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

ANNUAL REPORT 2015

Contents

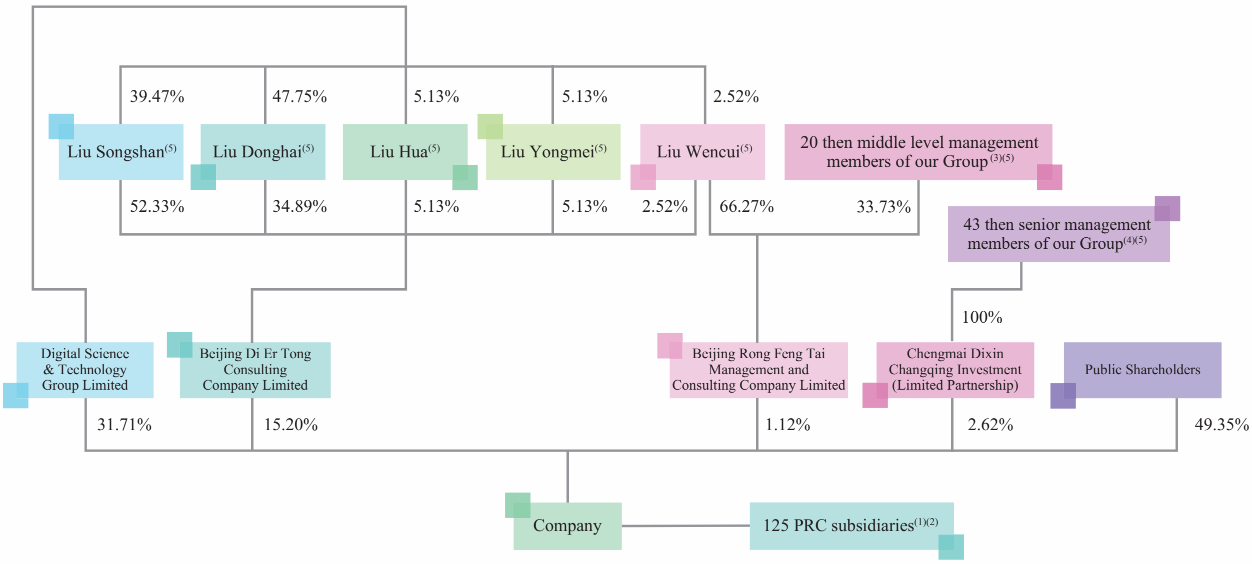
COMPANY PROFILE

Beijing Digital Telecom Co., Ltd. (the "**Company**", together with its subsidiaries the "**Group**") was founded in 2001 with more than 100 subsidiaries and nearly 1,600 independently operated outlets and franchised outlets covering 21 provinces and four 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 customer, 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.

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

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

The corporate structure of our Group as at December 31, 2015 is set out as follows:



Notes:

(1) *As of the date of this annual report, 109 PRC subsidiaries are wholly-owned by our Company while 16 other PRC subsidiaries are not wholly-owned by our Company. The shareholding of these sixteen non-wholly-owned PRC subsidiaries is set out below:*

(i) *60% of the equity interest of Henan Digital Trading Company Limited (河南迪信通商貿有限公司) is held by us and the remaining 40% is held by Mr. Gao Chunlin, who is an independent third party. The wholly-owned subsidiaries of Henan Digital Trading Company Limited are: Zhoukou Digital Trading Company Limited (周口迪信通商貿有限公司), Xuchang Yidiantong Trading Company Limited (許昌億點通商貿有限公司), Sanmenxia Chaoxunfa Trading Company Limited (三門峽超訊發商貿有限公司), Gansu Digital Trading Company Limited (甘肅迪信通商貿有限公司), Guangzhou Digital Communication Company Limited (廣州迪信通通訊有限公司), Xinyang Beixin Kemao Company Limited (信陽貝信科貿有限公司), and Jiangxi Chuangfa Trading Company Limited (江西創發商貿有限責任公司).*

(ii) *52% of the equity interest of Sichuan Soujizhijia Electronics Technology Company Limited (四川搜機之家電子科技有限公司) is held by us and the remaining 48% is held by Shanghai Wangci Digital Technology Company Limited (上海網賜數碼科技有限公司) with 40% and Mr. Yaobo with 8%, which are independent third parties.*

(iii) *55% of the equity interest of Beijing Yihaotong Orient Information Technology Company Limited (北京億號通東方信息技術有限公司) is held by us and the remaining 45% is held by Ms. Chen Jinling, who is an independent third party.*

(iv) *70% of the equity interests of Yunnan Jiyue Telecommunications Technology Company Limited (雲南繼躍通信技術有限公司) is held by us and the remaining 30% is held by Mr. Luo Jianjun, who holds 3.33% equity interests of Beijing Rong Feng Tai Management and Consulting Company Limited (北京融豐泰管理諮詢有限公司) as of the date of this annual report.*

(v) *55% of the equity interests of 19 Where Internet Technology Company Limited (北京易久維互聯科技有限公司) is held by us and the remaining 45% is held by Mr. Zhao Hui, who is an independent third party.*

(vi) *70% of the equity interests of Shenzhen DIGITONE Investment Holdings Co., Limited (深圳迪信通投資控股有限公司) is held by us and the remaining 30% is held by Shenzhen Shang Zhi Chuang Zhan Investment Holding Co., Limited (深圳商置創展投資控股有限公司), which is an independent third party holding 75% equity of our subsidiary, Yunfu SCI Commercial Properties Co., Ltd. (雲浮深商投商用置業有限公司) and 80% equity of our subsidiaries, Shenzhen DIGITONE Cultural Originality Company Limited (深圳迪信通文化創意有限公司) and Shenzhen DIGITONE Business Management Company Limited (深圳迪信通商業管理有限公司).*

(2) *As one of the largest physical retail store networks in the PRC mobile telecommunications sector, we maintain our leading position by conducting our business through 125 subsidiaries spreading across four municipal cities and 21 provinces. These subsidiaries are mainly to operate individual standalone outlets and liaise with local wholesalers.*

(3) *The 20 then middle level management members of our Group include Zhang Wenkai (16.00%), Luo Jianjun (3.33%), Cao Qin (1.33%), Hu Ping (1.33%), Zhang Hui (1.33%), Zhao Shuang (1.33%), Hou Qinghong (0.93%), Huang Qiuli (0.82%), Jiang Shan (0.82%), Jiang Xuefu (0.82%), Li Jing (0.82%), Li Yunping (0.82%), Li Xuehua (0.64%), Qi Qin (0.64%), Zhang Shuangping (0.64%), Hu Minghua (0.53%), Li Dong (0.53%), Tian Hong (0.53%), Dong Shaorong (0.40%) and Pei Qidi (0.13%). Among them, Hu Ping, Zhang Wenkai, Zhang Hui, Li Jing and Li Dong have ceased to assume any role in the management team of our Company as of the date of this annual report.*

(4) *The 43 then senior management members of our Group include Jin Xin (17.14%), Zhou Qing (9.71%), Qi Feng (9.15%), Zhang Tianyu (6.86%), Bai Ren (5.83%), Liu Yajun (4.57%), Yang Xiaomei (3.17%), Huang Jianhui (2.86%), Xu Guliang (2.86%), Ding Zhijun (2.69%), Li Xuerong (2.00%), Tang Zhiqiang (2.00%), Guo Weijuan (1.94%), Li Kai (1.94%), He Lingli (1.89%), Zhong Dalin (1.89%), Zhang Ning (1.71%), Chen Lin (1.43%), Li Dongmei (3.71%), Li Wanqing (1.37%), Sun Chengdong (1.31%), Zhang Jun (1.23%), Feng Lei (1.14%), Ji Li (0.97%), Wang Zhifeng (0.86%), Jing Shulin (0.57%), Pang Hong (0.57%), Sun Gang (0.57%), Wang Zhenfeng (0.57%), Pei Qidi (0.57%), Qiao Junjie (0.51%), Zhao Bin (0.49%), Chen Hong (0.29%), He Junchao (0.29%), Peng Qiyi (0.29%), Yang Jianguo (0.27%), Cao Wenying (0.29%), Fang Hongbao (0.17%), He Zhiwei (0.17%), Pang Hongqiang (0.17%), Yao Guangyuan (0.11%), Leng Jianchuang (2.86%) and Xiao Chunmei (1.03%). Liu Yajun is an executive Director of our Company and Jin Xin is a senior management of our Company. Among them, Feng Lei and Pang Hong have ceased to assume any role in the management team of our Company as of the date of this annual report.*

(5) *The Directors, Supervisors and members of the senior management who directly or indirectly having an interest in the Shares of the Company are as follows: (a) Liu Donghai, chairman and executive Director; (b) Liu Yajun, vice chairman and executive Director; (c) Liu Songshan, executive Director; (d) Liu Wencui, executive Director; (e) Liu Hua, executive Director; (f) Hu Ping, Supervisor; (g) Jin Xin, general manager; (h) Qi Feng, vice general manager; (i) Zhou Qing, vice general manager; (j) Bai Ren, vice general manager; (k) Huang Jianhui, vice general manager; (l) Leng Jianchuang, chief financial officer; and (m) Li Dongmei, secretary to the Board, joint company secretary and chief legal officer. Each of the above Directors, Supervisors and members of the senior management undertakes that, upon the Listing, pursuant to the PRC Company Law, he/she will continuously declare to the Company his/her direct or indirect interest in the Shares of the Company, and will comply with the following restrictions: (1) he/she shall not transfer his/her respective direct or indirect interests in the Shares within one year after Listing; (2) he/she shall not transfer more than 25% of his/her respective direct or indirect interests in the Shares each year during the tenure; and (3) he/she will not transfer any of his/her respective direct or indirect interests in the Shares within six months after his/her departure from the Company. If the undertaking is breached, each of the above Directors, Supervisors and members of the senior management agrees that since the date of breach, (1) the Company may withhold from paying his/her respective remuneration or other benefits; (2) the Company may withhold from vesting dividends under his/her respective direct or indirect interests in the Shares; and (3) the Company may terminate the employment agreement or service contract, as applicable, with the relevant person unilaterally without any recourse to the Company (save for the benefits already accrued prior to such breach).*

PRINCIPAL OPERATING SUBSIDIARIES

As of the date of this annual report, we had 125 subsidiaries in the PRC. Set out below are the details of our principal operating subsidiaries.

Beijing Dphone Electronic Communication Technology Co., Ltd. ("**Beijing Dphone**") was established on January 16, 1998 in the PRC with a registered capital of RMB10 million. During the year ended December 31, 2015, the entire equity interests of Beijing Dphone were held by our Company.

Beijing Dphone is primarily engaged in service providing, developing, consulting, transferring of technologies related to computer and cyber engineering, telecommunication commerce and the wholesales and maintenance of telecommunication devices.

Shanghai Dixin Electronic Communication Technology Co., Ltd. ("**Shanghai Dixin**") was established on September 5, 2000 in the PRC with a registered capital of RMB20 million. During the year ended December 31, 2015, the entire equity interests of Shanghai Dixin were held by our Company.

Shanghai Dixin is primarily engaged in service providing, developing, consulting, transferring of computer and cyber engineering technology, telecommunication commerce and the wholesales and maintenance of telecommunication devices.

Zhengzhou Dphone Electronic Communication Technology Co., Ltd. ("**Zhengzhou Dphone**") was established on October 25, 2001 in the PRC with a registered capital of RMB13 million. During the year ended December 31, 2015, the entire equity interests of Zhengzhou Dphone were held by our Company.

Zhengzhou Dphone is primarily engaged in the wholesales and maintenance of telecommunication devices.

Henan Dphone Electronic Communication Technology Co., Ltd. ("**Henan Dphone**") was established on July 30, 2007 in the PRC with a registered capital of RMB20 million. During the year ended December 31, 2015, the entire equity interests of Henan Dphone were held by our Company.

Henan Dphone is primarily engaged in the sales and maintenance of telecommunications devices.

Henan Dphone Trading Co., Ltd.("**Henan Dphone Trading**") was established on January 12, 2011 in the PRC with a registered capital of RMB10 million. During the year ended December 31, 2015, 60% of the equity interests of Henan Dphone Trading were held by the Company and the remaining 40% is held by Mr. Gao Chunlin, who is an independent third party.

Henan Dphone Trading is primarily engaged in the sales and maintenance of telecommunication devices.

Sichuan Yijialong Communication Technology Chain Co., Ltd ("**Sichuan Yijialong**") was established on June 23, 2006 in the PRC with a registered capital of RMB5 million. During the year ended December 31, 2015, the entire equity interests of Sichuan Yijialong were held by the Company.

Sichuan Yijialong is primarily engaged in the sales and maintenance of telecommunication devices.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Qi Xiangdong

Independent Non-executive Directors

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

Supervisors

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

JOINT COMPANY SECRETARIES

Ms. Li Dongmei
Ms. Ng Sau Mei

AUTHORIZED REPRESENTATIVES

Mr. Liu Yajun
Ms. Li Dongmei

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION AND ASSESSMENT COMMITTEE

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

STRATEGY COMMITTEE

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

REGISTERED OFFICE

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

HEADQUARTERS

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18 Building Yi'an Jiayuan
Beiwa West
Haidian District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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1 Matheson Street
Causeway Bay
Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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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

COMPLIANCE ADVISER

Shenwan Hongyuan 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

06188

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
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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

Items	2015	2014	For the year ended December 31, 2013	2012	2011
Consolidated Statement of Profit or Loss					
Revenue	**15,830,720**	14,358,609	12,812,024	8,802,689	6,513,501
Gross Profit	**2,034,117**	1,976,592	1,737,962	1,463,000	1,215,904
Profit for the year and total comprehensive income	**356,723**	318,360	274,192	249,802	221,505
Attributable to:					
Owners of the parent	**357,062**	318,133	266,441	252,121	221,566
Non-controlling interests	**(339)**	227	7,751	(2,319)	(61)
Earning per share attributable to ordinary equity holders of the parent – Basic and diluted (RMB/Share)	**0.54**	0.55	0.53	0.50	0.44
Consolidated Balance Sheet					
Non-current assets	**298,712**	247,947	250,853	212,045	195,615
Current assets	**6,848,862**	5,199,352	4,357,137	3,449,048	2,541,761
Total assets	**7,147,574**	5,447,299	4,607,990	3,661,093	2,737,376
Current liabilities	**4,301,072**	3,026,096	3,164,467	2,298,908	1,628,783
Total assets less current liabilities	**2,846,502**	2,421,203	1,443,523	1,362,185	1,108,593
Non-controlling interests	**45,216**	21,669	19,868	4,971	3,500
Net assets	**2,753,286**	2,399,534	1,423,655	1,357,214	1,105,093
Share Capital	**666,667**	666,667	500,000	500,000	500,000
Reserves	**2,086,619**	1,732,867	923,655	857,214	605,093
Equity attributable to owners of the parent	**2,753,286**	2,399,534	1,423,655	1,357,214	1,105,093
Consolidated Statement of Cash Flow					
Net cash flow used in operating activities	**(119,157)**	(790,582)	(15,297)	(79,342)	226,588
Net cash flow used in investment activities	**(174,334)**	(81,790)	(107,872)	(65,085)	(97,776)
Net cash flow from/(used in) financing activities	**400,037**	905,731	(104,627)	382,081	(2,935)
Net increase/(decrease) in cash and cash equivalents	**106,546**	33,359	(227,796)	237,654	125,877
Cash and cash equivalents at beginning of year	**335,298**	301,939	529,735	292,081	166,204
Cash and cash equivalents at end of year	**441,844**	335,298	301,939	529,735	292,081

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to announce the annual results of the Company for the year ended December 31, 2015. The total revenue of the Company increased by 10.25% to RMB15,830,719,950. The net profit for the year of 2015 amounted to RMB356,723,380, representing a growth rate of 12.05%.

We recorded an increase in the sales volume to 10,627,300 units in 2015, a growth by 159,410 units or 1.5%, as compared with that of last year. In 2015, we continued to further enhance our cooperation with the three major mobile carriers by increasing our marketing efforts to raise contract sales and increase proportion. The Company has actively established stronger presence in the operating houses under the cooperation with mobile carriers. Meanwhile, the Company has made innovation to the businesses of carriers and provided outlets management services for carriers to increase the commission income and maximize the economic benefits for the Company.

Through the promotion via our official website and the third party internet platforms, we invited consumers to experience and purchase our offline services in physical stores of Digital Telecom, including contract advising, software installation, mobile phone beauty and after-sales repair and other services, which would increase customer stickiness as well as improve customer's satisfaction and loyalty. Meanwhile, we will continue to carry out the concept of "full-hearted loyalty" and promote our reputation with our quality services to achieve sustainable increase of sales. We will also enhance the innovation of our profit model and identify new sources of profit growth, broaden our coverage of the industry chain and further reinforce the cross-industry business collaboration through vigorous innovation.

In 2016, the Company will continue to obtain high quality products from suppliers with reliance on our strong retail network and sales capability, and to carry out customized mobile phone business while improving our profitability. In addition, the Company innovatively launches club model in respect of the outlets types to encourage our fans' consuming behavior through the form of Brand Tasting and provision of premium club services. In addition to the traditional businesses, the Company will provide more services for customers in new business sectors such as mobile phone recycling, mobile phone quick repair service, consumer finance and traffic operation with an aim to enlarge the scale and increase the source and volume of profit for the Company.

Finally, I, on behalf of the board of directors of the Company, would like to extend my heartfelt gratitude to our shareholders, the community and our friends for their trust and support.

Liu Donghai
Chairman

MANAGEMENT DISCUSSION & ANALYSIS

I. BUSINESS REVIEW

For the year ended December 31, 2015, the Group sold 10,786,710 mobile handsets, representing an increase of 159,410 sets or 1.5% compared with 10,627,300 sets for the same period last year. Operating revenue for the year of 2015 amounted to RMB15,830,719,950, representing an increase of RMB1,472,111,280 or 10.25% from RMB14,358,608,670 for the same period last year. Net profit for the year of 2015 amounted to RMB356,723,380, representing an increase of RMB38,363,830 or 12.05% from RMB318,359,550 for the same period last year.

II. FINANCIAL POSITION AND OPERATING RESULTS

(I) Overview

For the year ended December 31, 2015, the Group recognized net profit of RMB356,723,380 representing an increase of RMB38,363,830 or 12.05% from RMB318,359,550 for the same period in 2014. Net profit attributable to owners of the Company amounted to RMB357,062,160, representing an increase of RMB38,929,170 or 12.24% from RMB318,132,990 for the same period in 2014.

(II) Consolidated comprehensive income statement

The following table sets forth selected items in our consolidated comprehensive income statement for the periods indicated. Our operating results have fluctuated in the past and may continue to fluctuate in future. Hence 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.

