



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 2014

CONTENTS

| | <u>Page</u> |
|--|-------------|
| Corporate Information | 2 |
| Financial Highlights | 4 |
| Management Discussion & Analysis | 5 |
| Other Information | 19 |
| Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income | 25 |
| Interim Condensed Consolidated Statement of Financial Position | 26 |
| Interim Condensed Consolidated Statement of Changes in Equity | 27 |
| Interim Condensed Consolidated Statement of Cash Flows | 28 |
| Notes to Interim Condensed Consolidated Financial Statements | 30 |

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Wang Lin

Independent Non-executive Directors

Mr. Lv Tingjie
Mr. Leng Rongquan
Mr. Vincent Man Choi, Li

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. Wang Lin

NOMINATION COMMITTEE

Mr. Lv Tingjie (*Chairman*)
Mr. Leng Rongquan
Mr. Liu Songshan

REMUNERATION AND ASSESSMENT COMMITTEE

Mr. Leng Rongquan (*Chairman*)
Mr. Vincent Man Choi, Li
Ms. Liu Hua

STRATEGY COMMITTEE

Mr. Liu Donghai (*Chairman*)
Mr. Liu Yajun
Mr. Liu Songshan
Mr. Lv Tingjie
Mr. Wang Lin

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

8th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
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

CORPORATE INFORMATION (CONTINUED)

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

COMPLIANCE ADVISER

Shenyin Wanguo Capital (H.K.) Limited
Level 19
28 Hennessy Road
Hong Kong

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

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

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

FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2014:

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

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

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

MANAGEMENT DISCUSSION & ANALYSIS

MARKET REVIEW

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

BUSINESS REVIEW

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

FINANCIAL POSITION AND OPERATING RESULTS

1. Overview

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

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

2. Revenue

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

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

For the six months ended June 30, 2014

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

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

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

(1) *Sales of mobile telecommunications devices and accessories:*

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

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

The total revenue of the Group from sales of telecommunications devices and accessories to franchisees was RMB971.32 million during the six months ended June 30, 2014, representing an increase by RMB146.13 million or 17.71% from RMB825.19 million for the same period in 2013, which is attributable to (1) the increase in sales of telecommunications devices and accessories of the Group to franchisees by 0.21 million or approximately 23.17% to 1.14 million during the six months ended June 30, 2014 as compared to 0.93 million for the same period in 2013; (2) the impact of changes in both domestic and overseas brand structures on the unit price for sales of telecommunications devices and accessories to franchisees. The market share of local brands, which have lower unit prices of handsets than foreign brands, increased continuously and exceeded that of foreign brands in the six months ended June 30, 2014, resulting in a lower average unit price of telecommunications devices and accessories sold to franchisees. During the six months ended June 30, 2014, the average unit price of telecommunications devices and accessories of the Group sold to franchisees was RMB849.51, representing a decrease by RMB39.42 or 4.43% from RMB888.93 for the same period in 2013.

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

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

(2) *Service income from mobile carriers:*

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

(3) *Other service fee income:*

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

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

3. Costs

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

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

For the six months ended June 30, 2014

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

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

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

4. Gross profit and gross profit margin

Gross profit represents revenue net of cost of sales.

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

For the six months ended June 30, 2014

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

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

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

For the six months ended June 30, 2014

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

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

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

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

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

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

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

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

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

5. Selling expenses

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

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

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

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

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

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

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

6. Administrative Expenses

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

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

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

Staff salaries increased from RMB48.43 million for the six months ended June 30, 2013 to RMB66.98 million for the six months ended June 30, 2014, representing an increase of RMB18.55 million or 38.30%. The increase was attributable to the increase in manpower in our managerial and administrative staff to meet the requirements of our business expansion, as well as the raise in the average salaries and benefits given to our managerial and administrative staff.

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

7. Finance Costs

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

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

8. Other Expenses

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

- (1) Receivables (trade receivables and other receivables) increased by RMB103.64 million or 7.17% from December 31, 2013 to June 30, 2014, whereas the receivables as at June 30, 2013 increased by RMB236.03 million or 24.97% from December 31, 2012, resulting in a decrease in the loss on bad debts from our receivables.
- (2) Inventory decreased by RMB40.85 million or 2.53% from December 31, 2013 to June 30, 2014, whereas inventory as at June 30, 2013 increased by RMB214.59 million or 17.14% from December 31, 2012, resulting in a decrease in allowance provided for inventory loss.

