	524,953	211,412	1,706,612	–	3,109,644	59,970	3,169,614
Profit for the period	–	–	–	149,539	–	149,539	635	150,174
Other comprehensive income for the period:								
Share of other comprehensive loss of a joint venture	–	–	–	–	(2,380)	(2,380)	–	(2,380)
Total comprehensive income for the period	–	–	–	149,539	(2,380)	147,159	635	147,794
Capital contribution by non-controlling shareholders	–	–	–	–	–	–	19,856	19,856
As at 30 June 2017 (Unaudited)	666,667	524,953	211,412	1,856,151	(2,380)	3,256,803	80,461	3,337,264

* As stated in note 2.3, in February 2017, the Group completed the acquisition of Beijing Dixin Alliance Technology Co., Ltd. which has been accounted for as business combination under common control.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**185,954**	191,492
Adjustments for:		
Finance costs	**85,437**	52,925
Interest Income from loan receivable and others	**(1,555)**	–
Share of losses/(profits) of joint ventures and associates	**(785)**	546
Provision for impairment of trade receivables	**11,987**	292
Provision for impairment of due from related parties	**1,928**	–
Provision for impairment of other receivables	**2,571**	50
Provision for impairment of inventories	**26,686**	22,152
Depreciation	**33,547**	46,122
Amortisation of intangible assets	**290**	302
Gain on disposal of a subsidiary	**–**	(1)
Loss on disposal of property, plant and equipment	**683**	1,109
Exchange differences on translation of foreign operations	**495**	–
Decrease/(Increase)in trade receivables	**(252,672)**	18,542
Increase in prepayments, deposits and other receivables	**(209,142)**	(64,050)
Decrease/(Increase) in inventories	**(230,643)**	188,923
Increase in properties under development	**(48,906)**	(25,468)
Decrease in trade and bills payable	**(160,330)**	(104,417)
Decrease/(Increase) in other payables and accruals	**30,271**	(51,321)
Increase in due from related parties	**(40,548)**	(5,571)
Increase in due to related parties	**9,913**	24,450
Cash generated from/(used in) operations	**(554,819)**	296,077
Income tax paid	**(20,231)**	(17,151)
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES	**(575,050)**	278,926

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of a subsidiary	**–**	(98)
Purchases of items of property, plant and equipment	**(19,798)**	(45,570)
Purchases of items of other intangible assets	**–**	(667)
Proceeds from sale of property, plant and equipment	**29**	–
Acquisition of interests of an associate and a joint venture	**(23,177)**	–
Advances of loans to associates	**(19,329)**	–
Interest received	**150**	–
Purchase of a financial product by bank	**(135,000)**	–
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(197,125)**	(46,335)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of bonds	**595,500**	–
New bank loans	**3,655,243**	3,364,251
Capital contribution from non-controlling shareholders	**–**	14,100
Decrease/(Increase) in pledged deposits	**(147,824)**	292,935
Repayment of bank loans	**(3,570,148)**	(3,917,101)
Interest paid	**(74,355)**	(52,925)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	**458,416**	(298,740)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(313,759)**	(66,149)
Cash and cash equivalents at beginning of period	**784,756**	441,844
Effect of foreign exchange rate changes, net	**(495)**	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**470,502**	375,695

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.

The Group is principally engaged in the sale of mobile telecommunications devices and accessories and the provision of related services.

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

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

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2017 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 for the year ended 31 December 2016.

The interim condensed consolidated financial statements have been prepared under the historical cost convention. The interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 Revised 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 2016, except for the adoption of revised standards effective as of 1 January 2017. 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 amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group. The nature and the impact of each amendment are described below:

2. BASIS OF PRESENTATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(Continued)*

2.2 Revised standards, interpretations and amendments adopted by the Group *(Continued)*

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ending 31 December 2017.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments retrospectively. However, their application has had no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvements Cycle 2014-2016

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The amendments have had no significant impact on the Group as the Group has no interest in entities classified as held for sale.