Items	**For the year ended December 31,**			
	2014 RMB'000	**2015** **RMB'000**	**Change** RMB'000	**Percentage of change**
Operating revenue	14,358,608.67	**15,830,719.95**	1,472,111.28	10.25%
Cost of sales	(12,382,017.35)	**(13,796,602.85)**	(1,414,585.50)	11.42%
Gross profit	1,976,591.32	**2,034,117.10**	57,525.78	2.91%
Other income and gains	40,167.18	**85,483.37**	45,316.19	112.82%
Selling and distribution expenses	(1,091,629.05)	**(1,141,451.80)**	(49,822.75)	4.56%
Administrative expenses	(332,980.60)	**(341,486.83)**	(8,506.23)	2.55%
Other expenses	(45,932.16)	**(39,036.86)**	6,895.30	(15.01%)
Finance costs	(116,995.36)	**(168,447.89)**	(51,452.53)	43.98%
Investment gains	994.28	**1,183.36**	189.08	19.02%
Profit before tax	430,215.61	**430,360.45**	144.84	0.03%
Income tax expense	(111,856.06)	**(73,637.07)**	38,218.99	(34.17%)
Total net profit for the year after taxation	318,359.55	**356,723.38**	38,363.83	12.05%
Attributable to owners of the parent	318,132.99	**357,062.16**	38,929.17	12.24%
Attributable to minority interests	226.56	**(338.78)**	(565.34)	(249.53%)

1. *Operating revenue*

Operating revenue of the Group for the year ended December 31, 2015 amounted to RMB15,830,719,950, representing an increase of RMB1,472,111,280 or 10.25% from RMB14,358,608,670 for the same period in 2014. Revenue growth was mainly driven by growth in two areas as follows: (1) sales of mobile telecommunications devices and accessories; (2) other service fee income. Our sales of mobile telecommunications devices and accessories include (i) sales in our retail business including our independently operated outlets and online channels; (ii) sales in our franchised business; and (iii) sales in our wholesale business. Revenue from our retail business includes revenue from sales of mobile telecommunications devices and accessories in our independent stores and store-in-store outlets, stores in cooperation with the mobile carriers, and online sales platforms. Revenue from our franchise business includes revenue from sales of mobile telecommunications devices and accessories to our franchisees. Revenue from our wholesale business includes revenue from sales of mobile telecommunications devices and accessories we distribute to mobile carriers and other third-party retailers. Other service fee income includes (i) management and service fees received from suppliers of products; (ii) income from value-added services; (iii) the rental fees we earn by renting counter space to third parties who provide repair services; and (iv)repair and maintenance fees.

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

Items	For the year ended December 31,					
	2014		**2015**		**Change**	**Percentage of change**
	RMB'000	% of total revenue	**RMB'000**	**% of total revenue**	RMB'000	
(1) **Sales of mobile telecommunications devices and accessories**	13,612,422.65	94.80%	**15,088,122.49**	**95.31%**	1,475,699.84	10.84%
Including: Sales from retail of mobile telecommunications devices and accessories	8,030,316.67	55.93%	**8,423,134.89**	**53.21%**	392,818.22	4.89%
Sales of telecommunications devices and accessories to franchisees	2,162,025.16	15.06%	**2,743,507.28**	**17.33%**	581,482.12	26.90%
Wholesale of mobile telecommunications devices and accessories	3,420,080.82	23.82%	**3,921,480.32**	**24.77%**	501,399.50	14.66%
(2) **Service income from mobile carriers**	607,000.09	4.23%	**593,035.44**	**3.75%**	(13,964.65)	(2.30%)
(3) **Other service fee income**	139,185.93	0.97%	**149,562.02**	**0.94%**	10,376.09	7.45%
Total	14,358,608.67	100.00%	**15,830,719.95**	**100.00%**	1,472,111.28	10.25%

The Group's service income from mobile carriers amounted to RMB593,035,440 for the year ended December 31, 2015, representing a decrease of RMB13,964,650 or 2.30% from RMB607,000,090 for the same period in 2014. Such decrease was caused by the decrease of subsidies provided by the major carriers for selling mobile phones to the end users in 2015.

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

Items	For the year ended December 31,					
	2014		**2015**		Change	Percentage of change
	RMB'000	% of total revenue	**RMB'000**	**% of total revenue**	RMB'000	
China Mobile	218,541.59	36.00%	**280,223.56**	**47.25%**	61,681.97	28.22%
China Unicom	79,118.34	13.04%	**71,737.63**	**12.10%**	(7,380.71)	(9.33%)
China Telecom	304,357.12	50.14%	**236,207.97**	**39.83%**	(68,149.15)	(22.39%)
Dixintong Telecommunications Services	4,983.04	0.82%	**4,866.28**	**0.82%**	(116.76)	(2.34%)
Total	607,000.09	100.00%	**593,035.44**	**100.00%**	(13,964.65)	(2.30%)

"Dixintong Telecommunications Services" refers to Beijing Dixintong Telecommunications Services Co., Ltd., our related party. For details of related party transactions, please refer to the section headed "Related party transactions".

2. *Cost of sales*

The Group's cost of sales for the year ended December 31, 2015 amounted to RMB13,796,602,850, representing an increase of RMB1,414,585,500 or 11.42% from RMB12,382,017,350 for the same period in 2014, which was mainly due to the growth in cost of sales in tandem with the growth in operating revenue.

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

Items	For the year ended December 31,					
	2014		**2015**		Change	Percentage of change
	RMB'000	% of total costs	**RMB'000**	**% of total costs**	RMB'000	
(1) Sales of mobile telecommunications devices and accessories	12,293,112.96	99.28%	**13,703,093.71**	**99.32%**	1,409,980.75	11.47%
Including: Sales from retail of mobile telecommunications devices and accessories	6,841,164.18	55.25%	**7,192,296.96**	**52.13%**	351,132.78	5.13%
Sales of telecommunications devices and accessories to franchisees	2,114,732.17	17.08%	**2,684,764.85**	**19.46%**	570,032.68	26.96%
Wholesale of mobile telecommunications devices and accessories	3,337,216.61	26.95%	**3,826,031.90**	**27.73%**	488,815.29	14.65%
(2) Service income from mobile carriers	84,933.65	0.69%	**89,100.62**	**0.65%**	4,166.97	4.91%
(3) Other service fee income	3,970.74	0.03%	**4,408.52**	**0.03%**	437.78	11.03%
Total	12,382,017.35	100.00%	**13,796,602.85**	**100.00%**	1,414,585.50	11.42%

3. *Gross profit and gross profit margin*

Gross profit represents operating revenue net of cost of sales. The Group's gross profit for the year ended December 31, 2015 amounted to RMB2,034,117,100, representing an increase of RMB57,525,780, or 2.91%, from RMB1,976,591,320 for the same period in 2014. Our overall gross profit margins for the year ended December 31, 2014 and 2015 were 13.77% and 12.85%, respectively. Decrease in our overall gross profit margin as compared with 2014 was primarily driven by decrease in gross profit margin for service income from mobile carriers and decline in gross profit margin for sales of mobile telecommunications devices and accessories. The decline in our gross profit margin for sales of mobile telecommunications devices and accessories was primarily attributable to the development of our online business such as online to offline ("OTO") business, which resulted in lower overall gross profit generated from selling mobile phones. The adjustment of macroeconomic policy was also the cause of the fluctuation of our overall gross profit margin.

Items	For the year ended December 31,							
	2014			**2015**				
	Gross profit RMB'000	% of total gross profit	Gross profit margin	**Gross profit RMB'000**	**% of total gross profit**	**Gross profit margin**	**Change** RMB'000	**Percentage of change**
(1) Sales of mobile telecommunications devices and accessories	1,319,309.69	66.75%	9.69%	**1,385,028.78**	**68.09%**	**9.18%**	65,719.09	4.98%
Including: Sales from retail of mobile telecommunications devices and accessories	1,189,152.49	60.16%	14.81%	**1,230,837.93**	**60.51%**	**14.61%**	41,685.44	3.51%
Sales of telecommunications devices and accessories to franchisees	47,292.99	2.39%	2.19%	**58,742.43**	**2.89%**	**2.14%**	11,449.44	24.21%
Wholesale of mobile telecommunications devices and accessories	82,864.21	4.19%	2.42%	**95,448.42**	**4.69%**	**2.43%**	12,584.21	15.19%
(2) Service income from mobile carriers	522,066.44	26.41%	86.01%	**503,934.82**	**24.77%**	**84.98%**	(18,131.62)	(3.47%)
(3) Other service fee income	135,215.19	6.84%	97.15%	**145,153.50**	**7.14%**	**97.05%**	9,938.31	7.35%
Total	1,976,591.32	100.00%	13.77%	**2,034,117.10**	**100.00%**	**12.85%**	57,525.78	2.91%

4. *Sales volume and average selling price of handsets*

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

Items	For the year ended December 31, 2014 RMB	2015 RMB	Change RMB	Percentage of change
Sales of mobile handsets *(in RMB thousands)*	13,235,197.29	**14,348,710.60**	1,113,513.31	8.41%
Sales volume (in handsets)	10,627,296.00	**10,786,706.00**	159,410.00	1.50%
Average selling price *(RMB/per handset)*	1,245.40	**1,330.22**	84.82	6.81%

5. *Other income and gains*

Other income and gains include: (i) interest income; (ii) government grants; (iii) gain on disposal of property, plant and equipment; and (iv) others. The Group's other income and gains for the year ended December 31, 2015 amounted to RMB85,483,370, representing an increase of RMB45,316,190 or 112.82% from RMB40,167,180 for the same period in 2014, which was primarily attributable to increased government grants for 2015.

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

Items	For the year ended December 31, 2014 RMB'000	2015 RMB'000	Change RMB'000	Percentage of change
Interest income	11,982.59	**14,693.92**	2,711.33	22.63%
Government grants	23,550.02	**65,164.88**	41,614.86	176.71%
Gain on disposal of property, plant and equipment	12.40	**52.88**	40.48	326.45%
Others	4,622.17	**5,571.69**	949.52	20.54%
Total	40,167.18	**85,483.37**	45,316.19	112.82%

6. *Selling and distribution expenses*

Items	Selling and distribution expenses 2014 RMB'000	Selling and distribution expenses 2015 RMB'000	% of total expenses 2014	% of total expenses 2015	Change RMB'000	Percentage of change
	For the year ended December 31,					
Staff salaries	424,278.53	**434,779.58**	38.87%	**38.09%**	10,501.05	2.48%
Office expenses	17,626.00	**21,400.38**	1.59%	**1.86%**	3,774.38	21.41%
Travelling expenses	5,623.67	**5,697.83**	0.52%	**0.50%**	74.16	1.32%
Transportation expenses	17,925.87	**18,541.51**	1.64%	**1.62%**	615.64	3.43%
Business entertainment expenses	5,041.66	**4,063.27**	0.46%	**0.36%**	(978.39)	(19.41%)
Communication expenses	3,205.28	**3,777.43**	0.29%	**0.33%**	572.15	17.85%
Rentals and property management expenses	374,921.18	**393,283.25**	34.35%	**34.45%**	18,362.07	4.90%
Repair expenses	4,543.83	**6,466.23**	0.42%	**0.57%**	1,922.40	42.31%
Advertising and promotion expenses	89,054.82	**96,542.71**	8.16%	**8.46%**	7,487.89	8.41%
Depreciation expenses	6,413.54	**6,494.58**	0.59%	**0.57%**	81.04	1.26%
Amortisation of long-term deferred expenses	70,809.87	**73,686.12**	6.49%	**6.46%**	2,876.25	4.06%
Amortisation of low-cost consumables	5,665.08	**4,757.41**	0.52%	**0.42%**	(907.67)	(16.02%)
Market management fees	14,726.38	**17,613.57**	1.35%	**1.54%**	2,887.19	19.61%
Utilities	31,836.52	**33,280.33**	2.92%	**2.92%**	1,443.81	4.54%
Others	19,956.82	**21,067.60**	1.83%	**1.85%**	1,110.78	5.57%
Total	1,091,629.05	**1,141,451.80**	100.00%	**100.00%**	49,822.75	4.56%

Total selling and distribution expenses for the year ended December 31, 2015 amounted to RMB1,141,451,800, representing an increase of RMB49,822,750 or 4.56% from RMB1,091,629,050 for the same period in 2014, which was mainly due to the growth of staff salaries, rentals and property expenses and amortisation of long-term deferred expenses.

Total staff salaries for the year ended December 31, 2015 amounted to RMB434,779,580, representing an increase of RMB10,501,050, or 2.48% from RMB424,278,530 for the same period in 2014. Such increase was attributable to the hiring of additional marketing staff to meet the requirements of our business expansion, as well as increased average salaries and benefits of our marketing staff.

Total rentals and property management expenses for the year ended December 31, 2015 amounted to RMB393,283,250, representing an increase of RMB18,362,070, or 4.90%, from RMB374,921,180 for the same period in 2014. Such increase was attributable to the opening of new retail outlets and rental increments for certain old outlets upon expiry of leases.

Total amortisation of long-term deferred expenses for the year ended December 31, 2015 amounted to RMB73,686,120, representing an increase of RMB2,876,250 or 4.06%, from RMB70,809,870 for the same period in 2014. Such increase was attributable to increased store decoration costs in connection with the opening of new outlets and the renovation of old ones.

7. *Administrative expenses*

Items	For the year ended December 31,					
	Administrative expenses		% of total expenses			Percentage
	2014	**2015**	2014	**2015**	**Change**	**of change**
	RMB'000	**RMB'000**			RMB'000	
Staff salaries	130,892.59	**135,296.64**	39.31%	**39.62%**	4,404.05	3.36%
Tax expenses	6,759.77	**7,046.93**	2.03%	**2.06%**	287.16	4.25%
Office expenses	24,130.24	**30,070.07**	7.25%	**8.82%**	5,939.83	24.62%
Depreciation expenses	10,118.14	**9,992.42**	3.04%	**2.93%**	(125.72)	(1.24%)
Amortisation of intangible assets	581.38	**387.56**	0.17%	**0.11%**	(193.82)	(33.34%)
Amortisation of long-term deferred expenses	2,805.81	**2,294.67**	0.84%	**0.67%**	(511.14)	(18.22%)
Amortisation of low-cost consumables	5,531.10	**6,050.50**	1.66%	**1.77%**	519.4	9.39%
Travelling expenses	15,403.98	**15,935.97**	4.63%	**4.67%**	531.99	3.45%
Rental and property management fees	13,332.95	**13,664.65**	4.00%	**4.00%**	331.70	2.49%
Business entertainment expenses	14,326.10	**15,474.06**	4.30%	**4.53%**	1,147.96	8.01%
Communication expenses	3,914.57	**3,612.92**	1.18%	**1.06%**	(301.65)	(7.71%)
Agency fees	12,074.19	**17,191.65**	3.63%	**5.03%**	5,517.46	42.38%
Transportation expenses	21,911.04	**20,156.61**	6.58%	**5.90%**	(1,754.43)	(8.01%)
Financial institution charges	38,086.06	**49,320.83**	11.44%	**14.44%**	11,234.77	29.50%
Listing fees	26,000.19	**–**	7.81%	**–**	(26,000.19)	(100%)
Others	7,112.49	**14,991.35**	2.13%	**4.39%**	7,878.86	110.77%
Total	332,980.60	**341,486.83**	100.00%	**100.00%**	8,506.23	2.55%

The Group's total administrative expenses for the year ended December 31, 2015 amounted to RMB341,486,830, representing an increase of RMB8,506,230, or 2.55%, from RMB332,980,600 for the same period in 2014. Such growth in administrative expenses was primarily attributable to the increase in staff salaries, financial institution charges and others.

Total staff salaries for the year ended December 31, 2015 amounted to RMB135,296,640, representing an increase of RMB4,404,050, or 3.36%, from RMB130,892,590 for the same period in 2014. Such growth was primarily attributable to the hiring of additional management and administrative personnel to meet the requirements of our business expansion, as well as increased average salaries and benefits for our management and administrative personnel.

Financial institution charges for the year ended December 31, 2015 amounted to RMB49,320,830, representing an increase of RMB11,234,770, or 29.50%, from RMB38,086,060 for the same period in 2014. Such growth was attributable to the increase in financial institution charges as a result of the increase in business volume of online credit card and instalment payment business.

Others for the year ended December 31, 2015 amounted to RMB14,991,350, representing an increase of RMB7,878,860, or 110.77%, from RMB7,112,490 for the same period in 2014. Such growth was attributable to the increase of insurance premiums, training fees and security fees.

8. *Other expenses*

Other expenses include impairment losses on assets and non-operating expenses. For the years ended December 31, 2014 and 2015, other expenses amounted to RMB45,932,160 and RMB39,036,860, respectively.

Items	For the year ended December 31,			
	2014 RMB'000	**2015** **RMB'000**	**Change** RMB'000	**Percentage of change**
Impairment losses on assets	39,794.24	**35,435.49**	(4,358.75)	(10.95%)
Non-operating expenses	6,137.92	**3,601.37**	(2,536.55)	(41.33%)
Total	45,932.16	**39,036.86**	(6,895.30)	(15.01%)

The Group's total other expenses for the year ended December 31, 2015 amounted to RMB39,036,860, representing a decrease of RMB6,895,300 or 15.01% from RMB45,932,160 for the same period in 2014. The decrease was mainly attributable to the decrease in impairment loss on assets for the current period, which was mainly attributable to the increase of the number of the carriers for whom lower provisions for bad debts were made and the increase of absolute amount of the receivables due within one year.

9. *Finance costs*

Item	For the year ended December 31, Finance costs			
	2014 RMB'000	**2015** **RMB'000**	**Change** RMB'000	**Percentage of change**
Finance costs – interest expenses	116,995.36	**168,447.89**	51,452.53	43.98%

The Group's total finance costs for the year ended December 31, 2015 amounted to RMB168,447,890, representing an increase of RMB51,452,530, or 43.98%, from RMB116,995,360 for the same period in 2014. Such growth in finance costs was primarily attributable to the increase in our short-term bank borrowings.

10. *Income tax expense*

Our income tax expenses for the stated periods included PRC Enterprise Income Tax (EIT) and deferred income tax. In accordance with the Enterprise Income Tax Implementation Regulations, our PRC subsidiaries have been required to pay tax at an income tax rate of 25% as from January 2008. For the year ended December 31, 2015, the income tax rate of 25% was applicable to all of the Group's PRC subsidiaries except Sichuan Yijialong Communication Chain Co., Ltd. (四川億佳隆通訊連鎖有限公司) and Jiangsu Shengduo Kemao Co., Ltd. (江蘇勝多科貿有限責任公司). Sichuan Yijialong Communication Chain Co., Ltd. (四川億佳隆通訊連鎖有限公司) has been entitled to an income tax rate of 15% since 2012 as a company which is principally in an industry encouraged by the State. Jiangsu Shengduo Kemao Co., Ltd. (江蘇勝多科貿有限責任公司) has been entitled to full exemption of income tax for the first two years and 50% reduction for the following three years from April 2014 as a software company encouraged by the State Administration of Taxation. For the years ended December 31, 2014 and 2015, our effective tax rates were 26% and 17.11%, respectively. During the year ended December 31, 2015, we have settled the payment of all relevant taxes, and we have not been engaged in any disputes or unresolved tax matters with the taxation authorities.