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

9. Income Tax Expenses

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

10. Profit for the period

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

11. Liquidity and financial resources

As at June 30, 2014, we had bank balances and cash of RMB405.46 million. In the foreseeable future, we plan to use cash to be gained from business activities of our Group and bank borrowings to pay our capital expenditure, operation capital and meet other capital needs.

As at June 30, 2014, we had loans in the amount of RMB1,746.69 million, which are wholly repayable within one year. Such borrowings are denominated in RMB subject to floating interest rates ranging from 4.39% to 7.80%.

12. Capital expenditures

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

13. Gearing ratio

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

14. Foreign exchange rate risks

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

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

15. Quick Ratio

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

16. Capital

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

17. Material investments

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

18. Material acquisition and disposal

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

19. Contingent liabilities

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

20. Pledge of assets

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

21. Future material investments

As at the date of this interim report, the Group has no material investment plan in the coming year.

BUSINESS OUTLOOK FOR THE SECOND HALF OF 2014

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

1. Develop our retail outlets and distribution network steadily by creating additional operating nodes in third-tier cities and below.
2. Further enhance our cooperation with three major mobile carriers, increase our sales efforts, and raise contract sales in absolute number and percentage. Establish stronger presence in the operating houses under the cooperation with mobile carriers in order to increase received fees and create values for the Company.
3. Streamline our organisational structure to reduce management cost. Promote resource integration and performance assessment so as to improve management efficiency and minimise management cost.
4. Refine the synergy of O2O sales and service provision to guarantee better customer satisfaction and insist on our full-hearted loyalty to customers. Increase the sales of peripheral accessories for smartphones to increase monetization from individual customers.

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

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

OTHER INFORMATION

EMPLOYEES AND REMUNERATIONS POLICIES

As at June 30, 2014, the Group had 6,825 employees. Salary costs and employees' benefit expenses were approximately RMB264.23 million for the six months ended June 30, 2014. Remunerations for our employees include salaries, performance-based bonus, social insurance and housing provident fund. The Company also has various trainings for our employees, including professional qualities training, product and business information training, and management skills training, conducted mainly through online learning, conferences and skill-specific training programmes.

USE OF NET PROCEEDS FROM LISTING

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

INTERIM DIVIDEND

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

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

As of date of this interim report, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

| Name of Director | Type of shares | Capacity | Number of shares/ underlying shares held (long position/ short position/ lending pool) | Percentage of the relevant class of share capital (%) (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 |

OTHER INFORMATION (CONTINUED)

| Name of Director | Type of shares | Capacity | Number of shares/ underlying shares held (long position/ short position/ lending pool) | Percentage of the relevant class of share capital (%) (Note 1) | Percentage of the total share capital (%) (Note 1) |
|----------------------------|-----------------|------------------------------------|--|---|---|
| Liu Songshan (Note 2) | Domestic shares | Interest of controlled corporation | 312,700,000 (long position) | 92.60 | 46.90 |
| Liu Wencui (Notes 2, 3) | Domestic shares | Interest of controlled corporation | 320,200,000 (long position) | 94.82 | 48.03 |

Notes:

- 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.*
- 北京迪爾通諮詢有限公司 and 北京豐永泰諮詢有限公司 directly hold 101,300,000 Domestic shares and 211,400,000 Domestic shares of the Company respectively, and Liu Donghai, Liu Hua, Liu Songshan and Liu Wencui respectively hold 34.89%, 5.13%, 52.33% and 2.52% interest in 北京迪爾通諮詢有限公司, as well as 47.75%, 5.13%, 39.47% and 2.52% interest in 北京豐永泰諮詢有限公司. Accordingly, pursuant to the Securities and Futures Ordinance, Liu Donghai, Liu Hua, Liu Songshan and Liu Wencui are deemed to be interested in 101,300,000 Domestic shares and 211,400,000 Domestic shares held by 北京迪爾通諮詢有限公司 and 北京豐永泰諮詢有限公司 respectively.*
- 北京融豐泰管理諮詢有限公司 directly holds 7,500,000 Domestic shares of the Company, and Liu Wencui holds 66.63% interest in 北京融豐泰管理諮詢有限公司. Accordingly, pursuant to the Securities and Futures Ordinance, Liu Wencui is deemed to be interested in 7,500,000 Domestic shares held by 北京融豐泰管理諮詢有限公司.*