2. BASIS OF PRESENTATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(Continued)*

2.3 Restatement of prior year financial statements as a result of business combination for the entity under common control

In February 2017, the Company completed the acquisition of 80% equity interest in Beijing Dixin Alliance Technology Co., Ltd. ("Alliance"), which was incorporated on 1 September 2016, at nil purchase consideration. After the completion of the acquisition, Alliance was accounted for as a subsidiary of the Group. Since the Company and Alliance were under common control of the ultimate controlling shareholders of the Company before and after the completion of the aforesaid acquisition, the business combination of Alliance has been accounted for under the pooling of interests method.

Business combinations arising from transfers of interests in entities that are under the control of the ultimate shareholders that controls the Group are accounted for as if the acquisitions had occurred at the beginning of the earliest date presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the acquired entities' financial statements.

Upon transfer of interest in an entity to another entity that is under the control of the ultimate shareholder that controls the Group, any difference between the Group's interest in the carrying value of the assets and liabilities and the cost of transfer of interest in the entity is recognised directly in equity.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full on consolidation.

The opening balances as at 1 January 2017 and comparative information as at 31 December 2016 have been restated in the interim condensed consolidated financial statements.

2. BASIS OF PRESENTATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(Continued)*

2.3 Restatement of prior year financial statements as a result of business combination for the entity under common control *(Continued)*

Restated consolidated statement of financial position as at 31 December 2016:

	As previously reported RMB'000	Effect of prior year adjustments RMB'000	As restated RMB'000
Total non-current assets	308,809	–	308,809
Total current assets	7,011,502	1,804	7,013,306
Total current liabilities	4,150,632	1,869	4,152,501
Equity attributable to owners of the parent	3,109,696	(52)	3,109,644
Non-controlling interests	59,983	(13)	59,970
Total equity	3,169,679	(65)	3,169,614

Details of the restated consolidated statement of financial position as at 31 December 2016 includes the following:

	As previously reported RMB'000	Effect of prior year adjustments RMB'000	As restated RMB'000
Current assets			
Inventories	2,175,606	43	2,175,649
Trade receivables	1,772,260	16	1,772,276
Prepayments, deposits and other receivables	1,135,447	151	1,135,598
Due from related parties	13,582	(78)	13,504
Cash and cash equivalents	783,084	1,672	784,756
Current liabilities			
Other payables and accruals	403,134	1,869	405,003

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 June 2017 and 2016, respectively.

For the six months ended 30 June 2017	Mobile telecommunication devices RMB'000	Real estates RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	7,691,322	–	7,691,322
Total revenue	7,691,322	–	7,691,322
Segment results	268,448	(2,205)	266,243
Reconciliation:			
Interest income	5,579	26	5,605
Finance costs	(85,437)	–	(85,437)
Profit/(loss) before tax	188,133	(2,179)	185,954
Other segment information:			
Impairment losses recognised in profit or loss	43,000	172	43,172
Depreciation and amortisation	33,828	9	33,837

3. OPERATING SEGMENT INFORMATION *(Continued)*

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
Total revenue	7,555,713	–	7,555,713
Segment results	237,487	(4,092)	233,395
Reconciliation:			
Interest income	11,017	5	11,022
Finance costs	(52,925)	–	(52,925)
Profit/(loss) before tax	195,579	(4,087)	191,492
Other segment information:			
Impairment losses recognised in profit or loss	22,494	–	22,494
Depreciation and amortisation	46,358	66	46,424

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2017 and 31 December 2016, respectively:

	Mobile telecommunication devices RMB'000	**Real estates** RMB'000	**Total** RMB'000
Segment assets			
As at 30 June 2017 (Unaudited)	**7,628,900**	**431,971**	**8,060,871**
As at 31 December 2016 (Audited) (Restated)	6,956,809	365,306	7,322,115
Segment liabilities			
As at 30 June 2017 (Unaudited)	**4,402,113**	**321,494**	**4,723,607**
As at 31 December 2016 (Audited) (Restated)	3,899,870	252,631	4,152,501

3. OPERATING SEGMENT INFORMATION *(Continued)*

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

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 the Group's business is not 'highly seasonal' accordance to IAS 34.