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

Items	For the year ended December 31,			
	2014 RMB'000	**2015 RMB'000**	**Change** RMB'000	**Percentage of change**
Income tax in the PRC for the year	117,490.99	**106,749.07**	(10,741.92)	(9.14%)
Deferred tax	(5,634.93)	**(33,112.00)**	(27,477.07)	(687.62%)
Total	111,856.06	**73,637.07**	(38,218.99)	(34.17%)

The Group's total income tax expense for the year ended December 31, 2015 amounted to RMB73,637,070, representing a decrease of RMB38,218,990 or 34.17% compared with the total income tax expense of RMB111,856,060 for the same period in 2014. Such decrease was primarily attributable to the lower income tax rate for the period.

(III) Liquidity and financial resources (current assets, financial resources)

We operate in a capital-intensive industry and we fund our working capital, capital expenditure and other funding requirements mainly through income generated from operating activities and bank borrowings.

Cash flow

Items	For the year ended December 31, 2014 RMB'000	**2015 RMB'000**
Net cash used in operating activities	(790,582.15)	**(119,156.96)**
Net cash used in investing activities	(81,789.73)	**(174,334.41)**
Net cash generated from financing activities	905,730.52	**400,036.90**
Net increase in cash and cash equivalents	33,358.64	**106,545.53**
Cash and cash equivalents at beginning of the year	301,939.83	**335,298.47**
Cash and cash equivalents at end of the year	335,298.47	**441,844.00**

1. Net cash used in operating activities

Our cash generated from operating activities is primarily from sales of mobile telecommunication devices and accessories. Our cash used in operating activities is primarily for purchase of telecommunication devices and accessories from suppliers, rental expenses and staff salary and compensation. Our net cash flow used in operating activities reflects our profit before income tax, as adjusted for non-cash items, such as finance costs and depreciation of property, plant and equipment, and the effects of changes in working capital, such as increases or decreases in inventories, receivables, prepayments, trade and other payables and accruals. Although we had negative net operating cash flow of RMB119,156,960 for the year ended December 31, 2015, there was substantial improvement as compared with 2014.

For the year ended December 31, 2015, we had net cash outflow from operating activities of RMB119,156,960, primarily due to (i) net cash inflow of the Group from continuing operation of RMB430,360,450; (ii) an increase in net cash outflow of RMB206,794,300 due to an increase in trade receivables in connection with growth in sales of mobile phones bundled with contracted call service subscriptions as a result of closer cooperation with mobile carriers; (iii) net cash outflow of RMB235,856,870 due to an increase in inventories in connection with purchase of popular products (such as Apple iPhone 6S, Apple iPhone 6S Plus and new Huawei models) in anticipation for the New Year and Chinese New Year holiday season; and (iv) net cash outflow of RMB152,048,940 due to a decrease in trade and bills payables following the settlement of payables due.

2. *Net cash used in investing activities*

Our net cash flow used in investing activities reflects the results of our investing activities for the period, such as purchase of property, plant, equipment and intangible assets, proceeds from disposal of property, plant and equipment, proceeds from disposal of subsidiaries and acquisition of subsidiaries.

For the year ended December 31, 2015, we had net cash outflow from investing activities of RMB174,334,410, which was primarily attributable to (i) the purchase and construction of fixed assets and decoration costs of RMB85,788,740 in connection with the opening of new outlets and the renovation of old ones; and (ii) the consideration of RMB85,612,000 for the acquisition of a subsidiary.

3. *Net cash generated from financing activities*

Our net cash generated from financing activities reflects the results of our financing activities for the period, such as bank loans, proceeds from other financing activities, repayment of bank loans, paid interests and payment of other financing activities.

For the year ended December 31, 2015, we had net cash inflow from financing activities of RMB400,036,900, primarily due to (i) bank loans of RMB7,646,932,290 and repayment of bank loans of RMB6,350,111,290; (ii) an increase of pledged deposit of RMB725,426,000; (iii) interest payment to banks of RMB168,447,890.

(IV) Balance Sheet Items

1. *Trade receivables*

Our trade receivables primarily consist of (i) trade receivables and (ii) impairment. The following table sets forth information relating to our trade receivables as of the dates indicated:

Items	As of December 31,			
	2014 RMB'000	**2015** **RMB'000**	**Change** RMB'000	**Percentage of change**
Trade receivables	1,762,514.34	**1,969,307.44**	206,793.10	11.73%
Less: Impairment for trade receivables	(86,819.34)	**(98,648.51)**	(11,829.17)	13.63%
Net	1,675,695.00	**1,870,658.93**	194,963.93	11.63%

The following table sets forth information relating to trade receivables before deducting impairment as of the dates indicated:

Nature of Customers	As of December 31,		
	2014	**2015**	**Growth rate**
	RMB'000	**RMB'000**	
Franchisees	502,390.15	**657,458.78**	30.87%
Supermarket customers	169,949.02	**168,631.39**	(0.78%)
Mobile carriers	504,066.63	**547,952.69**	8.71%
Third party wholesale customers	586,108.54	**595,264.58**	1.56%
Total	1,762,514.34	**1,969,307.44**	11.73%

To enhance sales of our handsets and enlarge our market share, the range of credit periods granted by us to certain customers was extended from 30–90 days in 2014 to 30–120 days in 2015. Credit periods are offered to customers with volume sales of telecommunication devices and accessories. We closely monitor and maintain strict control over our outstanding receivables to minimise credit risk. Overdue balances are also reviewed regularly by the management. As our trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. We do not hold any collateral or other credit enhancements over our trade receivable balances. Our trade and bills receivables are unsecured and non-interest-bearing.

Our trade receivables less impairment as of December 31, 2015 amounted to RMB1,870,658,930, representing an increase of RMB194,963,930 or 11.63%, from RMB1,675,695,000 as of December 31, 2014. Our trade receivables before deducting impairment as of December 31, 2015 amounted to RMB1,969,307,440, representing an increase of RMB206,793,100, or 11.73% from RMB1,762,514,340 as of December 31, 2014.

Amounts receivable from franchisees as of December 31, 2015 amounted to RMB657,458,780, representing an increase of RMB155,068,630 or 30.87%, from RMB502,390,150 as of December 31, 2014. Such growth was primarily attributable to: (i) increased amounts receivable from franchisees in line with increased sales to franchisees; (ii) unscheduled adjustments to credit limits and credit periods for franchisees with good credit records in view of the concurrent launch of popular and high margin new products such as Apple iPhone 6S, Apple iPhone 6S Plus and Huawei Mate8 in the final quarter.

Amounts receivable from supermarket customers as of December 31, 2015 amounted to RMB168,631,390, representing a decrease of RMB1,317,630 or 0.78%, from RMB169,949,020 as of December 31, 2014.

Amounts receivable from mobile carriers as of December 31, 2015 amounted to RMB547,952,690, representing an increase of RMB43,886,060 or 8.71%, from RMB504,066,630 as of December 31, 2014. Such growth was primarily attributable to increased amounts receivable from mobile carriers in line with increased wholesale to mobile carriers.

Amounts receivable from third party wholesale customers as of December 31, 2015 amounted to RMB595,264,580, representing an increase of RMB9,156,040 or 1.56%, from RMB586,108,540 as of December 31, 2014. Such growth was primarily attributable to the unscheduled adjustments to credit limits and credit periods for major customers with good credit records in view of the concurrent launch of popular and high margin new products such as Apple iPhone 6S, Apple iPhone 6S Plus and Huawei Mate8 in the final quarter.

As of the date of this annual report, approximately RMB1,761,649,350 of our trade receivables as of December 31, 2015 were subsequently settled.

Our management regularly monitors the recoverability of our overdue balances of trade receivables and provides for impairment of these receivables as appropriate. Our provisions for impairment of trade receivables as of December 31, 2015 amounted to RMB98,648,510, representing an increase of RMB11,829,170 or 13.63% from RMB86,819,340 as of December 31, 2014, primarily as a result of an increase in our total trade receivables from RMB1,762,514,340 as of December 31, 2014 to RMB1,969,307,440 as of December 31, 2015. Our Directors believe that our provisions for impairment on trade receivables are adequate.

The following table sets forth the aging analysis of our trade receivables as of the dates indicated:

Items	**As of December 31,**	
	2014	**2015**
	RMB'000	**RMB'000**
Within 90 days	1,299,495.71	**1,753,546.02**
91 to 180 days	199,756.89	**39,930.84**
181 to 365 days	145,534.00	**40,940.03**
Over 1 year	30,908.40	**36,242.04**
Total	1,675,695.00	**1,870,658.93**

The following table sets forth our average trade receivables turnover days for the periods indicated:

Item	**For the year ended December 31,**			
	2014 Number of days	**2015 Number of days**	**Change in number of days**	**Percentage of change**
Average trade receivables turnover days	37	**40**	3	8.11%

Our average trade receivables turnover days increased to 40 days for 2015, which was 3 days longer than that for 2014. The increase in turnover days reflected the combined effect of: (i) the 10.25% year-on-year growth in sales income for 2015; (ii) the extension of credit periods granted by us to customers to 30–120 days in 2015 from 30-90 days in 2014; and (iii) the unscheduled raise in credit limits for customers.

2. *Prepayments and other receivables*

Our prepayments and other receivables consist of (i) prepayments; and (ii) other receivables. The following table sets forth information relating to our prepayments and other receivables as of the dates indicated:

Items	**As of December 31,**			
	2014 RMB'000	**2015 RMB'000**	**Change** RMB'000	**Percentage of change**
Prepayments	793,551.81	**904,747.32**	111,195.51	14.01%
Other receivables	106,675.45	**121,594.39**	14,918.94	13.99%
Total	900,227.26	**1,026,341.71**	126,114.45	14.01%
Less: Impairment for other receivables	(5,446.16)	**(5,228.56)**	217.60	(4.00%)
Net	894,781.10	**1,021,113.15**	126,332.05	14.12%

Our prepayments represent our prepayments to suppliers of mobile telecommunication devices and accessories and prepaid rental payments to our lessors. Our prepayments as of December 31, 2015 amounted to RMB904,747,320, representing an increase of RMB111,195,510, or 14.01%, from RMB793,551,810 as of December 31, 2014. Such increase was primarily due to prepayments for suppliers of Apple, Samsung and Huawei mobile phones at the end of the year.

3. *Impairment of trade and other receivables*

Our provision policy for impairment of trade and other receivables is based on ongoing evaluation of the collectability and aging analysis of the outstanding receivables and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of those receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required.

Based on the aforesaid policy for provision, the Directors are of the view that we have made sufficient provisions for the impairment of trade and other receivables.

4. *Inventory*

Our inventories consist primarily of (i) merchandise for sale and (ii) consumables. The following table sets forth information relating to our inventories as of the dates indicated:

Items	As of December 31,			
	2014 RMB'000	**2015** **RMB'000**	**Change** RMB'000	**Percentage of change**
Merchandise for resale	1,953,644.89	**2,170,968.98**	217,324.09	11.12%
Consumables	1,572.82	**913.44**	(659.38)	(41.92%)
Total	1,955,217.71	**2,171,882.42**	216,664.71	11.08%
Less: Provision against inventories	(19,191.24)	**(23,824.92)**	(4,633.68)	24.14%
Total	1,936,026.47	**2,148,057.50**	212,031.03	10.95%

Our inventories as of December 31, 2015 amounted to RMB2,148,057,500, representing an increase of RMB212,031,030 or 10.95% as compared with RMB1,936,026,470 as of December 31, 2014. Such increase was primarily attributable to (i) the increase in purchases in preparation for the New Year and Chinese New Year holiday season driven by the launch of new products such us Apple iPhone 6S, Apple iPhone 6S Plus, Samsung S6 edge+ and Huawei Mate8 at the year end; and (ii) higher prices of smart phones purchased, such as Apple iPhone 6S, Apple iPhone 6S Plus, Samsung S6 edge+ and Huawei Mate8.

The following table sets forth the aging analysis of our inventories as of the dates indicated:

Period	As of December 31,			
	2014 RMB'000	**2015** **RMB'000**	**Change** RMB'000	**Percentage of change**
Within 30 days	1,897,622.12	**2,096,304.84**	198,682.72	10.47%
31 to 60 days	29,286.91	**39,701.39**	10,414.48	35.56%
60 to 90 days	7,090.90	**21,975.55**	14,884.65	209.91%
Over 90 days	21,217.78	**13,900.64**	(7,311.14)	(34.49%)
Total	1,955,217.71	**2,171,882.42**	216,664.71	11.08%

The following table sets forth the average inventory turnover days for the periods indicated:

Item	For the year ended December 31, 2014 Number of days	**2015 Number of days**	**Change in number of days**	**Percentage of change**
Average inventory turnover days	52	**54**	2	3.85%

Our inventory turnover days increased from 52 days as of December 31, 2014 to 54 days as of December 31, 2015, primarily due to an increase in the balance of inventories as at the end of the period which affected the average inventory turnover days resulting from (i) the increase in purchases in preparation for the New Year and Chinese New Year holiday season driven by the launch of new products such as Apple iPhone 6S, Apple iPhone 6s Plus and Huawei Mate8 as at the end of the year; and (ii) relatively higher prices of smart phones purchased such as Apple iPhone 6S, Apple iPhone 6s Plus and Huawei Mate8.

5. *Properties under development*

Item	**For the year ended December 31,**			
	2014 RMB'000	**2015 RMB'000**	**Change** RMB'000	**Percentage of change**
Properties under development	–	**282,718.05**	282,718.05	–

As of December 31 2015, the Group had properties under development of RMB282,718,050, all of which were the properties under development of Yunfu Real Estate Co., Ltd. which was acquired by the Group in 2015.

6. *Trade and bills payables*

Our trade and bills payables consist of (i) trade payables; and (ii) bills payables. The following table sets forth information relating to our trade and bills payables as of the dates indicated:

Items	**As of December 31,**			
	2014 RMB'000	**2015 RMB'000**	**Change** RMB'000	**Percentage of change**
Trade payables	445,540.08	**479,609.89**	34,069.81	7.65%
Bills payables	257,968.75	**71,850.00**	(186,118.75)	(72.15%)
Total	703,508.83	**551,459.89**	(152,048.94)	(21.61%)

The following table sets forth the aging analysis of our trade and bills payables as of the dates indicated:

Items	As of December 31,			
	2014 RMB'000	**2015** **RMB'000**	**Change** RMB'000	**Percentage of change**
Within 90 days	649,014.80	**511,775.76**	(137,239.04)	(21.15%)
91 to 180 days	26,182.06	**19,523.35**	(6,658.71)	(25.43%)
181 to 365 days	20,547.11	**15,106.28**	(5,440.83)	(26.48%)
Over 1 year	7,764.86	**5,054.50**	(2,710.36)	(34.91%)
Total	703,508.83	**551,459.89**	(152,048.94)	(21.61%)

The following table sets forth our average trade and bills payables turnover days for the periods indicated:

Item	For the year ended December 31,			
	2014 Number of days	**2015** **Number of days**	**Change in number of days**	**Percentage of change**
Average trade and bills payables turnover days	26	**16**	(10)	(38.46%)

Our trade payables are non-interest bearing and are normally settled within 30–45 days. Our trade and bills payables as of December 31, 2015 amounted to RMB551,459,890, representing a decrease by RMB152,048,940 or 21.61% from RMB703,508,830 as of December 31, 2014. The decrease in trade and bills payables for this period was mainly due to the change of treatment to the bills payables, whereas most of bank bills issued to the companies within the Group were discounted to the banks to ensure the Company's cash flow in 2015, as compared to mainly being endorsed to third parties in 2014, with discounted amount of RMB1,510,760,000, as compared to that of RMB222,860,000 in 2014. This item is presented as short-term borrowings in the financial statements, resulting in a substantial decrease of the balances of bills payables caused by a substantial increase in intra-group offsetting of the bills for this period.

7. *Other payables and accruals*

Other payables and accruals consist of (i) advances from customers; (ii) payroll and welfare payables; (iii) accrued expenses; and (iv) other payables. The following table sets forth information relating to our other payables and accruals as of the dates indicated:

Items	As of December 31,			
	2014 RMB'000	**2015** **RMB'000**	**Change** RMB'000	**Percentage of change**
Advances from customers	89,848.59	**199,885.29**	110,036.70	122.47%
Payroll and welfare payables	60,219.85	**61,762.22**	1,542.37	2.56%
Accrued expenses	38,882.21	**9,663.62**	(29,218.59)	(75.15%)
Other payables	106,817.58	**126,844.34**	20,026.76	18.75%
Total	295,768.23	**398,155.47**	102,387.24	34.61%

Our advances from customers represent advance payments by customers for their purchases. Our advances from customers as of December 31, 2015 amounted to RMB199,885,290, representing an increase of RMB110,036,700 or 122.47% from RMB89,848,590 as of December 31, 2014. The increase was primarily attributable to increase in receipts in advance from the new real estate company.

Our payroll and welfare payables represent accrued payroll and welfare expenses to our employees. Our payroll and welfare payables as of December 31, 2015 amounted to RMB61,762,220, representing an increase of RMB1,542,370 or 2.56% from RMB60,219,850 as of December 31, 2014. Such increase was primarily due to an increase in salary and compensation for our staff.

Our accrued expenses represent other current liabilities. Our accrued expenses as of December 31, 2015 amounted to RMB9,663,620, representing a decrease of RMB29,218,590 or 75.15% from RMB38,882,210 as of December 31, 2014. Such decline was primarily attributable to the decrease in the accruals for advertising expenses.

Our other payables as of December 31, 2015 amounted to RMB126,844,340, representing an increase of RMB20,026,760 or 18.75% from RMB106,817,580 as of December 31, 2014. Such growth was primarily attributable to our closer cooperation with mobile carriers resulting in the increase in bundled contract call service subscriptions collected from users on behalf of mobile carriers.

8. *Net current assets position*

The following table sets forth our current assets and liabilities as of the dates indicated:

Items	**As of December 31,**			
	2014 RMB'000	**2015** **RMB'000**	**Change** RMB'000	**Percentage of change**
Current assets				
Inventories	1,936,026.47	**2,148,057.50**	212,031.03	10.95%
Properties under development	–	**282,718.05**	282,718.05	–
Trade receivables	1,675,695.00	**1,870,658.93**	194,963.93	11.63%
Prepayments, deposits and other receivables	894,781.10	**1,021,113.15**	126,332.05	14.12%
Due from related parties	2,169.53	**3,661.60**	1,492.07	68.77%
Pledged deposits	355,381.83	**1,080,808.42**	725,426.59	204.13%
Cash and cash equivalents	335,298.47	**441,844.00**	106,545.53	31.78%
Total current assets	5,199,352.40	**6,848,861.65**	1,649,509.25	31.73%
Current liabilities				
Interest-bearing loans	1,903,471.79	**3,152,292.50**	1,248,820.71	65.61%
Trade and bills payables	703,508.83	**551,459.89**	(152,048.94)	(21.61%)
Other payables and accruals	295,768.23	**398,155.47**	102,387.24	34.62%
Tax payable	121,607.41	**198,499.01**	76,891.60	63.23%
Due to related parties	1,739.50	**664.72**	(1,074.78)	(61.79%)
Total current liabilities	3,026,095.76	**4,301,071.59**	1,274,975.83	42.13%
Net current assets	2,173,256.64	**2,547,790.06**	374,533.42	17.23%

Our net current assets as of December 31, 2015 amounted to RMB2,547,790,060, representing an increase of RMB374,533,420 or 17.23% from RMB2,173,256,640 as of December 31, 2014. Such growth was primarily attributable to the growth of our currents assets exceeding the growth of our current liabilities.