Save as disclosed above, as of the date of this interim report, none of the Directors and chief executives of the Company has or is deemed to have 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 will be required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

OTHER INFORMATION (CONTINUED)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the date of this interim report, the following persons (other than the Directors or chief executives of the Company), had interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

| Name of Shareholder | Type of shares | Capacity | Number of shares/ underlying shares held (long position/ short position/ lending pool) | Percentage of the relevant class of share capital (%) (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 |
| 北京迪爾通諮詢有限公司 (Note 2) | Domestic shares | Beneficial owner | 101,300,000 (long position) | 30.00 | 15.19 |
| 北京豐永泰諮詢有限公司 (Note 2) | Domestic shares | Beneficial owner | 211,400,000 (long position) | 62.60 | 31.71 |
| Citigroup Inc. | H shares | Interest of controlled corporation | 41,000,000 (long position) | 12.46 | 6.15 |
| | | | 25,000,000 (short position) | 7.60 | 3.75 |
| 3i Group plc (Note 3) | H shares | Interest of controlled corporation | 87,100,000 (long position) | 26.48 | 13.06 |
| 3i Investments GP Limited (Note 3) | H shares | Interest of controlled corporation | 87,100,000 (long position) | 26.48 | 13.06 |
| 3i Asia Pacific 2004-06 LP (Note 3) | H shares | Interest of controlled corporation | 87,100,000 (long position) | 26.48 | 13.06 |
| 3i Nominees Limited (Note 3) | H shares | Interest of controlled corporation | 87,100,000 (long position) | 26.48 | 13.06 |
| 3i Investments plc (Note 3) | H shares | Interest of controlled corporation | 87,100,000 (long position) | 26.48 | 13.06 |
| 3i Infocomm Limited (Note 3) | H shares | Beneficial owner | 87,100,000 (long position) | 26.48 | 13.06 |

OTHER INFORMATION (CONTINUED)

| Name of Shareholder | Type of shares | Capacity | Number of shares/ underlying shares held (long position/ short position/ lending pool) | Percentage of the relevant class of share capital (%) (Note 1) | Percentage of the total share capital (%) (Note 1) |
|--|----------------|------------------------------------|--|--|---|
| China Diamond Holdings Company Limited (Note 4) | H shares | Interest of controlled corporation | 71,250,000 (long position) | 21.66 | 10.69 |
| China Diamond Holdings III Limited (Note 4) | H shares | Interest of controlled corporation | 71,250,000 (long position) | 21.66 | 10.69 |
| CDH China Growth Capital Holdings Company Limited (Note 4) | H shares | Interest of controlled corporation | 71,250,000 (long position) | 21.66 | 10.69 |
| CDH China Growth Capital Fund II, L.P. (Note 4) | H shares | Interest of controlled corporation | 71,250,000 (long position) | 21.66 | 10.69 |
| CDH Mobile Limited (Note 4) | H shares | Interest of controlled corporation | 71,250,000 (long position) | 21.66 | 10.69 |
| CDH Mobile (HK) Limited (Note 4) | H shares | Beneficial owner | 71,250,000 (long position) | 21.66 | 10.69 |

Notes:

- 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.*
- 北京迪爾通諮詢有限公司 and 北京豐永泰諮詢有限公司 directly hold 101,300,000 Domestic shares and 211,400,000 Domestic shares of the Company respectively, and Liu Yongmei holds a controlling interest in 北京迪爾通諮詢有限公司 and 北京豐永泰諮詢有限公司. Accordingly, pursuant to Securities and Futures Ordinance, Liu Yongmei is deemed to be interested in 101,300,000 Domestic shares and 211,400,000 Domestic shares held by 北京迪爾通諮詢有限公司 and 北京豐永泰諮詢有限公司 respectively.*
- 3i Infocomm Limited directly holds 87,100,000 H shares of the Company. 3i Nominees Limited holds 43.75% interest in 3i Infocomm Limited and 3i Asia Pacific 2004-06 LP holds 100% interest in 3i Nominees Limited. 3i Investments GP Limited holds 100% interest in 3i Asia Pacific 2004-06 LP and 3i Group plc holds 100% interest in 3i Investments GP Limited. Besides, 3i Investments plc as the manager of 3i Infocomm Limited holds 100% interest in 3i Infocomm Limited, and 3i Group plc holds 100% interest in 3i Investments plc. Accordingly, pursuant to the Securities and Futures Ordinance, 3i Group plc, 3i Investments GP Limited, 3i Asia Pacific 2004-06 LP, 3i Nominees Limited and 3i Investments plc are deemed to be interested in 87,100,000 H shares held by 3i Infocomm Limited.*