4. REVENUE, OTHER INCOME AND GAINS

Revenue 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	
	2017	2016
	Unaudited	Unaudited
	RMB'000	RMB'000
Revenue		
Sales of mobile telecommunications devices and accessories	**7,362,789**	7,231,063
Including:		
Retail of mobile telecommunications devices and accessories	**4,123,598**	4,119,785
Sales of telecommunications devices and accessories to franchisees	**1,365,307**	1,210,555
Wholesale of mobile telecommunications devices and accessories	**1,873,884**	1,900,723
Service income from mobile carriers	**276,983**	275,288
Other service fee income	**51,550**	49,362
	7,691,322	7,555,713

4. REVENUE, OTHER INCOME AND GAINS *(Continued)*

An analysis of revenue, other income and gains is as follows: *(Continued)*

	For the six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	RMB'000
Other income and gains		
Interest income	**5,605**	11,022
Government grants (note (a))	**21,843**	59,706
Others	**1,407**	2,128
	28,855	72,856

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	
	2017	2016
	Unaudited	Unaudited
	RMB'000	RMB'000
Cost of inventories sold and services provided	**6,688,566**	6,639,243
Depreciation	**33,547**	46,122
Amortisation of intangible assets	**290**	302
Lease payments under operating leases	**200,928**	198,862
Auditors' remuneration	**2,974**	2,878
Employee benefit expense (including Directors' remuneration)		
– Wages and salaries	**239,356**	261,587
– Pension scheme contributions	**31,706**	29,981
	271,062	291,568
Provision for impairment of trade receivables	**11,987**	292
Provision for impairment of amount due from related parties	**1,928**	–
Provision for impairment of other receivables	**2,571**	50
Provision for impairment of inventories	**26,686**	22,152
Loss on disposal of property, plant and equipment	**683**	1,109

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	
	2017	2016
	Unaudited	Unaudited
	RMB'000	RMB'000
Current tax		
Income tax in the PRC for the reporting period	**36,362**	16,513
Deferred tax	**(582)**	19,878
	35,780	36,391

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 potentially 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	
	2017	2016
	Unaudited	Unaudited
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**149,539**	155,733
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 2017, the Group acquired property, plant and equipment at a cost of RMB19,798 thousand (for the six months ended 30 June 2016: RMB45,570 thousand).

Property, plant and equipment with a net book value of RMB712 thousand were disposed of by the Group during the six months ended 30 June 2017 (for the six months ended 30 June 2016: RMB1,109 thousand), resulting in a net loss on disposal of RMB683 thousand (for the six months ended 30 June 2016: RMB1,109 thousand).

9. INVENTORIES

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited Restated RMB'000
Merchandise for resale	**2,406,080**	2,199,376
Consumable supplies	**212**	607
	2,406,292	2,199,983
Less: provision against inventories	**(26,686)**	(24,334)
	2,379,606	2,175,649

10. TRADE RECEIVABLES

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited Restated RMB'000
Trade receivables	**2,118,266**	1,865,594
Less: impairment for trade receivables	**(105,305)**	(93,318)
	2,012,961	1,772,276

10. TRADE RECEIVABLES *(Continued)*

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 2017 Unaudited RMB'000	31 December 2016 Audited Restated RMB'000
Within 90 days	**1,862,860**	1,672,871
91 to 180 days	**47,492**	38,874
181 to 365 days	**63,399**	30,608
Over 1 year	**39,210**	29,923
	2,012,961	1,772,276

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

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited Restated RMB'000
Neither past due nor impaired	**1,699,207**	1,449,851
Past due but not impaired		
Less than 90 days	**203,729**	231,261
91 to 180 days	**44,593**	36,379
181 to 365 days	**35,002**	35,892
Over 1 year	**30,430**	18,893
	2,012,961	1,772,276