9. *Capital expenditure*

For the year ended December 31, 2015, the Group's capital expenditure amounted to RMB13,501,060, which was incurred mainly 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.

10. *Related party transactions*

We enter into various transactions with related parties, including a company controlled by our controlling shareholders and a joint venture. The following table sets forth information relating to our transactions with related parties during the periods indicated:

Items	**For the year ended December 31,**			
	2014 RMB'000	**2015** **RMB'000**	**Change** RMB'000	**Percentage of change**
Joint venture:				
Purchase of goods	250.33	**84.45**	(165.88)	(66.26%)
Company controlled by the Controlling Shareholders:				
Sales of goods	443.63	**272.85**	(170.78)	(38.50%)
Purchase of goods	844.55	**569.24**	(275.31)	(32.60%)
Carriers' commission	4,983.04	**5,257.32**	274.28	5.50%
Total				
Sales of goods	443.63	**272.85**	(170.78)	(38.50%)
Purchase of goods	1,094.88	**653.69**	(441.19)	(40.30%)
Carriers' commission	4,983.04	**5,257.32**	274.28	5.50%

The transaction with a joint venture entity represented trade receivables from and payables to Hollard – D. Phone (Beijing) Technology Development Co., Ltd. (和德信通（北京）科技發展公司) in connection with purchase of mobile phone insurances. The transaction with a company controlled by the controlling shareholder represented trade receivables from and payables to Beijing Dixintong Telecommunications Services Co., Ltd. in connection with the purchase and sales of handsets and the sales of phone number cards as agent. We expect to continue transactions with these related parties. Our Directors are of the opinion that such related party transactions were based on normal commercial terms and conducted on an arm's length basis.

11. *Indebtedness – bank borrowings*

For the year ended December 31, 2015, our bank borrowings were primarily short term in nature and repayable within one year. The following table sets forth our outstanding borrowing as of the dates indicated:

Items	**As of December 31,** 2014 RMB'000	**2015 RMB'000**
Bank loans:		
Unsecured, repayable within one year	1,446,386.79	**2,010,750.00**
Secured and repayable within one year	457,085.00	**1,141,542.50**
Unsecured long-term liabilities	–	**48,000.00**
Total	1,903,471.79	**3,200,292.50**
The bank loans bear interest at rates per annum in the range of	5.60%–7.80%	**3.55%–7.28%**

During the year ended December 31, 2015, 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 carry interest at the People's Bank of China benchmark rate plus a premium. We mainly used these bank loans to purchase mobile telecommunication devices and accessories.

Our bank loans as of December 31, 2015 amounted to RMB3,200,292,500, representing an increase of RMB1,296,820,710 or 68.13% from RMB1,903,471,790 as of December 31, 2014. Such increase was primarily due to (i) our need for purchasing more mobile telecommunication devices and accessories as a result of our sales growth driven by our business expansion; and (ii) the financing need resulting from some suppliers not granting credit periods to us and requiring prepayments or current payments.

We are subject to certain customary restrictive covenants pursuant to our loan agreements with the banks. Subject to certain exceptions and waivers, these covenants may restrict our ability to (i) incur additional indebtedness; (ii) make major change to our corporate structure, such as to undertake or encourage joint venture, mergers and acquisitions, consolidations, reduction of registered share capital and reorganisations or to make other changes such as liquidation or dissolution, (iii) sell, transfer or dispose of material assets; and (iv) make investments and engage in certain transactions with affiliates or subsidiaries.

Our Directors confirmed that during the year ended December 31, 2015 and up to the date of this annual 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. Our Directors also confirmed that as of the date of this announcement, we did not have any plan to raise material external debt financing. 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 December 31, 2015, being the latest practicable date for our indebtedness statement.

(V) Key financial ratios

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

Items	**As of December 31,**			
	2014	**2015**	**Change**	**Percentage of change**
Current ratio	1.72	**1.59**	(0.13)	(7.56%)
Gearing ratio	39.31%	**49.64%**	10.33%	26.28%
Net debt-to-equity ratio	64.77%	**98.57%**	33.80%	52.18%

Current ratio is our current assets divided by our current liabilities at the end of each financial period. Our current ratio remained relatively steady during the year ended December 31, 2015.

Gearing ratio is net debt divided by the sum of net debt and total equity at the end of each financial period and multiplied by 100%. Net debt includes interest-bearing bank loans, less cash and cash equivalents. Our gearing ratio increased from 39.31% as of December 31, 2014 to 49.64% as of December 31, 2015. This increase was primarily due to the Company's higher growth in net debt than in total equity for 2015. Total equity as of December 31, 2015 amounted to RMB2,798,501,880, representing an increase of RMB377,298,450 or 15.58% as compared with RMB2,421,203,430 as of December 31, 2014, and growth in total equity was primarily attributable to growth in net profit and the increase in shareholding equity capital for 2015. The Group's total retained profit as of December 31, 2015 amounted to RMB1,385,954,880, representing an increase of RMB321,389,830 or 30.19% as compared with the total retained profit of RMB1,064,565,050 for the same period in 2014. Surplus reserves as of December 31, 2015 amounted to RMB175,711,370, representing an increase of RMB35,672,340 or 25.47% compared with RMB140,039,030 as of December 31, 2014. Net debt as of December 31, 2015 amounted to RMB2,758,448,500, representing an increase of RMB1,190,275,180 or 75.90% as compared with RMB1,568,173,320 as of December 31, 2014. Our net debt was mainly due to the 68.13% increase in interest-bearing bank borrowings from RMB1,903,471,790 as of December 31, 2014 to RMB3,200,292,500 as of December 31, 2015.

Net debt-to-equity ratio equals net debt divided by total equity as the end of the financial period and multiplied by 100%. Our net debt-to-equity ratio as of December 31, 2015 was 98.57%, which was 33.80% higher than 64.77% as of December 31, 2014, representing a growth ratio of 52.18%. This was primarily due to the Company's higher growth in net debt than in total equity for 2015. Total equity as of December 31, 2015 amounted to RMB2,798,501,880, representing an increase of RMB377,298,450 or 15.58% as compared with RMB2,421,203,430 as of December 31, 2014, and growth in total equity was primarily attributable to the growth in net profit and the increase in shareholding equity capital for 2015. The Group's total retained profit for the year ended December 31, 2015 amounted to RMB1,385,954,880, representing an increase of RMB321,389,830 or 30.19% as compared with total retained profit of RMB1,064,565,050 for the same period in 2014. Surplus reserve as of December 31, 2015 amounted to RMB175,711,370, representing an increase of RMB35,672,340 or 25.47% compared with RMB140,039,030 as of December 31, 2014. Net debt as of December 31, 2015 amounted to RMB2,758,448,500, representing an increase of RMB1,190,275,180, or 75.90% compared with RMB1,568,173,320 as of December 31, 2014. Our net debt reflected mainly the 68.13% increase in interest-bearing bank borrowings from RMB1,903,471,790 as of December 31, 2014 to RMB3,200,292,500 as of December 31, 2015.

(VI) Material acquisitions and disposals

Details of the Group's material acquisitions for the year ended December 31, 2015 are set out in the section headed "Material investments".

(VII) Contingent liabilities

As of December 31, 2015, the Group had no material contingent liabilities.

(VIII) Use of proceeds

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

The following table sets forth details of the proceeds in the special account as of the date indicated:

As of December 31, 2015			Unit: HK$'000
Account holder	**Banker**	**Account number**	**Balance**
Beijing Digital Telecom Co., Ltd.	Standard Chartered Bank (Hong Kong) Limited	44717867377	9,326.58

As of December 31, 2015, HK$874,008,520 out of the net proceeds had been utilised. As of December 31, 2015, the balance of the proceeds in the special account amounted to HK$9,326,580 (including accrued interest accruing of HK$9,140).

To regulate the management of 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, utilisation, management of fund application and supervision of use.

In accordance with the plan for the public offering, proceeds from the public offering of shares will be applied as to approximately 56% in the expansion of our retail and distribution network, approximately 14% in the repayment of bank loans, approximately 9% in the upgrade of information systems for further enhancement of our management ability, approximately 7% in the upgrade of existing outlets and establishment of new call centers and new after-sales services system in the PRC, approximately 6% in multi-functional mobile Internet projects and approximately 9% as working capital and for other general corporate purpose. The applications of our issue proceeds as at the date indicated are set out in the following table:

Items	For the year ended December 31, 2015 Amount paid HK$'000	 Percentage
Expansion of retail and distribution network	472,414.94	54.05%
Repayment of bank borrowings	118,703.28	13.58%
Upgrade of information system to further improve management capability	55,584.09	6.36%
Upgrade of existing outlets and establishment of new call centers and new after-sales services system in the PRC	34,472.32	3.94%
Undertaking multi-functional mobile Internet projects	44,060.18	5.04%
Working capital and other general corporate purpose	79,372.07	9.08%
Payment of listing agency fees	69,401.64	7.95%
Total	874,008.52	100.00%

(IX) Foreign exchange rate risks

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

(X) Pledge of assets

Details of pledge of assets of the Group are set out in note 30 to the financial statements on page 137 in this annual report.

(XI) Material investments

A resolution in relation to acquisition of the 25% equity of Yunfu SCI Commercial Properties Co., Ltd. (雲浮深商投商用置業有限公司) by Shenzhen Digital Investment Holding Co., Ltd. (深圳迪信通投資控股有限公司), a subsidiary of the Company, from Shenzhen Shangzhihengye Investment Holding Co., Ltd. (深圳商置恒業投資控股有限公司) at a consideration of RMB10,000,000 was approved on the fourteenth meeting of the second session of the Board held on June 23, 2015. Upon the completion of the acquisition, Shenzhen Digital Investment Holding Co., Ltd. (深圳迪信通投資控股有限公司) invested RMB80,000,000 to increase the capital of Yunfu SCI Commercial Properties Co., Ltd. (雲浮深商投商用置業有限公司) to RMB120,000,000. Upon the capital increase, Shenzhen Digital Investment Holding Co., Ltd. (深圳迪信通投資控股有限公司) held 75% equity of Yunfu SCI Commercial Properties Co., Ltd. (雲浮深商投商用置業有限公司).

(XII) Equity arrangements

For the year ended December 31, 2015, no equity subscription was conducted by the Group. As of the date of this annual report, no equity scheme was made by the Group.

(XIII) Employees, remuneration policies and training programs

As at December 31 , 2015, the Group had 7,589 employees. For twelve months ended December 31, 2015, salary costs and employees' benefit expenses were approximately RMB570,076,220. Remunerations for the Group's existing employees include salaries, performance-based bonus, social insurance, housing provident fund and other benefits.

For the purposes of improving our employees' comprehensive quality, and operational efficiency and service standard of the Company, the Group also has various trainings for our employees, including professional qualities training, corporate culture, product and business information training, and management skills training for middle and senior management members with diversified training methods, conducted mainly through online learning, conferences and on-the spot skill-specific training programmes.

(XIV) Capital

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

(XV) Future material investment

The Group does not have any material investment plan in the near future.

III. BUSINESS OUTLOOK FOR 2016

Market research has shown that retailing of telecommunication devices would continue to grow steadily in 2016. The growth of offline market exceeded that of online market for the first time and 4G business continued to gain pace. With high market concentration of a few brands, the competition among various brands became keener. Facing such changes in the market, we have to enhance the Company's performances with the focus on the following aspects:

(1) To vigorously develop the Group's own brands and keep improving our brand value.

In 2016, we shall vigorously develop our own brands by taking advantages of the strong momentum of growth of 4G business and with reliance on the sales ability of the franchisees and our own distribution efforts in order to achieve simultaneous increase in our scale of economy and efficiency.

(2) To develop our physical retail channels steadily.

On the one hand, we shall strengthen our cooperation with three major mobile carriers through various modes of cooperation such as joint operation or licensing of our outlets; on the other hand, we shall enhance our attraction to potential franchisees through its own brand-building. In addition, we shall continue to intentionally seek to open more self-owned shops in suitable towns so as to increase our overall market shares.

(3) 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 OTO (online to offline) business.

Although the proportion of our online business to the Group's business has steadily increased during recent years, there was still relatively large room for growth considering the fact that online business accounted for 25% of the industry as a whole. In 2016, we shall take advantages of our geographic coverage to combine the online business with services provided in physical stores so as to realize the integration and development of our OTO (online to offline) business.

(4) To enhance our cooperation with three major mobile carriers on product supply.

Market competition became keener on the backdrop of the competition among major domestic mobile carriers for new 4G users. In particular, China Mobile will offer more subsidies for its 4G business in 2016. In order to cope with that, we shall, on the one hand, open joint-operated outlets with mobile carriers and on the other hand, increase the product supply to mobile carries by taking advantages of the opportunity brought by growth of 4G business.

(5) To seek cooperation with exclusive shops with strong brand names.

Starting from the second half of 2015, major domestic mobile phone manufacturers have begun to attach more importance to the development of physical sales channels. In 2016, we shall cooperate with our manufacturing partners to open exclusive stores in order to increase market shares.

(6) To improve our services and strengthen the influence of our brand.

Our concept of "full-hearted loyalty" has been well received by our customers and has accumulated a large number of fans of Beijing Digital since it was launched in 2015. In 2016, we shall continue to eagerly pursue the "full-hearted loyalty" concept in order to enhance our prestige and reputation through high-quality customer services, so as to enhance the Group's brand influence and ultimately increase sales.

(7) To vigorously expand into oversea markets.

Taking advantage with the experience of Beijing Digital in retail selling, we shall put more efforts on the expansion into markets in Africa and Southeast Asia.

DIRECTORS

Executive Directors

Mr. Liu Donghai (劉東海), aged 49, joined the Company in June 2001 and has been the chairman of the Board since December 2013. He joined the Group in December 1997 and held various positions in the Group, including the vice chairman of the Board from July 2010 to December 2013, the general manager of the Company since March 2011 and the internal risk control officer of the Company from June 2001 to March 2011. He is primarily responsible for formulating the overall business strategies of the Company and overseeing the execution of the business strategies and the operation of the Company.

Prior to joining our Group, from April 1991 to March 1993, he served as the sales director of Beijing Hamamatsu Technology Co., Ltd. (北京濱松光子技術有限公司), which was set up as a company providing comprehensive services including research, development and provision of a variety of products for photonics field as a whole, mainly responsible for formulating sales policies, proposals and targets, and planning and overseeing the implementation of sales proposals. He has been the vice president of China Electronic Chamber of Commerce since December 2012 up to this date.

He obtained his master degree in Business Administration from China Europe International Business School (中歐國際工商學院) in September 2003.

Mr. Liu Yajun (劉雅君), aged 58, joined the Company in August 2010 as an executive Director and has been elected as the vice chairman of the Board since March 2014. He is primarily responsible for formulating investment plans and leading investment negotiations of the Company.

Prior to joining our Group, he held various positions, including a director and the vice president of Shenzhen Development Bank Tianjin Branch (深圳發展銀行天津分行), which provided various financial service with respect to corporate business, retailing business, inter-bank business and etc. from May 2003 to July 2008. He was mainly responsible for the credit business in the abovementioned bank.

He obtained his master degree in Economics from Chinese Academy of Social Sciences (中國社會科學院) in November 1991.

Mr. Liu Songshan (劉松山), aged 42, joined the Company in May 2001 and was the chairman of the Board from November 2009 to December 2013. He joined the Group in February 1998 and held various positions in the Group, including an executive Director and the general manager of the Company from May 2001 to March 2011, an executive director of Beijing Dphone Electronic Communication Technology Co., Ltd. (北京迪信通電子通信技術有限公司) from February 1998 to May 2009, and the general manager of Beijing Dphone Electronic Communication Technology Co., Ltd. (北京迪信通電子通信技術有限公司) from May 2009 to October 2010. He is primarily responsible for formulating business operation strategies and investment plans of the Company, and leading annual procurement and sales planning of the Company.

He obtained his certificate for completing the course on practical innovative enterprises management from advanced training class of Peking University in May 2011.

Ms. Liu Wencui (劉文萃), aged 42, joined the Group since February 1998 and has been an executive Director since June 2007 and the deputy director of the procurement center of the Company since April 2004. She is primarily responsible for organizing and implementing annual business and investment plans of our Group, implementing annual procurement plans of our Group and tracing delivery status of the procured products, establishing database for suppliers and facilitating communication with them, within the authorization of the chairman of the Board executing contracts on behalf of our Group as well as handling other matters under authorization of the chairman of the Board.

Ms. Liu Hua (劉華), aged 43, joined the Company in March 2001 and has been an executive Director since November 2009. She joined the Group in February 1998 and held various positions in the Group, including the procurement manager of the Company since March 2001 and the manger of the procurement department of Beijing Dphone Electronic Communication Technology Co., Ltd. (北京迪信通電子通信技術有限公司) from February 1998 to 2000. She is primarily responsible for organizing and implementing annual business and investment plans of our Group, implementing annual procurement plans of our Group and tracing delivery status of the procured products, establishing database for suppliers and facilitating communication with them, within the authorization of the chairman of the Board executing contracts on behalf of our Group as well as handling other matters under authorization of the chairman of the Board.

Non-Executive Director

Mr. Qi Xiangdong, aged 52, joined the Company in June 2015 and has been an independent non-executive Director since then, mainly responsible for attending the meetings of the Board, voting on the resolutions considered at the meetings of the Board, and overseeing the management of the Company. Mr. Qi served as a deputy director of the Communication Technology Agency of Xinhua News Agency since 1986, responsible for technique planning, construction planning and training related work, and directing the planning and demonstration of a series of major projects. From 2003 to 2005, Mr. Qi worked at Yahoo China as the vice president and at 3721 Company as the general manager, responsible for the design, operation and market development of the website of Yahoo China, and overall operation and implementation of the strategic planning for public affairs of 3721 Company. In 2005, he founded Qihoo 360 Technology Co. Ltd and served as the chief executive officer and a director since then, responsible for the formulation and implementation of the strategies for overall operation and market development.

Mr. Qi received an executive master degree in business administration from Beijing University of Science and Technology in 2007.

Independent Non-Executive Directors

Mr. Lv Tingjie (呂廷杰), aged 60, has been an independent non-executive Director since November 2009, mainly responsible for attending the meetings of the Board, voting on the resolutions considered at the meetings of the Board, and overseeing the management of the Company. He has served as a professor, a doctoral tutor and the executive dean of School of Economics Management of Beijing University of Posts and Telecommunications (北京郵電大學) since May 1997, June 1999 and September 2007, respectively, the standing director of the International Telecommunication Society (國際電信協會) since June 2007, mainly responsible for coordinating the economic cooperation and academic exchanges in Asia and Greater China region, a member of the Telecommunications Experts Committee, Ministry of Industry and Information Technology (工業和信息化部電信專家委員會) since 2004, mainly responsible for policy consultation, examination and appraisal work, and the vice chairman of the Electronic Commerce Teaching Steering Committee, Ministry of Education (教育部電子商務教學指導委員會) since 2008, mainly responsible for revising education plans for e-commerce. Mr. Lv is currently an independent non-executive director of Gohigh Data Networks Technology Co., Ltd. (大唐高鴻數據網絡技術股份有限公司), which is listed in Shenzhen Stock Exchange (Stock Code: 000851) and dedicates itself to the provision of telecommunications devices, business and overall resolution with respect to industry informatization. Mr. Lv was conferred the teaching qualification certificate of senior high education by the Ministry of Education P.R.C. in July 1997.