OTHER INFORMATION (CONTINUED)

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

Save as disclosed above, as at the date of this interim report, the Directors and the chief executives of the Company are not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the reporting period and up to the date of this interim report was the Company or any of its subsidiaries or holding company or any subsidiary of the Company's holding company, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors 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 any other body corporate 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. Since the listing of the Company on July 8, 2014 up to the date of this interim report, the Company has complied with all the code provisions of the CG Code and adopted most of the best practices set out therein.

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

The Company has adopted the Model Code as its code of conduct for Directors' and supervisors' securities transactions. Having made specific enquiry with the Directors and supervisors all of the Directors and supervisors confirmed that they have complied with the required standards as set out in the Model Code since the listing of the Company on July 8, 2014 up to the date of this interim report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

OTHER INFORMATION (CONTINUED)

AUDIT COMMITTEE

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

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

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

For the six months ended June 30, 2014

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2014

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2014

| | Attributable to owners of the parent | | | | | Non-controlling interests | Total equity |
|--|--------------------------------------|-----------------|-------------------------|------------------|-----------|---------------------------|--------------|
| | Issued capital | Capital reserve | Statutory reserve funds | Retained profits | Total | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Six months ended June 30, 2014: | | | | | | | |
| As at December 31, 2013 (Audited) | 500,000 | 37,184 | 108,203 | 778,268 | 1,423,655 | 19,868 | 1,443,523 |
| Total comprehensive income for the period | - | - | - | 132,213 | 132,213 | (240) | 131,973 |
| Capital contribution from non-controlling shareholders | - | - | - | - | - | 675 | 675 |
| As at June 30, 2014 (Unaudited) | 500,000 | 37,184 | 108,203 | 910,481 | 1,555,868 | 20,303 | 1,576,171 |
| Six months ended June 30, 2013: | | | | | | | |
| As at December 31, 2012 (Audited) | 500,000 | 37,184 | 80,784 | 739,246 | 1,357,214 | 4,971 | 1,362,185 |
| Total comprehensive income for the period | - | - | - | 108,785 | 108,785 | 2,916 | 111,701 |
| Dividends declared and paid | - | - | - | (200,000) | (200,000) | - | (200,000) |
| As at June 30, 2013 (Unaudited) | 500,000 | 37,184 | 80,784 | 648,031 | 1,265,999 | 7,887 | 1,273,886 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2014

| | For the six months ended June 30, | |
|--|--------------------------------------|------------------------------|
| | 2014 Unaudited RMB'000 | 2013 Unaudited RMB'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 179,281 | 152,236 |
| Adjustments for: | | |
| Finance costs | 58,442 | 48,650 |
| Provision for impairment of trade receivables | 5,538 | 18,066 |
| Provision/(reversal) for impairment of other receivables | 510 | (1,740) |
| (Reversal)/provision for impairment of inventories | (599) | 7,249 |
| Depreciation | 37,547 | 30,350 |
| Amortisation of intangible assets | 609 | 258 |
| Loss on disposal of property, plant and equipment | 348 | 712 |
| Increase in trade and bills receivable | (107,779) | (261,058) |
| Decrease in prepayments, deposits and other receivables | 93,121 | 65,029 |
| Decrease/(increase) in inventories | 41,453 | (221,837) |
| (Decrease)/increase in trade and bills payable | (6,822) | 321,992 |
| (Decrease)/increase in other payables and accruals | (31,414) | 7,293 |
| Decrease in due from a related party | 5,300 | 826 |
| (Decrease)/increase in due to a related party | (261) | 1,867 |
| Cash generated from operations | 275,274 | 169,893 |
| Income tax paid | (59,293) | (55,041) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 215,981 | 114,852 |
| CASH FLOWS FROM AND NET CASH FLOWS USED IN INVESTING ACTIVITIES | | |
| Purchases of items of property, plant and equipment | (36,789) | (31,956) |
| NET CASH FLOWS USED IN INVESTING ACTIVITIES | (36,789) | (31,956) |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended June 30, 2014