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

11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

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

	For the six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	RMB'000
Cash and bank balances	**470,502**	375,695
Time deposits	**963,191**	787,873
	1,433,693	1,163,568
Less: pledged time deposits		
pledged for bank borrowings	**941,588**	317,765
pledged for bank acceptance notes	**21,603**	470,108
	963,191	787,873
Cash and cash equivalents, denominated in RMB	**470,502**	375,695

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

		30 June	31 December
		2017	2016
		Unaudited	Audited
	Notes	**RMB'000**	RMB'000
Bank loans:	(a)		
Unsecured, repayable within one year		**871,000**	1,598,474
Secured, repayable within one year		**2,223,498**	1,409,929
Current portion of long term bank loans – unsecured		**47,000**	48,000
		3,141,498	3,056,403
Corporate bond:	(b)		
Non-current portion		**595,832**	–
		3,737,330	3,056,403

12. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Note (a): The bank loans bear interest at rates ranging from 0.79% to 6.90% (31 December 2016: 2.50% to 6.40%) per annum.

Note (b): On 5 April 2017, the Company issued a corporate bond with a maturity of three years in an aggregate amount of RMB600,000,000, which bear interest at 7.50% per annum. The interest is payable annually in arrears and the maturity date is 5 April 2020.

13. TRADE AND BILLS PAYABLE

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited Restated RMB'000
Trade payables	**275,336**	422,872
Bill payables	**7,574**	20,368
	282,910	443,240

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited Restated RMB'000
Within 90 days	**248,974**	408,350
91 to 180 days	**19,024**	18,214
181 to 365 days	**10,892**	12,319
Over 1 year	**4,020**	4,357
	282,910	443,240

14. ISSUED CAPITAL

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Registered, issued and fully paid:		
666,667,000 ordinary shares of RMB1 each	**666,667**	666,667

15. ACQUISITION OF A SUBSIDIARY

Details of acquisition of a subsidiary accounted for as business combination under common control are set out in note 2.3.

16. COMMITMENTS

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

17. 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 2017 and 2016, as well as balances with related parties as at 30 June 2017 and 31 December 2016:

		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
Associates:					
Shenzhen Dixinjuhe Communications Co., Ltd.[1]	**2017**	**–**	**13,275**	**–**	**16,901**
	2016	2,198	–	–	1,830
Shanxi Hartcourt Intermediation Information Technology Co., Ltd.[2]	**2017**	**–**	**–**	**–**	**667**
	2016	–	–	–	667
Shanghai Diju Information Technology Co., Ltd.[3]	**2017**	**19,966**	**–**	**15,626**	**–**
	2016	–	–	–	–
Joint ventures:					
Hollard-D.Phone (Beijing) Technology Development Co., Ltd.[4]	**2017**	**–**	**13,693**	**4,782**	**84**
	2016	–	29,825	50	6,264
Guangzhou Zhongqi Energy Technology Co., Ltd.[4]	**2017**	**28,022**	**5,022**	**26,890**	**973**
	2016	–	–	7,919	–

17. RELATED PARTY TRANSACTIONS *(Continued)*

(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 2017 and 2016, as well as balances with related parties as at 30 June 2017 and 31 December 2016: *(Continued)*

		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
Fellow subsidiary:					
Beijing Dphone Communication Services Co., Ltd.[5]	**2017**	**91**	**–**	**4,239**	**136**
	2016	63	–	4,806	87
A company significantly influenced by the controlling shareholders					
Beijing Tianxingyuanjing Technology Development Co., Ltd.[6]	**2017**	**2,267**	**–**	**587**	**–**
	2016	3,774	41	729	–

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

2 The investment in the associate, Shanxi Hartcourt Intermediation Information Technology Co., Ltd. is directly held by Shanghai Dixin Electronic Communication Technology Co., Ltd. which is a subsidiary of the Group.

3 The investment in the associated venture entity, Shanghai Diju Information Technology Co., Ltd. is directly held by Shanghai Chuanda Communication Technology Co., Ltd. which is a subsidiary of the Group.