Mr. Lv obtained his engineering doctor degree in systematic engineering from Kyoto University (日本京都大學) in November 1997, his master degree in management engineering and his bachelor degree in radio engineering from Beijing University of Posts and Telecommunications (北京郵電大學) in April 1985 and July 1982, respectively.

Mr. Bian Yongzhuang, aged 62, joined the Company in June 2015. He served as director in Department of Price, Institute of Finance and Trade Economics of Chinese Academy of Social Science in 1991. From 1992, he began to engage in commercial activities and served successively as deputy general manager of Haitong Enterprise Co. Ltd, general manager of Wuxi Xinjiangnan Industrial Co. Ltd, deputy general manager of Hengtong Property Co. Ltd, deputy general manager and president of China Xinjiyuan Co. Ltd and general manager of Dahua Domestic Investment Co. Ltd. Mr. Bian worked as chief financial officer and director at China Scholars Group Co. Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 000547 (Minfufa A)) from June 2013. He also became a director at China Aerospace Investment Holdings Ltd. from July 2013.

Mr. Bian received his doctorate degree in economics from Graduate School of Chinese Academy of Social Sciences in 1990.

Mr. Vincent Man Choi, Li (李文才), aged 55, joined our Company in January 2014 and has been an independent non-executive Director since then, mainly responsible for attending the meetings of the Board, voting on the resolutions considered at the meetings of the Board, and overseeing the management of our Company.

Mr. Li has been a managing partner of ZENITH CPA Limited (中磊香港誠豐會計師事務所) since November 2015, and has served as an independent non-executive director of Qinhuangdao Port Co., Ltd. (a company listed on the Stock Exchange (stock code: 03369 HK), (秦皇島港股份有限公司), the principal business activity of which is the provision of integrated port services, including stevedoring, stacking, transportation and handling various types of cargo, a partner of Zhonglei (HK) CPA Company Limited (中磊(香港)會計師事務所有限公司) in Hong Kong and technical director of Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合夥)) in the PRC since June 2013, and a partner of Pan-China (H.K.) CPA Limited (天健(香港)會計師事務所有限公司) in Hong Kong from August 2013 to October 2015, the principal business activities of which are audit and taxation and consulting services. Prior to joining our Group, he held various positions, including a partner both for Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤•華永會計師事務所(特殊普通合夥), "**Deloitte Touche Tohmatsu China**") in the PRC and Deloitte Touche Tohmatsu (德勤•關黃陳方會計師行, "**Deloitte Touche Tohmatsu Hong Kong**") in Hong Kong from June 2005 to May 2013 and November 2005 to May 2013, respectively, a director of Deloitte Touche Tohmatsu China from September 2003 to May 2005, the senior manager of Deloitte Touche Tohmatsu Hong Kong from November 2000 to August 2003, June 1997 to June 1998, and July 1995 to September 1996, a manager of Deloitte Touche Tohmatsu Hong Kong from July 1991 to June 1995, a senior auditor of Deloitte Touche Tohmatsu Hong Kong from July 1989 to June 1991 and a semi-senior auditor of Deloitte Touche Tohmatsu Hong Kong from August 1988 to June 1989, the principal business activities of which are audit, taxation, consulting and financial advisory services.

Mr. Li is a fellow member of Hong Kong Institute of Certified Public Accountants since 1998 and has been a Hong Kong Certified Public Accountant (Practising). Mr. Li is also a fellow member of Association of Chartered Certified Accountants since 1995, and an associated member of Institute of Chartered Accountants in England and Wales since 2005.

BOARD OF SUPERVISORS

The Board of Supervisors consists of three members, including an employee representative Supervisor. According to the articles of association of the Company ("**Articles of Association**"), Supervisors are all elected by Shareholders, except for the employee representative Supervisor. The Supervisors will serve for a term of three years, and are eligible for re-election upon expiry of their terms. The terms of reference of the Board of Supervisors include, but not limited to, reviewing and verifying the financial reports, business reports and profit distribution proposals prepared by the Board of Directors, and if in doubt, engaging certified public accountants and auditors to review the financial information of the Company; monitoring the financial activities of the Company; supervising the performance of the Directors and the senior management and monitoring whether they have violated the laws, regulations and the Articles of Association in performance of their duties; requiring the Directors and senior management to correct their behaviors which are harmful to the interests of the Company; exercising other powers granted to them by the Articles of Association.

SUPERVISORS

The table below provides certain information in respect of the Supervisors.

Name	Age	Position	Date of Appointment	Date of Joining the Group
Xiao Hong (肖紅)	40	Chairman of Board of Supervisors and employee representative Supervisor	November 24, 2009	May 1999
Li Wanlin (李萬林)	53	Supervisor	May 20, 2014	May 2014
Hu Yuzhong (胡玉忠)	57	Supervisor	May 20, 2014	May 2014

Ms. Xiao Hong (肖紅), aged 40, joined the Group in May 1999, and has been an employee representative Supervisor since November 2009. She began to serve as the chairman of the board of Supervisors from May 2014. She has also served as the deputy sales manager of Beijing Dphone Electronic Communication Technology Co., Ltd. (北京迪信通電子通信技術有限公司) since August 2008. Ms. Xiao is primarily responsible for reviewing and providing written comments on the regular reports of the Company, reviewing financial statements of the Company and supervising behaviors of Directors and senior management members.

Mr. Li Wanlin (李萬林), aged 53, joined the Group in May 2014 and has been a Supervisor of our Company since then. Before joining our Group, he served as a professor leading the major national mobile telecommunications laboratory at Southeast University (東南大學) from 2010 to 2012. Mr. Li also served as a manager of Beijing EVERSINO Technology Ltd. (北京華恒銘聖科技發展有限責任公司) from 2007 to now. From 1998 to 2007, Mr. Li held various positions within Siemens Ltd. China, including the senior vice president and the chief technology officer of the group and mobile internet department, the general manager of the 3G mobile internet department and an officer of the TDSCDMA R&D centre. Mr. Li is primarily responsible for reviewing and providing written comments on the regular reports of the Company, reviewing financial statements of the Company and supervising behaviors of Directors and senior management members. Mr. Li obtained his bachelor degree in computer engineering from Chongqing University (重慶大學) in 1982, and his master and Ph.D. degree in information science from Technical University of Karlsruhe in Germany in 1986 and 1991, respectively.

Mr. Hu Yuzhong (胡玉忠), aged 57, joined the Group in May 2014 and has been a Supervisor of our Company since then. From 2003 to now, Mr. Hu has served as a president and director of Beijing Zhongguang Times Telecom Equipments Company Limited (北京中廣時代通訊設備有限公司). From 1992 to 2002, he served as the vice president of China Post Putai Mobile Telecom Equipments Company Limited (中郵普泰移動通訊設備股份有限公司). Mr. Hu is primarily responsible for reviewing and providing written comments on the regular reports of the Company, reviewing financial statements of the Company and supervising behaviors of Directors and senior management members. Mr. Hu obtained his MBA degree in Asia International Open University (Macau) in 2004.

SENIOR MANAGEMENT

The following table sets out certain information relating to our senior management members:

Name	Age	Position	Date of Appointment	Date of Joining the Group
Jin Xin (金鑫)	44	General manager	December 25, 2013	January 1999
Qi Feng (齊峰)	46	Vice general manager	November 24, 2009	August 2003
Wu Huan (吳歡)	50	Vice general manager and chief information officer	November 24, 2009	May 2002
Zhou Qing (周清)	47	Vice general manager	November 24, 2009	May 2002
Bai Ren (白韌)	43	Vice general manager	November 24, 2009	March 1998
Huang Jianhui (黃建輝)	55	Vice general manager	April 12, 2011	July 2010
Leng Jianchuang (冷建闖)	36	Chief financial officer	June 8, 2010	December 2006
Li Dongmei (李冬梅)	37	Secretary to the Board and chief legal officer	November 24, 2009	April 2006

Mr. Jin Xin (金鑫), aged 44, joined the Company in April 2003 and has been the general manger of the Company since December 2013. Mr. Jin joined the Group in January 1999 and served as the executive vice general manager of the Company from May 2003 to December 2012. Prior to that, he served as the vice manager of Beijing Dphone Electronic Communication Technology Co., Ltd. (北京迪信通電子通信技術有限公司) from January 1999 to March 2003. Mr. Jin is primarily responsible for daily operation and management of our Group, assisting with the Board to inspect the implementation of major plans and system of the Company, taking charge of the organizational institutions and staffing systems and training; recommending candidates for department managers and medium level management members, preparing internal measures to cope with emergencies, coordinating our Company and its subsidiaries to facilitate daily operation.

Prior to joining our Group, he served as an assistant engineer of Computer Center of National Bureau of Statistics of China (國家統計局計算中心) from July 1994 to October 1998, obtaining the title of "Excellent Youth of China State Organs (中國國家機關優秀青年)" during his term in June 1998, and was mainly responsible for computer system construction and management, data analysis and management, software development and management, internal operation and management, and technical support and services.

Mr. Jin obtained his master degree in Business Administration from Tsinghua University (清華大學) in June 2008.

Mr. Qi Feng (齊峰), aged 46, joined the Company in August 2003 and has been the vice general manger of the Company since November 2009. Mr. Qi joined the Group in August 2003 and served various positions in the Group, including the assistant to general manager, vice general manager and general manager of Beijing Dphone Electronic Communication Technology Co., Ltd. (北京迪信通電子通信技術有限公司) from August 2003 to present and the executive director of Beijing Dphone Electronic Communication Technology Co., Ltd. (北京迪信通電子通信技術有限公司) since May 2009. Mr. Qi is primarily responsible for researching and making development strategies, making and evaluating medium and long-term plans, participating in the research and formulation of strategic investment, capital operation, mergers and acquisitions, reorganizations and industrial integrations as well as the overall management of businesses of the companies within our Group located in Beijing.

Mr. Qi obtained his master degree in Business Administration from China Europe International Business School (中歐國際工商學院) on September 3, 2008.

Mr. Wu Huan (吳歡), aged 50, joined the Company in May 2002 and has been the vice general manger since November 2009 and the chief information officer of the Company since May 2002. Mr. Wu is primarily responsible for information construction of the Company, researching, developing, upgrading and maintaining the information management system of the Company, safeguarding Internet security to ensure smooth online operation and taking charge of IT training, seeking opportunities to establish software distribution platforms and further enhance the cooperation with SP and CP suppliers.

Before joining Company, he served as an electronics engineer of Beijing Hamamatsu Photon Techniques INC (北京濱松光子技術有限公司), mainly responsible for the research and development of photoelectric sensors and instruments from July 1991 to December 1993.

Mr. Wu obtained his master degree in Computer Science from Lamar University (拉瑪大學) in May 1999.

Mr. Zhou Qing (周清), aged 47, joined the Company in May 2002 and has been the vice general manager of the Company since November 2009. Mr. Zhou joined the Group in May 2002 and has served as the general manager of Shanghai Dixin Electronic Communication Technology Co., Ltd. (上海迪信電子通信技術有限公司) since May 2002. Mr. Zhou is primarily responsible for the operation and management of Shanghai Dixin Electronic Communication Technology Co., Ltd. (上海迪信電子通信技術有限公司).

Prior to joining our Group, he served as the head of the branch factory and the director of Energy Measurement Department of Gui Zhou Tyre Co., Ltd. (貴州輪胎股份有限公司) from October 1993 to January 1998, the principal business activity of which was tire manufacturing, responsible for team management, business development, production security with an aim to realize the company's sales targets; and the general manager of Guizhou Fuhai Building Equipments Co., Ltd. (貴州富海樓宇設備有限公司) from March 2000 to March 2002, the principal business activity of which was the wholesale of mechanical and electronic equipments, responsible for team management, business development, production security with an aim to realize the company's sales target. Mr. Zhou was certified as an engineer by Guiyang Personnel Bureau in September 1997.

Mr. Zhou obtained his master degree in Business Administration from China Europe International Business School (中歐國際工商學院) in September 2009.

Mr. Bai Ren (白韌), aged 43, joined the Company in July 2002 and has been the vice general manager of the Company since November 2009. Mr. Bai joined the Group in March 1998 and served as the assistant to general manager of Beijing Dphone Electronic Communication Technology Co., Ltd. (北京迪信通電子通信技術有限公司) from May 2002 to November 2009 and Hefei Digitone (合肥迪信通通信技術有限公司) since July 2002. Mr. Bai is primarily responsible for formulating development strategies, making and evaluating medium and long-term plans, participating in the research and formulation of strategic investment, capital operation, mergers and acquisitions, reorganizations and industrial integration as well as the overall management of businesses operated in Anhui province.

Mr. Bai obtained his master's degree in Business Administration from Cheung Kong Graduate School of Business (長江商學院) in November 2012.

Mr. Huang Jianhui (黃建輝), aged 55, joined the Company in July 2010 and has been the vice general manager of the Company since April 2011. Mr. Huang is primarily responsible for formulating development strategies, making and evaluating medium and long-term plans, participating in the research and formulation of strategic investment, capital operation, mergers and acquisitions, reorganizations and industrial integration, as well as establishing cooperation relationship with China Unicom, China Telecom and China Mobile.

Prior to joining our Group, Mr. Huang held various positions, such as directors, in Zhengzhou Telecom Bureau of Henan Provincial Postal Administration, China Institute of Petroleum Pipeline Survey and Design, Beijing branch of Samsung Electronics, Nokia (China) investment Co., Ltd., Siemens (China) Co., Ltd., and Nokia Siemens Networks Technology (Beijing) Co., Ltd.

Mr. Huang was qualified as a senior engineer conferred by China National Petroleum Corporation (中國石油天然氣集團公司) in December 1993. Mr. Huang obtained his bachelor of science degree in communication and computer from Beijing University of Posts and Telecommunications (北京郵電大學) in July 1983, and master degree in Business Administration from Guanghua School of Management of Peking University (北京大學) in July 2006.

Mr. Leng Jianchuang (冷建闖), aged 36, joined the Company in December 2006 and has served as the vice president since April 2012, performed the duties of the vice chief financial officer since December 2008 and was officially appointed as the chief financial officer in June 2010. He served as the assistant to the chief financial officer of the Company from April 2008 to November 2008 and a financial manager from December 2006 to March 2008. Mr. Leng is mainly responsible for accounting, establishment of budgeting system and internal control regulations, coordinating financial resources and business operation, forming management, profitability and investment plans of the Company and etc..

Prior to joining our Group, from August 2001 to August 2003, Mr. Leng served as the chief financial officer of the financial department of China Hualu Group Co., Ltd. (中國華錄集團有限公司), principal business activities of which were manufacturing and sale of audio and video products, mainly responsible for analyzing financial contacts, non-current assets, accounting, budgeting and the financial officer of the internal management department of Hualu Culture Industry Co., Ltd. (華錄文化產業有限公司) from August 2003 to December 2006, generally responsible for finance-related work.

Mr. Leng was conferred the Certificate of Accounting Professional by Dalian Municipal Bureau of Finance in October 2002, the Certificate of Assistant Accountant by Liaoning Provincial Department of Personnel in August 2002, the Certified Finance Manager by the Appraisal Center for Professional Qualifications of International Managers Association in June 2006. Mr. Leng obtained his bachelor degree in computerized and specialized accounting from Dongbei University of Finance and Economics (東北財經大學) in July 2007.

Ms. Li Dongmei (李冬梅), aged 37, joined the Company in April 2006 and has served as the secretary to the Board and the chief legal officer since November 2009. Ms. Li is primarily responsible for preparing for the Board meetings and Shareholders' meetings, disclosing information of the Company in a complete, accurate and prompt manner, ensuring the directors, supervisors and senior management members to have complied with law, regulations and rules, providing legal opinions for the operation and management of the Company as well as participating in the drafting of contracts and negotiations for material contracts.

Prior to joining our Group, she served as the legal manager of Enn Group Co., Ltd. (新奧集團股份有限公司) from September 2004 to April 2006. The principal business activities of this company were production, application and sales of clean energy. Ms. Li was responsible for the listing related work of Enric Energy Equipment Holdings Limited (安瑞科能源裝備控股有限公司), a subsidiary of Enn Group Co., Ltd., which is currently listed on Main Board of the Stock Exchange (HKSE: 03899).

Ms. Li passed the PRC bar exam in October 2002 with her legal qualifications conferred by PRC Ministry of Justice. Ms. Li obtained her master degree in law from University of International Business and Economics (對外經濟貿易大學) in June 2004.

DIRECTORS' REPORT

The board (the "**Board**") of directors (the "**Directors**") of the Company is pleased to present the Group's report together with the audited financial statements for the year ended December 31, 2015.

CORPORATE INFORMATION AND GLOBAL OFFERING

The Company was converted from a then foreign-invested limited liability company into a foreign-invested joint stock limited liability company under PRC Company Law on December 28, 2009. The Company's shares (the "**Shares**") were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on July 8, 2014 (the "**Listing Date**") (the "**Listing**").

PRINCIPAL ACTIVITIES

The principal activities of the Company are to engage in the sale of mobile telecommunications devices and accessories and the provision of related services. Analysis of the principal activities of the Group is set out in note 7 to the financial statements on page 114 in this annual report.

RESULTS

The results of the Group for the year ended December 31, 2015 are set out on pages 80 to 85 of the financial statements in this annual report.

BUSINESS REVIEW

For details of the material investments of the Company in 2015, please refer to the resolution in relation to acquisition of the 25% equity of Yunfu SCI Commercial Properties Co., Ltd. (雲浮深商投商用置業有限公司) by Shenzhen Digital Investment Holding Co., Ltd. (深圳迪信通投資控股有限公司), a subsidiary of the Company, from Shenzhen Shangzhihengye Investment Holding Co., Ltd. (深圳商置恒業投資控股有限公司) at a consideration of RMB10,000,000 as set out in the section headed "Material investments – Management Discussion & Analysis" in this annual report.

The principal risks and uncertainties that the Company currently faces relates to the following aspects: (i), suppliers' adverse selection and moral hazard; (ii), risk of inventory accumulation; (iii), bad debts incurred from customers' trade receivables; (iv), risk of human resources brought from the Company's expansion. Facing with these risks as mentioned above, the Company adopts the following measures in order to minimize the risks: the Company will establish strong cooperation relationship with selected key suppliers and enter into long-term strategic cooperation agreements on win-win basis in order to ensure the stability of the Group's overall supply chain. The finance department will control the priority of procurement to minimize the risk of inventory accumulation based on current turnover days of various brands. The Company constantly improves its credit management system for its customers and grants various credit periods to various types of customers. In addition, the existing staff training and incentive program together with the promotion of its corporate culture will reinforce the sense of belonging and responsibility of its current staff members so as to improve the employment stability of its staff.