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2014

1. CORPORATE INFORMATION

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

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

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

2. BASIS OF PREPARATION

The Interim Condensed Consolidated Financial Statements for the six months ended June 30, 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the financial statements for the year ended December 31, 2013.

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

3. CHANGES TO THE ACCOUNTING POLICIES

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

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2014

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

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

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

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

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

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

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

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

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

IFRIC 21 Levies

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2014

4. OPERATING SEGMENT INFORMATION

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

Information about major customers

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

Geographical information

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

Seasonality of operations

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2014

5. REVENUE, OTHER INCOME AND GAINS

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

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

| | For the six months ended June 30, | |
|---|--------------------------------------|------------------------------|
| | 2014 Unaudited RMB'000 | 2013 Unaudited RMB'000 |
| Revenue | | |
| Sales of mobile telecommunications devices and accessories | 6,269,651 | 5,611,411 |
| Included: | | |
| Retail of mobile telecommunications devices and accessories | 3,502,353 | 3,272,819 |
| Sales of telecommunications devices and accessories to franchisees | 971,322 | 825,191 |
| Wholesale of mobile telecommunications devices and accessories | 1,795,976 | 1,513,401 |
| Service income from mobile carriers | 374,386 | 243,289 |
| Other service fee income | 64,194 | 57,800 |
| | 6,708,231 | 5,912,500 |
| | | |
| | For the six months ended June 30, | |
| | 2014 Unaudited RMB'000 | 2013 Unaudited RMB'000 |
| Other income and gains | | |
| Interest income | 5,443 | 3,861 |
| Government grants (<i>note (a)</i>) | 2,464 | 7,505 |
| Others | 2,425 | 1,777 |
| | 10,332 | 13,143 |

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2014

6. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

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

7. INCOME TAX

The provision for PRC current income tax is based on a statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which became effective on January 1, 2008. The major components of income tax expense are as follows:

| | For the six months ended June 30, | |
|--|--------------------------------------|------------------------------|
| | 2014 Unaudited RMB'000 | 2013 Unaudited RMB'000 |
| Current tax | | |
| Income tax in the PRC for the reporting period | 48,669 | 46,494 |
| Deferred tax | (1,361) | (5,959) |
| | 47,308 | 40,535 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2014

8. DIVIDENDS

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

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

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

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

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

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

10. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2014

11. INVENTORIES

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

12. TRADE AND BILLS RECEIVABLE

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2014

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

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

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

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2014

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

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

| | For the six months ended June 30, | |
|---|--------------------------------------|------------------------------|
| | 2014 Unaudited RMB'000 | 2013 Unaudited RMB'000 |
| Cash and bank balances | 405,460 | 395,163 |
| Time deposits | 579,915 | 535,709 |
| | 985,375 | 930,872 |
| Less: pledged time deposits | | |
| pledged for bank borrowing | 184,925 | 175,487 |
| pledged for bank acceptance notes | 394,990 | 360,222 |
| | 579,915 | 535,709 |
| Cash and cash equivalents, denominated in RMB | 405,460 | 395,163 |

14. INTEREST-BEARING LOANS

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2014

15. TRADE AND BILLS PAYABLE

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

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

16. ISSUED CAPITAL

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

17. COMMITMENTS

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2014

18. RELATED PARTY TRANSACTIONS

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

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

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

Notes:

- (i) The transaction prices were determined based on prices the Group transacted with independent third party customers and suppliers.
- (ii) The loans were unsecured, interest-free and repayable on demand.

(b) Other transactions with related parties

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

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2014

19. FINANCIAL INSTRUMENTS

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

Financial assets

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

Financial liabilities

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2014

20. FAIR VALUE AND FAIR VALUE HIERARCHY

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

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

21. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on August 27, 2014.