4 The investments in the joint venture entities, Hollard-D.Phone (Beijing) Technology Development Co., Ltd. and Guangzhou Zhongqi Energy Technology Co., Ltd are directly held by the Company.

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

6 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.

17. RELATED PARTY TRANSACTIONS *(Continued)*

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

	For the six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	RMB'000
Salaries, allowances, bonuses and other expenses	**2,192**	2,228

18. 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 2017		
	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**
Other non-current assets	**33,827**	**–**	**33,827**
Trade receivables	**2,012,961**	**–**	**2,012,961**
Financial assets included in prepayments, deposits and other receivables	**345,617**	**–**	**345,617**
Due from related parties	**52,124**	**–**	**52,124**
Pledged deposits	**963,191**	**–**	**963,191**
Cash and cash equivalents	**470,502**	**–**	**470,502**
	3,878,222	**15,075**	**3,893,297**

18. FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

	As at 31 December 2016		
	Loans and receivables Audited Restated RMB'000	Available-for-sale financial assets Audited RMB'000	Total Audited Restated RMB'000
Available-for-sale investments	–	15,075	15,075
Trade receivables	1,772,276	–	1,772,276
Financial assets included in prepayments, deposits and other receivables	177,317	–	177,317
Due from related parties	13,504	–	13,504
Pledged deposits	815,367	–	815,367
Cash and cash equivalents	784,756	–	784,756
	3,563,220	15,075	3,578,295

Financial liabilities

	Financial liabilities at amortised cost	
	30 June 2017 **Unaudited** **RMB'000**	31 December 2016 Audited Restated RMB'000
Trade and bills payable	**282,910**	443,240
Financial liabilities included in other payables and accruals	**94,636**	125,844
Due to related parties	**18,761**	8,848
Interest-bearing bank and other borrowings	**3,737,330**	3,056,403
	4,133,637	3,634,335

19. 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 related parties, trade and bills payable, financial liabilities included in other payables and accruals, amount due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair value of current portion of interest-bearing bank loans and other borrowings 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 reporting periods approximated to their corresponding carrying amount due to their short term maturities. The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

As at 30 June 2017, 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 (2016: RMB15,075 thousand) and that of the Company was RMB15,075 thousand (2016: RMB15,075 thousand), respectively. All of them are unlisted equity investments in Mainland China held by the Group.

20. DIVIDENDS

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

21. EVENTS AFTER THE REPORTING PERIODS

(a) Acquisition of a subsidiary

On 15 June 2016, the Board of the Company passed a resolution in relation to the acquisition of a 60% interest in Digitone Mobiles Private Limited ("Digitone Mobiles") for the development in the India market. The purchase consideration was USD 2,500,000 in cash, paid up by the end of 2016. As at the date of the approval of the consolidated financial statements, the acquisition has not been completed. The acquisition will be accounted for using the acquisition method in the Company's annual financial statements upon the completion of acquisition, anticipated to be in 2017.

21. EVENTS AFTER THE REPORTING PERIODS *(Continued)*

(b) Acquisition of an associate

On 15 June 2016, the Board of the Company passed a resolution in relation to the proposed investment in Spice Online Retail Private Limited ("Spice Online"), an unlisted company incorporated in India that specialises in the sale of mobile telecommunications devices and accessories. The Company would acquire a 49% interest in Spice Online at a consideration of USD 2,400,000. Upon the completion, the Company would expand into the India market to further develop their business. As at the date of approval of the consolidated financial statements, the acquisition has not been completed. The acquisition will be accounted for using the acquisition method in the Company's annual financial statements upon the completion of acquisition, anticipated to be in 2017.

22. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation and as stated in note 2.3 to the interim condensed consolidated financial statements, the comparative amounts have been restated to reflect the prior year adjustments.

In addition, as stated in note 3 to the interim condensed consolidated financial statements, the comparative segment information has been restated.

23. 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 2017.