The Company has complied with relevant laws and regulations. During the reporting period, no penalty was imposed on the Company for any material irregularities or breach of laws. With regard to our environmental policy, the Company always requires all of its outlets nationwide to protect the environment by way of energy saving. The Company also encourages its customers to use and re-use environmental friendly paper bags when patronizing our Company so that the environment will not be materially adversely affected.

The Company provides appropriate training and incentive program to some of its employees in order to reinforce the sense of belonging and responsibility of its current staff members. The Company has maintained good relations with its customers. The cooperation agreements we enter into with the suppliers clarify respective responsibilities of both parties on product quality issues. The Company has a dedicated after-sales services team to deal with such issues. Products with quality problem will be directly sent back to the manufacturing plant for checking and repair and the manufacturer will pay to the customers for their loss, if any. Our main mission is to help the customers communicate with the manufacturers and provide better and more attentive after-sales services to the customers. The Company has entered into long-term strategic cooperation agreements with the suppliers on win-win basis in order to ensure the stability of the Group's overall supply chain.

For analysis on business review and key financial ratios, please refer to the sub-sections headed "I. Business Review" and "II. Financial Position and Operating Results" in the section headed " Management Discussion & Analysis" in this annual report.

For the future development of the Company, please refer to the disclosure of our future development as set out in the Chairman's Statement and section headed "III. Business Outlook For 2016 – Management Discussion & Analysis" in this annual report.

FINAL DIVIDENDS

The Board does not recommend any final dividend for the year ended December 31, 2015.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years are set out on page 8 of this annual report. This summary does not form part of the audited consolidated financial statements.

USE OF PROCEEDS FROM LISTING

The net proceeds from the Listing of the Company (after deducting underwriting commission and related expenses) amounted to approximately HK$840.22 million, which is intended to be used for the purposes as set forth in the Company's prospectus dated June 25, 2014 (the "**Prospectus**").

Details of the use of the net proceeds during the year ended December 31, 2015 are set out in the section headed "Use of Proceeds – Management Discussion and Analysis" in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year 2015, the Company's transaction volume with its five largest customers accounted for 12.02% of the Company's operating revenue for the year ended December 31, 2015. The Company's transaction volume with its single largest customer accounted for 4.53% of the Company's operating revenue for the year 2015.

Major Suppliers

For the year 2015, the Company's transaction volume with its five largest suppliers accounted for 38.44% of the Company's operating costs for the year ended December 31, 2015. The Company's transaction volume with its single largest supplier accounted for 10.36% of the Company's operating costs for the year 2015.

To the knowledge of the Directors, none of the Directors, Supervisors, any of their close associates or any shareholders of the Company (who to the knowledge of the Directors are interested in more than 5% of the Company's shares) had any interest in the Company's five largest suppliers or customers during the year 2015.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year 2015 are set out in note 15 to the financial statements on page 121 in this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2015 are set out in note 31 to the financial statements on page 137 in this annual report.

RESERVES

Details of changes in the reserves of the Company and the Group during the year 2015 are set out in the consolidated statement of changes in equity on page 83 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2015, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law, amounted to approximately RMB1,385,954,880 (as at December 31, 2014: approximately RMB1,064,565,500).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and its subsidiaries as at December 31, 2015 are set out in note 30 to the financial statements on page 136 in this annual report.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year ended December 31, 2015 and up to the date of this report were as follows:

Executive Directors:

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

Non-executive Directors:

Mr. Qi Xiangdong (appointed on June 2, 2015)
Mr. Wang Lin (resigned on June 2, 2015)

Independent Non-executive Directors:

Mr. Lv Tingjie
Mr. Bian Yongzhuang (appointed on June 2, 2015)
Mr. Vincent Man Choi, Li
Mr. Leng Rongquan (resigned on June 2, 2015)

Supervisors:

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

Due to the change of jobs for career development, Mr. Wang Lin and Mr. Leng Rongquan resigned as non-executive Director and independent non-executive Director respectively with effect from June 2, 2015.

BIOGRAPHIES OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and senior management are set out on pages 38 to 46 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has made a confirmation on independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company considers all of the independent non-executive Directors to be independent during the year ended December 31, 2015 in accordance with Rule 3.13 of the Listing Rules.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the executive Directors, non-executive Director and independent non-executive Directors entered into a service contract with the Company on June 8, 2014 for a fixed term of three years commencing from the Listing Date, subject to termination in accordance with their respective terms. The service agreements may be renewed in accordance with the Articles of Association and the applicable laws, rules and regulations.

Each of the Supervisors entered into a contract with the Company on June 8, 2014 in respect of, among others, compliance of relevant laws and regulations, observance of the Articles of Association and provision on arbitration.

Save as disclosed above, none of the Directors and Supervisors has a service contract with the Group which is not determinable by the Company within one year without the payment of compensation (other than statutory compensation).

DIRECTORS AND SUPERVISORS' INTERESTS IN MATERIAL TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

During the year ended December 31, 2015, none of Directors or Supervisors directly or indirectly had any material interests in any material transactions, arrangements or contracts of significance in relation to the Company's business, to which the Company, its subsidiaries or fellow subsidiaries was a party.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year ended December 31, 2015.

EMOLUMENT POLICY

A remuneration and assessment committee was set up for formulating the Group's emolument policy and structure for the remuneration of the Directors and senior management, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors, Supervisors and five highest paid individuals are set out in notes 10 and 11 to the financial statements on pages 116 to 118 in this annual report.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 8 to the financial statements on page 115 in this annual report.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS AND SUPERVISORS

Save as disclosed in this annual report, there is no change to any information in respect of Directors or Supervisors required to be disclosed in accordance with Rule 13.51(2)(a) to (e) and (g) since the publication of the interim report for 2015.

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

As at December 31, 2015, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which were required to be notified to the Company and the Stock Exchange 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, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the 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
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:

1. *The percentage is calculated with the number of the relevant class of shares of the Company issued as at date of this annual 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 and Liu Wencui respectively hold 34.89%, 5.13%, 52.33% and 2.52% interest in Di Er Tong, as well as 47.75%, 5.13%, 39.47% and 2.52% interest in Digital Science & Technology. 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 Di Er Tong and Digital Science & Technology respectively.*

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

Save as disclosed above, as of December 31, 2015, none of the Directors, Supervisors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) 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, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Codes.

DIRECTORS AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during 2015 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or Supervisors to acquire benefits by means of acquisition of any shares or debentures of the Company or any other body corporate, or were any rights to acquire the shares or debentures of the Company or any other body corporate granted to any Director, Supervisor or their respective spouse or children under 18 years of age, or were any such rights exercised by them.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at December 31, 2015, to the knowledge of the Directors, the following persons (other than the Directors, Supervisors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which fell to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of 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 Yongmei *(Note 2)*	Domestic shares	Interest of controlled corporation	312,700,000 (long position)	92.60	46.90
Di Er Tong *(Note 2)*	Domestic shares	Beneficial owner	101,300,000 (long position)	30.00	15.19
Digital Science & Technology *(Note 2)*	Domestic shares	Beneficial owner	211,400,000 (long position)	62.60	31.71
3i Group plc *(Note 3)*	H shares	Interest of controlled corporation	87,100,000 (long position)	26.48	13.06
3i Investments GP Limited *(Note 3)*	H shares	Interest of controlled corporation	87,100,000 (long position)	26.48	13.06

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)
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
China Diamond Holdings Company Limited *(Note 4)*	H shares	Interest of controlled corporation	71,250,000 (long position)	21.66	10.69
China Diamond Holdings III Limited *(Note 4)*	H shares	Interest of controlled corporation	71,250,000 (long position)	21.66	10.69
CDH China Growth Capital Holdings Company Limited *(Note 4)*	H shares	Interest of controlled corporation	71,250,000 (long position)	21.66	10.69
CDH China Growth Capital Fund II, L.P. *(Note 4)*	H shares	Interest of controlled corporation	71,250,000 (long position)	21.66	10.69
CDH Mobile Limited *(Note 4)*	H shares	Interest of controlled corporation	71,250,000 (long position)	21.66	10.69
CDH Mobile (HK) Limited *(Note 4)*	H shares	Beneficial owner	71,250,000 (long position)	21.66	10.69
Lenovo Group Limited	H shares	Beneficial owner	32,435,500 (long position)	9.86	4.87

Notes:

1. *The percentage is calculated with the number of the relevant class of shares of the Company issued as at date of this annual 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, and Liu Yongmei holds controlling interests in Di Er Tong and Digital Science & Technology. Accordingly, pursuant to Securities and Futures Ordinance, Liu Yongmei is deemed to be interested in 101,300,000 Domestic shares and 211,400,000 Domestic shares held by Di Er Tong and Digital Science & Technology respectively.*

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

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

Save as disclosed above, as of December 31, 2015, there is no other person (other than the Directors, Supervisors and Chief executives of the Company) to the Directors' knowledge who has interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and which have been recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

EQUITY-LINKED AGREEMENT

During the year ended December 31, 2015, the Company and its subsidiaries neither entered into any agreements in relation to equity-linked products nor participated in any arrangement to purchase equity-linked financial products.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2015.

PRE-EMPTIVE RIGHTS

During the year ended December 31, 2015, shareholders of the Company ("**Shareholders**") had no pre-emptive rights or any share option arrangements in accordance with applicable PRC laws and the Articles of Association.

NON-COMPETITION UNDERTAKING

The controlling shareholders of the Company (Mr. Liu Songshan, Mr. Liu Donghai, Ms. Liu Hua, Ms. Liu Yongmei and Ms. Liu Wencui, and three investment holding companies namely, Digital Science & Technology, Di Er Tong and Rong Feng Tai) issued a non-competition undertaking on March 4, 2014 in favor of the Group (the "**Non-competition Undertaking**").

Pursuant to the Non-competition Undertaking, each of the controlling shareholders has irrevocably undertaken that, among others: it would not and will procure that its associates (except any members of our Group) would not, directly or indirectly, or as principal or agent either on their own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition with the core business of any member of our Group (the "**Restricted Business**") from time to time; if there is any new business opportunity in the Restricted Business, it shall within seven days refer such new business opportunity to our Group. Such business opportunity shall have first been offered or made handling available to us and be considered by our Board or its committees which do not have a material interest in the business opportunity. Each of the controlling shareholders shall not invest, participate, be engaged in and/or operate in such business opportunity unless our Board or its committees have declined in writing or failed to respond within six months after being notified of such opportunity; if it intends to transfer, sell, lease or license to a third party any business interests which compete, or may lead to competition, directly or indirectly, with the Restricted Business or its MVNO business, our Company shall have a pre-emptive right over these interests. The controlling shareholders must provide us written notice as soon as possible in advance of any sale as described above. Our Company must reply within six months (or such other period as may be agreed between the parties) after receiving the selling notice, in order to exercise our right. The exercise of such rights by our Company shall be permitted by the relevant regulations, in particular, the regulations of the MIIT by then with respect to the MVNO business. If our Company intends to exercise the right, the terms will be determined at fair market value. The controlling shareholders (except for any members of our Group) shall not dispose such business and equity to any third party, unless the Board (including independent non-executive Directors) has refused in writing to purchase such business or equity, or the controlling shareholders has not received any notice about exercising the pre-emptive rights from the Group post to our receipt of the selling notice. In addition, any conditions of disposal offered by the controlling shareholders shall not be more favorable than those to be given to the Group; and to grant us the option to acquire any business that has been engaged by the controlling shareholders or any equity of such business based upon the above new business opportunity. The Company is entitled to request at any time to acquire any business that has been engaged by the controlling shareholders or any equity of such business under the above new business opportunity, and the controlling shareholders shall grant us the option for acquisition on the condition that the considerations of the acquisition are made in the ordinary course of business following negotiation between the parties under the fair and reasonable principle. The acquisition shall be based on the valuation conducted by independent valuer consisting of our independent non-executive Directors and also in the best interest of the Group. The controlling shareholders have granted us the option to acquire any business that has been engaged by them or any equity of such business based upon the above new business opportunity.

Please refer to the Prospectus for details of the above Non-competition Undertaking.

The Company has received from its controlling shareholders an annual written confirmation in respect of the compliance by them and their associates with the Non-competition Undertaking.

The independent non-executive Directors have reviewed and assessed if the controlling shareholders have complied with the Non-competition Undertaking. The independent non-executive Directors have confirmed that the controlling shareholders have not been in breach of the Non-competition Undertaking during the year ended December 31, 2015.

DIRECTORS AND SUPERVISORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, during the year ended December 31, 2015, none of the Directors, Supervisors and their associates had any competing interest in any business which competes or may compete directly or indirectly with the businesses of the Company.

CONTINUING CONNECTED TRANSACTION

The Group has the following continuing connected transaction during the year ended December 31, 2015:

Beijing Dixintong Telecommunications Services Co., Ltd. (北京迪信通通信服務有限公司) (the "**MVNO Licensee**" and a connected person of the Company) and the Company entered into a MVNO strategic cooperation agreement and a supplemental agreement on March 20, 2014 and June 4, 2014, respectively (collectively, the "**MVNO Strategic Cooperation Agreement**"). The term of the MVNO Strategic Cooperation Agreement is three years. Pursuant to the MVNO Strategic Cooperation Agreement, the MVNO Licensee and the Company (and each of our respective subsidiaries) will establish cooperative partnership to develop the MVNO market in the PRC regarding the retail channel, provision of telecommunications services as well as large-scale joint marketing activities and sales promotions.

For details of the above continuing connected transaction, please refer to the section "Related Party Transactions – Items of Balance Sheet – II. Financial Position and Operating Results – Management Discussion and Analysis" in this annual report.

During the year, the independent non-executive Directors of the Company have reviewed the aforesaid continuing connected transaction and confirmed that the transaction has been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or, from the perspective of the Group, on terms no less favorable than the terms available to or from independent third parties; and

(iii) in accordance with relevant agreements on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The auditor of the Company has performed certain pre-determined audit procedures regarding the continuing connected transaction entered into by the Group during the year ended December 31, 2015 as set out above and states that:

(1) the transaction has been approved by the Board;

(2) the transaction has been entered into in accordance with the relevant terms of agreements governing the transaction;

(3) the aggregate amounts of the transaction have not exceeded the relevant caps as disclosed in the Prospectus; and

(4) the transaction has been entered into in accordance with the pricing policies of the Group with reference to similar transactions with independent third parties.

The related party transactions as disclosed in note 36 to the financial statements on pages 141 to 142 in this annual report are constituted as connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and in compliance with the disclosure requirements under Chapter 14A of the Listing Rules.

Save as disclosed in this annual report, during the year ended December 31, 2015, the Company had no connected transactions or continuing connected transactions which fell to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules.

CHARITY DONATIONS

During the year ended December 31, 2015, the Group made no charitable and other donations.

SIGNIFICANT LEGAL PROCEEDINGS

During the year ended December 31, 2015, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

PERMITTED INDEMNITY PROVISION

The Company has purchased the responsibility insurances for Directors and senior management in accordance with Provision A.1.8 of the Corporate Governance Code. Except for such insurances, the Company has no valid indemnity provisions (as defined in Companies (Directors' Report) Regulation of the Chapter 622D of Hong Kong Laws) approved during the year ended December 31, 2015 and as of the date of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of the major events occurring after December 31, 2015 are set out in note 40 to the financial statements on page 148 in this annual report.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Company's annual results for 2015 and the financial statements prepared in accordance with IFRSs for the year ended December 31, 2015.

CODE OF CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and accountability. 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.

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 impact on 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. Save as disclosed in this annual report, during the year ended December 31, 2015, the Company has complied with the other code provisions and adopted most of the other recommended best practices as set out in the CG Code.

PUBLIC FLOAT

Based on information publicly available to the Company and to the knowledge of the Directors the Directors confirm that, as of the date of this annual report, the Company has maintained the prescribed amount of public float as required under the Listing Rules.

AUDITOR

Ernst & Young was appointed as the auditor for the financial statements prepared in accordance with IFRSs for the year ended December 31, 2015. The accompanying financial statements prepared in accordance with IFRSs have been audited by Ernst & Young.

Ernst & Young shall retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as auditor of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board
Liu Donghai
Chairman

Beijing
March 29, 2016

SUPERVISORY COMMITTEE'S REPORT

In 2015, all members of the supervisory committee effectively safeguarded the rights and interests of the Shareholders and the Company, earnestly fulfilled their duties as supervisors in according with the Company Law, Articles of Association, Rules of Procedures for the Supervisory Committee Meeting and the Listing Rules, and played an important role in regulating the operation of the Company, improving its internal control system and supervising the implementation of the resolutions approved at the Shareholder's general meetings and the Board meetings.

I. THE BUSINESS OF SUPERVISORY COMMITTEE MEETING

1. On March 25, 2015, the Company held the seventh meeting of the second supervisory committee in Beijing at which the resolutions on "the Annual Report for 2014 and the Annual Results Announcement for 2014 of the Company", "the Report of the Company's Supervisory Committee for 2014", "the Company's Financial Statements (draft) for 2014", "the Appointment of Accounting Firm for the year 2015" and "the Remunerations for the Supervisors Mr. Hu Yuzhong and Mr. Li Wanlin" were approved.

2. On August 27, 2015, the Company held the eighth meeting of the second supervisory committee in Beijing at which the resolution on "the Interim Report and the Interim Results Announcement of the Company for 2015" was approved.

II. SUPERVISION WORK OF THE SUPERVISORY COMMITTEE IN 2015

1. The members of the supervisory committee reviewed the Company's financial system and financial position, including regularly reviewing the Company's financial reports, financial budget and other documents such as vouchers, and maintaining communication with the external accountants and the internal audit department.

2. The members of the supervisory committee ensured the legality and compliance of the procedures for consideration and discussion of the matters put to the Board Meeting.

3. The supervisory committee held work meetings from time to time to gain a timely insight on the Company's operation, and raise inquiries on some issues existed in the operation to the management and urge them to solve those issues in time.

III. OPINION OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS FOR THE YEAR 2015

1. The operation and management of the Company

As shown in the results announcement, the Company gained satisfactory results in such areas as sales volume and cost control. The management of the Company further improved the internal control system of the Company and the standards of the Company’s operation and management through a further standardization of the process for merchandizing and sales. The management of the Company performed their functions and duties strictly according to the provisions of the Articles of Association and earnestly implemented various resolutions approved by the Board.

The supervisory committee reviewed the evaluation report on the Company’s internal control and satisfied that the Company had in place a more comprehensive and reasonable internal control system. As shown in “The Report on Internal Control for Beijing Digital Telecom Co., Ltd. for 2015”, “The Internal Control Plan for Beijing Digital Telecom Co., Ltd. for 2016”, “The Report on the System for Risk Management for Beijing Digital Telecom Co., Ltd. for 2015” of the Company, the Company had established a more comprehensive internal control system and each part of the system had been effectively implemented in every aspect of the business operation.

2. The financial position of the Company

The supervisory committee carried out effective supervision, inspection and review on the financial system, financial management, financial position and financial results of the Company and satisfied that the Company had sound financial system, standard financial operation and healthy financial position.

The supervisory committee reviewed the annual report of the Company for 2015 and the auditor’s report issued by Ernst & Young, and was of opinion that the Company had strictly complied with such laws and regulations as Accounting Law and Accounting Standards. The Company had sound financial system, regulated internal operation and healthy financial position. The financial report for the year of 2015 reflected the objective and true view of the financial position and operating results of the Company.

3. The connected transactions and capital raising

For details of the Company's connected transactions, please see the section "II. Financial Position and Operating Results – Management Discussion and Analysis" in this annual report.

For details of the Company's capital raising, please see the section "II. Financial Position and Operating Results – Management Discussion and Analysis" in this annual report.

The supervisory committee is of opinion that the Company has followed proper procedures and did not breach any laws when entering into connected transactions and using proceeds from capital raising.

4. The lawful operation of the Company

In 2015, the Board of the Company convened their meetings and approved the resolutions in a lawful and reasonable manner and in accordance with relevant provisions. The Board earnestly implemented various resolutions approved at the Shareholders' general meetings. The Company will continuously improve its internal control system. The Directors and the members of the senior management of the Company performed their functions and duties with integrity and diligence and did not take any actions in violation of laws, regulations or the Articles of Association or detrimental to the interests of the Company and the Shareholders.

IV. THE WORK PLAN OF THE SUPERVISORY COMMITTEE FOR THE YEAR 2016

1. The supervisory committee will strengthen its supervision on the Company's major investment projects and significant operation decisions and perform specific checks and continuous tracking on major investment projects to ensure the smooth progress and expected capital return from them.

2. The supervisory committee will strengthen its supervision on the implementation of financial budget for 2016 and the merchandizing and sales plan for 2016. We shall properly perform our duties and work with the Board and the Shareholders as a whole to promote standardized operation across the Company and facilitate a sustainable and healthy growth for the Company.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report in the annual report of the Company for the year ended December 31, 2015.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code contained in Appendix 14 of the Listing Rules. Save for those disclosed in this annual report, the Directors are of the opinion that, during the year ended December 31, 2015, the Company has complied with the code provisions set out in the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for the day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established four Board committees including the audit committee (the "**Audit Committee**"), the remuneration and assessment committee (the "**Remuneration and Assessment Committee**"), the nomination committee (the "**Nomination Committee**") and the strategy committee (the "**Strategy Committee**") (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Board Composition

As at the date of this annual report, the Board comprises nine members, including five executive Directors, one non-executive Director and three independent non-executive Directors as set out below:

Executive Directors:

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

Non-executive Director:

Mr. Qi Xiangdong

Independent Non-executive Directors:

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

The biographies of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" in this annual report.

During the year ended December 31, 2015, the Board has met at all times the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted a Board diversity policy to ensure that the Company will, when determining the composition of the Board, consider Board diversity in terms of, among other things, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board. The Board diversity policy is summarized below:

Policy Statement

The Company is of the view that the diversity of the Board is one of the essential factors in sustaining the competitive edge of the Company and facilitating the sustainable development of the Company. When determining the composition of the Board, the Company will consider Board diversity in terms of various factors, including but not limited to gender, age, cultural background, ethnicity and educational background, professional experience, knowledge and skills.

Measurable Objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and term of service. The ultimate decision will be made based on the merits and contribution that the selected candidates can bring to the Board.

Monitoring and Reporting

The Nomination Committee of the Company will, with due regard for the benefits of diversity of the Board, review the structure, size and composition of the Board and make recommendations or advice to the Board on the appointment of new Directors of the Company.

Review of the Policy

The Nomination Committee discloses the diversification of the Board's composition in the Corporate Governance Report of the Company annually and monitors the implementation of the Board diversity policy.

As each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules, the Company considers all of them to be independent parties.

Mr. Liu Donghai, Mr. Liu Songshan, Ms. Liu Hua and Ms. Liu Wencui are siblings. Save as disclosed in the Directors' biographies set out in the section headed "Directors, Supervisors and Senior Management" in this annual report, none of the Directors has any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director.

All Directors, including the independent non-executive Directors, have brought a wide spectrum of invaluable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration and Assessment Committee, the Nomination Committee and the Strategy Committee.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in listed companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The Company also arranges regular seminars to provide its Directors with updates on the latest development and changes of the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

During the year, the Directors of the Company attended the training activities as follows:

Directors	**Types of training**
Liu Wencui, Liu Hua and Bian Yongzhuang	B
Liu Songshan, Vincent Man Choi, Li and Lv Tingjie	C
Liu Yajun, Liu Donghai and Qi Xiangdong	A

Notes:

A: Training sessions relating to corporate governance, Directors' duties and other relevant matters of a listing company held by the Stock Exchange or other securities regulators;

B: Training sessions, seminars and conferences on special topics such as economics, finance or management;

C: Reading materials on the regulations relating to corporate governance, Directors' duties, internal control and risk management and attendance of seminars, forums or conferences.

Chairman and Chief Executive Officer

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 impact on the balance of power and authorizations between the Board and the management of the Company.

Appointment and Re-Election of Directors

Each of the executive Directors, non-executive Director and independent non-executive Directors entered into a service contract with the Company on June 8, 2014 for a fixed term of three years commencing from the Listing Date, subject to termination in accordance with their respective terms. The service agreements may be renewed in accordance with the Articles of Association and the applicable laws, rules and regulations.

Save as disclosed above, none of the Directors has a service contract with the Group which is not determinable by the Company within one year without the payment of compensation (other than statutory compensation).

In accordance with the Articles of Association, the Company shall establish the Board of Directors which is accountable to the shareholders at general meetings. Directors shall be elected at the general meetings, with a term of office of three years. Upon expiry of their term of office, Directors are eligible for re-election. At the re-election of the Board, external Directors, being Directors who do not hold any positions in the Company, shall account for more than half of the total number of Directors. Where the number of vacancy of Directors is not more than the number specified by the Company Law or not less than two thirds of the number of Directors prescribed by the Articles of Association, the Board has the power to appoint any person as a Director to fill the causal vacancy, and any person to be appointed as a Director to fill a casual vacancy of the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, and for making recommendations to the Board on the appointment, re-election and succession planning of Directors.

Board Meetings

The Company will adopt the practice of holding Board meetings regularly. Notices of not less than fourteen days will be given for all regular Board meetings to provide all Directors with an opportunity to attend regular meetings and discuss matters in the agenda.

For other committee meetings, written notices of fourteen days will be given to all committee members. Such notices will set out the agenda and relevant Board papers to ensure that the committee members have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting.

Minutes of the Board meetings and committee meetings will record in sufficient detail the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and committee meeting are/will be sent to each Director for comments within a reasonable time after the meeting is held.

During the reporting period, eight Board meetings and one general meeting were held and the attendance of each Director at these Board meetings and the general meeting is set out in the table below:

Name of Director	Attended Board Meetings/ Eligible to Attend Board Meetings	Attended General Meetings/ Eligible to Attend General Meetings
Mr. Liu Donghai	8/8	1/1
Mr. Liu Yajun	8/8	1/1
Mr. Liu Songshan	8/8	1/1
Ms. Liu Wencui	8/8	1/1
Ms. Liu Hua	8/8	1/1
Mr. Qi Xiangdong(1)	6/6	0/0
Mr. Wang Lin(2)	2/2	1/1
Mr. Lv Tingjie	8/8	1/1
Mr. Bian Yongzhuang(1)	6/6	0/0
Mr. Vincent Man Choi, Li	8/8	1/1
Mr. Leng Rongquan(2)	2/2	1/1

Notes:

1. *During the year ended December 31, 2015, six Board meetings were held after the appointments of Mr. Qi Xiangdong and Mr. Bian Yongzhuang on June 2, 2015 respectively. No general meeting was held.*

2. *During the year ended December 31, 2015, two Board meetings and one general meeting were held before the resignations of Mr.Wang Lin and Mr.Leng Rongquan on June 2, 2015.*

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' and Supervisors' securities transactions. Specific enquiries have been made to all Directors and Supervisors, and each of the Directors and Supervisors has confirmed that he/she has complied with the standard requirements set out in the Model Code during the reporting period.

During the year ended December 31, 2015, the Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standards set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

Delegation by the Board

The Board reserves the decision for all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial data, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions to be entered into by the management.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of Directors and their corporate governance duties include:

1. to develop and review the Company's policies and practices on corporate governance;

2. to review and monitor the trainings and continuous professional developments of Directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors, Supervisors and employees; and

5. to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

BOARD COMMITTEES

Nomination Committee

The Nomination Committee currently comprises three members, including two independent non-executive Directors, namely Mr. Lv Tingjie (Chairman) and Mr. Bian Yongzhuang; and one executive Director, namely Mr. Liu Songshan.

The principal duties of the Nomination Committee of the Company include the following:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; and to the largest extent possible to ensure membership diversity in the composition of the Board;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to assess the independence of independent non-executive Directors;

4. to make recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors, in particular the chairman and the chief executive officer; and

5. to review the Board diversity policy.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skills and ability to commit time and effort to carry out the duties. The recommendations of the Nomination Committee will then be submitted to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

During the year ended December 31, 2015, the Nomination Committee has held two committee meetings and the attendance of each member of the Nomination Committee at the meetings is set out in the table below:

Name of Director	Attended/ Eligible to attend
Mr. Lv Tingjie	2/2
Mr. Bian Yongzhuang[(1)]	1/1
Mr. Liu Songshan	2/2
Mr. Leng Rongquan[(2)]	1/1

Notes:

1. *During the year ended December 31, 2015, one Nomination Committee meeting was held after the appointment of Mr. Bian Yongzhuang on June 2, 2015.*

2. *During the year ended December 31, 2015, one Nomination Committee meeting was held before the resignation of Mr. Leng Rongquan on June 2, 2015.*

The Nomination Committee discussed and considered the resolutions at the aforesaid meetings as follows:

"Resolution on the appointment of Mr. Bian Yongzhuang as an independent director of the second session of the Board"

"Resolution on the appointment of Mr. Qi Xiangdong as a director of the second session of the Board"

"Resolution on the election of Mr. Bian Yongzhuang as a member of the Nomination Committee"

Remuneration and Assessment Committee

The Remuneration and Assessment Committee comprises three members, namely Mr. Bian Yongzhuang (Chairman), Mr. Vincent Man Choi, Li and Ms. Liu Hua. Apart from Ms. Liu Hua who is an executive Director, both of the other members are independent non-executive Directors.

The principal duties of the Remuneration and Assessment Committee include the following:

1. to consult the chairman and/or chief executive officer about their remuneration proposals for other executive Directors;

2. to make recommendations to the Board on the Company's overall policy and structure for the remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy, and to review and approve the management's remuneration proposals with reference to the corporate goals and objectives determined by the Board;

3. to review and approve the management's remuneration proposals with reference to the corporate goals and objectives determined by the Board;

4. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. These include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

5. to make recommendations to the Board on the remuneration of non-executive Directors;

6. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

7. to ensure that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration.

The written terms of reference of the Remuneration and Assessment Committee are available on the websites of the Stock Exchange and the Company.

During the year ended December 31, 2015, the Remuneration and Assessment Committee has held two committee meetings and the attendance of each member of the Remuneration and Assessment Committee at the meetings is set out in the table below:

Name of Director	**Attended/ Eligible to attend**
Mr. Bian Yongzhuang(1)	1/1
Mr. Vincent Man Choi, Li	1/2
Ms. Liu Hua	2/2
Mr. Leng Rongquan(2)	1/1

Notes:

1. *During the year ended December 31, 2015, one Remuneration and Assessment Committee meeting was held after the appointment of Mr. Bian Yongzhuang on June 2, 2015.*

2. *During the year ended December 31, 2015, one Remuneration and Assessment Committee meeting was held before the resignation of Mr. Leng Rongquan on June 2, 2015.*

The Remuneration and Assessment Committee has reviewed the remuneration of Directors and senior management for the year 2015, as well as the Company's policy and structure for the remuneration of all Directors and senior management. Based on the review, the Remuneration and Assessment Committee has made recommendations to the Board on the remuneration packages of individual executive Directors and senior management members.

Remuneration of Directors, Supervisors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on the remuneration of Directors, Supervisors and senior management of the Group. Details of the remuneration of each of the Directors and Supervisors for the year ended December 31, 2015 are set out in note 10 to the financial statements on pages 116 to 117 in this annual report. For the year ended December 31, 2015, remuneration for Hu Yuzhong and Li Wanlin, both of whom were supervisors, amounted to RMB40,000, and remuneration for Xiao Hong, a supervisor, amounted to RMB82,700.

The biographies of the senior management are disclosed in the section headed "Directors, Supervisors and Senior Management" in this annual report. The remuneration by band of non-Director members of the senior management for the year ended December 31, 2015 is as follows:

Remuneration band (RMB)	**Number of individuals**
Below 300,000	2
300,000 – 350,000	2
350,000 – 400,000	1
Over 400,000	3

Audit Committee

The Audit Committee comprises three members, namely Mr. Vincent Man Choi, Li (Chairman), Mr. Lv Tingjie and Mr. Bian Yongzhuang, and all of them are independent non-executive Directors.

The principal duties of the Audit Committee are to review and supervise the financial reporting procedure of the Company, which include, among other things, the following:

1. to assist the Board in fulfilling its responsibilities by supervision of financial reporting and providing an independent review to the Board as to the effectiveness of the internal controls of the Company and its subsidiaries, and as to the adequacy of the external and internal audits;

2. to assure that appropriate accounting principles and reporting practices are followed;

3. to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the authorized independent auditor (the "**External Auditor**"), and to approve the remuneration and terms of engagement of the External Auditor, and any questions of its resignation or dismissal;

4. to serve as a focal point for communication between other Directors, the External Auditor and the internal auditor or any person responsible for internal audit function (the "**IA People**") as regards their duties relating to financial and other reporting, internal controls, external and the IA People and such other matters as the Board determines from time to time;

5. to review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

6. to audit the Company's financial information and its disclosure;

7. to develop and implement policy on engaging the external auditor to supply non-audit services;

8. to monitor integrity of the Company's financial statements, annual report and accounts and half-year report (including Directors' Report, Chairman's Statement and Management Discussion and Analysis), and to review significant financial reporting judgments contained therein; and

9. to review, together with external auditor and IA People, the Group's management as well as the adequacy of the Group's policies and procedures regarding internal control (including financial, operational and compliance controls); and to review and monitor the effectiveness of the Company's financial controls, internal control and risk management systems.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

During the year ended December 31, 2015, the Audit Committee has held four committee meetings and the attendance of each member of the Audit Committee at the meetings is set out in the table below:

Name of Director	**Attended/ Eligible to attend**
Mr. Vincent Man Choi, Li	4/4
Mr. Lv Tingjie	4/4
Mr. Bian Yongzhuang(1)	3/3
Mr. Wang Lin(2)	1/1

Notes:

1. *During the year ended December 31, 2015, three Audit Committee meetings were held after the appointment of Mr. Bian Yongzhuang on June 2, 2015.*

2. *During the year ended December 31, 2015, one Audit Committee meeting was held before the resignation of Mr. Wang Lin on June 2, 2015.*

The Audit Committee has reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function), risk management systems and processes and the re-appointment of the External Auditor. The Board has not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of External Auditor.

The Audit Committee has also reviewed the annual results of the Company and its subsidiaries for this fiscal year as well as the audit report prepared by the External Auditor in relation to accounting issues and major findings in course of audit.

Strategy Committee

The Strategy Committee currently comprises five members, including three executive Directors, namely Mr. Liu Donghai (Chairman), Mr. Liu Yajun and Mr. Liu Songshan; one independent non-executive Director, namely Mr. Lv Tingjie; and one non-executive Director, namely Mr. Qi Xiangdong.

The principal duties of the Strategy Committee include the following:

1. to monitor the risk of legal sanctions against us;

2. to conduct research and make proposals on the long-term development strategies and plans of the Company;

3. to conduct research and make proposals on the significant investment and financing plans which need to be approved by the Board of Directors in accordance with the Articles of Association;

4. to conduct research and make proposals on the significant projects of capital manipulation and assets operation which need to be approved by the Board of Directors in accordance with the Articles of Association;

5. to conduct research and make proposals on the significant matters which affect the development of the Company;

6. to monitor the implementation of the above-mentioned issues; and

7. other matters that the Board of Directors has authorized it to deal with.

During the year ended December 31, 2015, the Strategy Committee has held one committee meeting and the attendance of each member of the Strategy Committee at the meeting is set out in the table below:

Name of Director	Attended/ Eligible to attend
Mr. Liu Donghai	1/1
Mr. Liu Yajun	1/1
Mr. Liu Songshan	1/1
Mr. Lv Tingjie	1/1
Mr. Qi Xiangdong(1)	1/1
Mr. Wang Lin(2)	1/1

Notes:

1. *During the year ended December 31, 2015, one Strategy Committee meeting was held after the appointment of Mr. Qi Xiangdong on June 2, 2015.*

2. *During the year ended December 31, 2015, one Strategy Committee meeting was held before the resignation of Mr. Wang Lin on June 2, 2015.*

During the reporting period, a "Resolution on the election of Mr. Qi Xinagdong as a member of the Strategy Committee" was passed by the Strategy Committee. We believe that Mr. Qi Xinagdong's experience as vice president in Yahoo China and as chief executive officer and director in Qihoo 360 Technology Co. Ltd will be conducive to us in handling any matters relating to material investment, substantial capital manipulation and assets operation during the process of the development of the Company and make contribution to the sound operation of the Company.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended December 31, 2015, which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided the Board with such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company has provided all members of the Board with monthly updates on the Company's performance, positions and prospects.

The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 78 to 79 of this annual report.

INTERNAL CONTROL

The Board acknowledges its responsibility for maintaining an adequate internal control system to safeguard the Shareholders' investments and the Company's assets and reviewing the effectiveness of such system on an annual basis.

The Company has primarily established a sound system of internal control. In respect of its organizational structure, the Company has set up various functions and departments such as the General Manager's Office, Legal Department, Strategic Development Department, Human Resources Department, Financial and Capital Management Department, Store Management Center and Supervisory and Audit Department, with the Procurement and Sales function as its structural center. Professional personnel have also been assigned to specific tasks of operational risk management, capital manipulation and control, internal audit, anti-bribery and anti-corruption. The Company arranges reasonable financial budgets to provide professional training at least on a quarterly basis to personnel of the Company and its subsidiaries performing functions such as finance, risk management and internal audit, which helps to consolidate the Company's internal control system.

Staff members have direct contact with the Company's management to provide feedback on the operation of each department and information on any issues arising therefrom. In this way, the Company's management can make and implement accurate decisions in a timely manner in respect of the healthy operation of the Company.

The Group's internal control team plays an important role in monitoring the internal governance of the Company. The major duties of the internal control team are regulating and reviewing the internal control and compliance-related matters of the Company and conducting comprehensive audits of all branches and subsidiaries of the Company on a regular basis. The internal control team submits regular reports to the Board every year.

For the year ended December 31, 2015, the internal control team reviewed the Company's risk management and internal control systems quarterly. The Audit Committee has received an internal control report prepared by the internal control team and considers the internal control system remains effective and no material issue is required to be brought to the Board's attention.

AUDITOR'S REMUNERATION

For the year ended December 31, 2015, the Group engaged Ernst & Young to provide audit-related services and Ernst & Young did not provide any non-audit services. The total remuneration paid or payable by the Company for audit-related services amounted to RMB3,734,000 in 2015.

COMPANY SECRETARIES

Ms. Li Dongmei ("**Ms. Li**"), one of the joint company secretaries of the Company, is responsible for advising the Board on corporate governance matters and ensuring compliance with the Board policies and procedures, and the applicable laws, rules and regulations. In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company has also engaged Ms. Ng Sau Mei ("**Ms. Ng**"), senior manager of KCS Hong Kong Limited (a company secretarial service provider), as another joint company secretary of the Company to assist Ms. Li to discharge her duties as company secretary of the Company. Ms. Li also serves as the primary contact person at the Company.

Ms. Li and Ms. Ng have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules during the year ended December 31, 2015.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and promoting their understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of its information, which will enable shareholders and investors to make informed investment decisions.

The annual general meeting of the Company provides an opportunity for shareholders to communicate directly with the Directors. The Company's Chairman and the chairman of each Board committee of the Company will attend the annual general meeting to answer enquiries from shareholders. The External Auditor of the Company will also attend the annual general meeting to answer questions about the conduct of audit, the preparation and contents of the auditor's report, the accounting policies and auditor's independence.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its Shareholders and the Company maintains a website at www.dixintong.com, where up-to-date information on the Company's business operation and development, financial data, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening of Extraordinary General Meetings and Putting Forward Proposals

In accordance with the Articles of Association, an extraordinary general meeting shall be convened on the requisition of Shareholder(s) who individually or jointly hold(s) ten percent or more of the Company's issued and outstanding voting shares.

Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition.

When the Company is to convene an annual general meeting, Shareholder(s) who individually or jointly hold(s) three percent or more of the Company's shares carrying voting rights shall have the right to put forward new proposals in writing to the Company. The Company shall include matters falling within the scope of responsibilities of the general meeting into the agenda of such meeting.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Shareholders who intend to put forward their enquiries about the Company to the Board could mail their enquiries to the principal place of business of the Company in Hong Kong or e-mail their enquiries to the joint company secretary at her email address: Jojo.Ng@tmf-group.com.

CHANGE IN CONSTITUTIONAL DOCUMENTS

A special resolution of the Company was passed at the 2014 Annual General Meeting held on June 2, 2015 to amend article 102 of the Articles of Association. For the details of the amendment to the Articles of Association, please see the announcements published by the Company on March 25, 2015 and June 2, 2015.

Save as disclosed above, there was no material change to the Articles of Association during the year ended December 31, 2015.

INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated financial statements of Beijing Digital Telecom Co., Ltd. (the "Company") and its subsidiaries set out on pages 80 to 152, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors (the "Directors") of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

29 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	**2015 RMB'000**	2014 RMB'000
REVENUE	*7*	**15,830,720**	14,358,609
Cost of sales		**(13,796,603)**	(12,382,017)
Gross profit		**2,034,117**	1,976,592
Other income and gains	*7*	**85,483**	40,168
Selling and distribution expenses		**(1,141,452)**	(1,091,629)
Administrative expenses		**(341,487)**	(332,981)
Other expenses		**(39,037)**	(45,932)
Finance costs	*9*	**(168,448)**	(116,996)
Share of profits of:			
A joint venture		**1,117**	994
Associates		**67**	–
PROFIT BEFORE TAX	*8*	**430,360**	430,216
Income tax expense	*12*	**(73,637)**	(111,856)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**356,723**	318,360
Attributable to:			
Owners of the parent		**357,062**	318,133
Non-controlling interests		**(339)**	227
		356,723	318,360
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted (RMB)	*14*	**0.54**	0.55

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**154,222**	154,118
Goodwill	16	**57,476**	57,302
Other intangible assets	17	**785**	614
Investment in a joint venture	18	**2,111**	994
Investments in associates	19	**8,067**	–
Available-for-sale investments	20	**15,075**	7,055
Deferred tax assets	21	**60,976**	27,864
Total non-current assets		**298,712**	247,947
CURRENT ASSETS			
Inventories	22	**2,148,058**	1,936,026
Properties under development	23	**282,718**	–
Trade receivables	24	**1,870,659**	1,675,695
Prepayments, deposits and other receivables	25	**1,021,113**	894,781
Due from related parties	27	**3,662**	2,170
Pledged deposits	26	**1,080,808**	355,382
Cash and cash equivalents	26	**441,844**	335,298
Total current assets		**6,848,862**	5,199,352
CURRENT LIABILITIES			
Trade and bills payable	28	**551,460**	703,509
Other payables and accruals	29	**398,155**	295,768
Interest-bearing bank borrowings	30	**3,152,293**	1,903,472
Due to related parties	27	**665**	1,739
Tax payable		**198,499**	121,608
Total current liabilities		**4,301,072**	3,026,096
NET CURRENT ASSETS		**2,547,790**	2,173,256
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,846,502**	2,421,203

	Notes	**2015 RMB'000**	2014 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowing	*30*	**48,000**	–
Total non-current liabilities		**48,000**	–
NET ASSETS		**2,798,502**	2,421,203
EQUITY			
Equity attributable to owners of the parent			
Share capital	*31*	**666,667**	666,667
Other reserves	*32*	**2,086,619**	1,732,867
		2,753,286	2,399,534
Non-controlling interests		**45,216**	21,669
Total equity		**2,798,502**	2,421,203

Liu Donghai
Director

Liu Songshan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to owners of the parent						
	Share capital RMB'000 (Note 31)	Capital reserve* RMB'000 (Note 32)	Statutory reserve funds* RMB'000 (Note 32)	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014	500,000	37,184	108,203	778,268	1,423,655	19,868	1,443,523
Total comprehensive income for the year	–	–	–	318,133	318,133	227	318,360
Capital contribution by non-controlling shareholders	–	–	–	–	–	1,574	1,574
Issue of shares	166,667	534,834	–	–	701,501	–	701,501
Share issue expenses	–	(43,755)	–	–	(43,755)	–	(43,755)
Transfer from retained profits	–	–	31,836	(31,836)	–	–	–
At 31 December 2014 and 1 January 2015	**666,667**	**528,263**	**140,039**	**1,064,565**	**2,399,534**	**21,669**	**2,421,203**
Total comprehensive income for the year	**–**	**–**	**–**	**357,062**	**357,062**	**(339)**	**356,723**
Capital contribution by non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**400**	**400**
Acquisition of a subsidiary	**–**	**–**	**–**	**–**	**–**	**29,942**	**29,942**
Disposal of interest in a subsidiary	**–**	**–**	**–**	**–**	**–**	**(6,456)**	**(6,456)**
Share issue expenses	**–**	**(3,310)**	**–**	**–**	**(3,310)**	**–**	**(3,310)**
Transfer from retained profits	**–**	**–**	**35,672**	**(35,672)**	**–**	**–**	**–**
At 31 December 2015	**666,667**	**524,953**	**175,711**	**1,385,955**	**2,753,286**	**45,216**	**2,798,502**

* *These reserve accounts comprise the consolidated reserves of RMB2,086,619,000 (2014: RMB1,732,867,000) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**430,360**	430,216
Adjustments for:			
Finance costs	9	**168,448**	116,996
Share of profits of a joint venture		**(1,117)**	(994)
Share of profits of associates		**(67)**	–
Provision for impairment of trade receivables	8	**11,829**	21,710
Reversal of provision for impairment of other receivables	8	**(218)**	(1,107)
Provision for impairment of inventories	8	**23,825**	19,191
Depreciation	8	**92,165**	90,148
Amortisation of intangible assets	8	**388**	581
(Gain)/loss on disposal of items of property, plant and equipment	8	**(53)**	595
		725,560	677,336
Increase in trade and bills receivable		**(206,793)**	(444,905)
Increase in prepayments, deposits and other receivables		**(109,112)**	(227,412)
Increase in inventories		**(235,857)**	(338,150)
Increase in properties under development		**(91,669)**	–
Decrease in trade and bills payable		**(152,049)**	(374,956)
Decrease in other payables and accruals		**(16,813)**	(20,440)
(Increase)/decrease in amounts due from related parties		**(1,492)**	3,130
Increase/(decrease) in amounts due to related parties		**(1,074)**	38
Cash used in operations		**(89,299)**	(725,359)
Income tax paid		**(29,858)**	(65,223)
Net cash flows used in operating activities		**(119,157)**	(790,582)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(85,789)**	(74,458)
Purchases of items of other intangible assets		**(554)**	(310)
Proceeds from disposal of items of property, plant and equipment		**1,919**	33
Purchases of available-for-sale investments		**(8,020)**	(7,055)
Decrease in interests in a subsidiary		**11,722**	–
Acquisition of interests of associates		**(8,000)**	–
Acquisition of a subsidiary		**(85,612)**	–
Net cash flows used in investing activities		**(174,334)**	(81,790)

	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**–**	695,098
Share issue expenses	**(3,310)**	(37,352)
New bank loans	**7,646,932**	4,018,476
Capital contribution from non-controlling shareholders	**400**	1,574
(Increase)/decrease in pledged deposits	**(725,426)**	158,688
Repayment of bank loans	**(6,350,111)**	(3,813,757)
Interest paid	**(168,448)**	(116,996)
Net cash flows from financing activities	**400,037**	905,731
NET INCREASE IN CASH AND CASH EQUIVALENTS	**106,546**	33,359
Cash and cash equivalents at beginning of year	**335,298**	301,939
CASH AND CASH EQUIVALENTS AT END OF YEAR	**441,844**	335,298
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**441,844**	335,298
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF FINANCIAL POSITION	**441,844**	335,298

1. CORPORATE AND GROUP INFORMATION

The Company is a joint stock company with limited liability established in the PRC. The registered office of the Company is located at No.101, 4/F, C Yi'an Business Building, 18 Building Yi'an Jiayuan, Beiwa West, Haidian District, Beijing, the PRC.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the sale of mobile telecommunications devices and accessories, the provision of related services and the development and sale of real estate.

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

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name of the principal subsidiaries	Issued ordinary/ registered share capital RMB	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Principal activities
Beijing Dphone Electronic Communication Technology Co., Ltd.* (北京迪信通電子通信技術有限公司)	10,000,000	100	–	(1)
Beijing Shengduo Trading Co., Ltd.* (北京勝多商貿有限責任公司)	10,000,000	100	–	(1)
Jiangsu Shengduo Technology Trading Co., Ltd.* (江蘇勝多科貿有限責任公司)	10,000,000	100	–	(1)
Jiangsu Chuangfa Trading Co., Ltd.* (江蘇創發商貿有限責任公司)	5,000,000	–	100	(1)
Jiangsu Dphone Communication Technology Co., Ltd.* (迪信通通訊科技江蘇有限公司)	20,000,000	–	100	(1)
Shanghai Chuanda Communication Technology Co., Ltd.* (上海川達通信技術有限公司)	10,000,000	100	–	(1)

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name of the principal subsidiaries	Issued ordinary/ registered share capital RMB	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Shanghai Dixin Electronic Communication Technology Co., Ltd.* (上海迪信電子通信技術有限公司)	20,000,000	100	–	(1)
Shanghai Dixin South Communication Technology Co., Ltd.* (上海迪信南方通信技術有限公司)	20,000,000	100	–	(1)
Hefei Dphone Communication Technology Co., Ltd.* (合肥迪信通通信技術有限公司)	1,000,000	100	–	(1)
Shenyang Tongliansihai Electronic Communication Technology Co., Ltd.* (瀋陽通聯四海電子通信技術有限公司)	10,000,000	100	–	(1)
Changsha Dphone Electronic Science and Technology Information Co., Ltd.* (長沙迪信通電子科技信息有限公司)	10,500,000	100	–	(1)
Beijing Dixinhaotian Trading Co., Ltd.* (北京迪信昊天商貿有限公司)	10,000,000	100	–	(1)
Guangxi Dphone Electronic Communication Technology Co., Ltd.* (廣西迪信通電子通信技術有限公司)	15,000,000	100	–	(1)
Ningbo Haishu Dphone Electronic Communication Technology Co., Ltd.* (寧波海曙迪信通電子通信技術有限公司)	10,000,000	100	–	(1)

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name of the principal subsidiaries	Issued ordinary/ registered share capital RMB	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Sichuan Yijialong Communication Technology Chain Co., Ltd.* (四川億佳隆通訊連鎖有限公司)	5,000,000	100	–	(1)
Beijing Dphone Fengze Electronic Equipment Co., Ltd.* (北京迪信通豐澤電子設備有限公司)	5,000,000	–	100	(1)
Jinan Dixin Electronic Communication Technology Co., Ltd.* (濟南迪信電子通信技術有限公司)	10,500,000	100	–	(1)
Nanyang Dphone Electronic Communication Technology Co., Ltd.* (南陽迪信通電子通信技術有限公司)	8,000,000	–	100	(1)
Qingdao Dphone Communication Technology Co., Ltd.* (青島迪信通通信技術有限公司)	5,000,000	–	100	(1)
Hunan Zhongxuntong Electronic Science and Technology Co., Ltd.* (湖南中訊通電子科技有限公司)	5,000,000	100	–	(1)
Neimenggu Dphone Electronic Communication Technology Co., Ltd.* (內蒙古迪信通電子通信技術有限公司)	5,000,000	100	–	(1)
Zhengzhou Dphone Electronic Communication Technology Co., Ltd.* (鄭州迪信通電子通信技術有限公司)	13,000,000	100	–	(1)
Henan Dphone Electronic Communication Technology Co., Ltd.* (河南迪信通電子通信技術有限公司)	20,000,000	100	–	(1)

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name of the principal subsidiaries	Issued ordinary/ registered share capital RMB	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Tianjin Dphone Electronic Communication Technology Co., Ltd.* (天津迪信通電子通信技術有限公司)	30,000,000	100	–	(1)
Gaobeidian Dphone Electronic Science and Technology Co., Ltd.* (高碑店市迪信通電子科技有限公司)	30,000,000	100	–	(1)
Guangdong Dphone Trading Co., Ltd.* (廣東迪信通商貿有限公司)	10,000,000	100	–	(1)
Ningbo Hi-tech Zone Chaofa Technology Co., Ltd.* (寧波高新區超發科技有限公司)	10,000,000	100	–	(1)
Ningbo Hi-tech Zone Wencui Technology Co., Ltd.* (寧波高新區文翠科技有限公司)	10,000,000	–	100	(1)
Hebei Dixin Electronic Communication Equipment Co., Ltd.* (河北迪信電子通信設備有限公司)	3,000,000	100	–	(1)
Wenzhou Dphone Electronic Communication Technology Co., Ltd.* (溫州迪信通電子通信技術有限公司)	2,000,000	100	–	(1)
Henan Dphone Trading Co., Ltd.* (河南迪信通商貿有限公司)	10,000,000	60	–	(1)
Wuhan Yitongda Communication Equipment Co., Ltd.* (武漢易通達通訊器材有限公司)	500,000	–	100	(1)

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name of the principal subsidiaries	Issued ordinary/ registered share capital RMB	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Yunnan Dphone Electronic Communication Technology Co., Ltd.* (雲南迪信通電子通信技術有限公司)	5,000,000	–	100	(1)
Beijing Tailongji Trading Co., Ltd.* (北京市泰龍吉貿易有限公司)	10,000,000	100	–	(2)
Shenzhen Hua'aotong Electronic Technology Co., Ltd.* (深圳市華奧通電子有限公司)	20,000,000	–	100	(3)
Yunfu SCI Commercial Properties Co., Limited ("Yunfu SCI")* (雲浮深商投商用置業有限公司)	120,000,000	–	75	(4)

Notes:

(1) Sale of mobile telecommunications devices and accessories and the provision of related services

(2) Online sales of mobile telecommunications devices and accessories

(3) Research and development and manufacture of telecommunication devices and accessories

(4) Development and sale of real estate

* *English translations of names for identification purposes only. The companies were registered as domestic companies with limited liability under the laws of the PRC.*

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

There is no subsidiary that has non-controlling interest that is material to the Group during the year.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB"), accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements to IFRSs 2010-2012 Cycle	
Annual Improvements to IFRSs 2011-2013 Cycle	

The adoption of the above revised standards has had no significant financial effect on these financial statements.

(a) Amendments to IAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The *Annual Improvements to IFRSs 2010-2012 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(b): *(Continued)*

- IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- IAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

(c) The *Annual Improvements to IFRSs 2011-2013 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of IFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- IFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 or IAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which IFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in IFRS 13.

- IAS 40 *Investment Property*: Clarifies that IFRS 3, instead of the description of ancillary services in IAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the Group did not acquire any investment properties during the year and so this amendment is not applicable.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

3. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the financial statements:

IFRS 9	*Financial Instruments*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[6]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 7	*Statement of Cash Flow*[2]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[2]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[1]
IFRS 16	*Leases*[4]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[1]

1 *Effective for annual periods beginning on or after 1 January 2016*
2 *Effective for annual periods beginning on or after 1 January 2017*
3 *Effective for annual periods beginning on or after 1 January 2018*
4 *Effective for annual periods beginning on or after 1 January 2019*
5 *Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group*
6 *No mandatory effective date yet determined but is available for adoption*

3. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard upon adoption and expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. No mandatory effective date yet determined but is available for adoption.

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

3. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In July 2015, the IASB issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to 1 January 2018. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and a joint venture

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement has rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing the control.

The Group's investments in associates and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint venture are included in the consolidated statement of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associates or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint venture are eliminated to the extent of the Group's investments in the associates or joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint venture is included as part of the Group's investments in associates or joint venture.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognised such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	2.5% to 5%
Motor vehicles	10% to 20%
Office equipment and others	20% to 33⅓%
Leasehold improvements	Over the shorter of the lease terms and 20%

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software copyrights

Purchased software copyrights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of two to six years.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases, net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement (Continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost (Continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payable, other payables, interest-bearing bank borrowings and amounts due to related parties.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories comprise merchandise purchased for resale and consumables and are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless those will not be realised in one normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) income from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) promotion income from mobile carriers, when the Group is entitled to receive according to the underlying contract terms;

(c) income from the rendering of services, in the period in which the services are rendered;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(e) rental income, on a time proportion basis over the lease terms.

Pension scheme

The employees of the Group's subsidiaries which operate in the Mainland of the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 20% to 22% of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the Directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Renminbi ("RMB"), which is the Company's functional currency. The functional currency of the Group's subsidiaries is RMB and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Vendor rebates

Volume-related vendor rebates are recognised as a deduction from cost of sales on an accrual basis according to the expected entitlement earned up to the reporting date for each relevant supplier contract. Rebates relating to items purchased but still held at the reporting date are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

(i) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(ii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2015 was RMB57,476,000 (2014: RMB57,302,000). Further details are given in note 16 to the financial statements.

(iii) Impairment of trade receivables

The provision policy for impairment of trade receivables is based on ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of those receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required. Further details are contained in note 24 to the financial statements.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(iv) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for sale of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(v) Net realisable value of inventories

Net realisable value of an inventory is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature which could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at the end of the reporting period.

(vi) Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that tax profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 21 to the financial statements.

6. 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.

6. OPERATING SEGMENT INFORMATION *(Continued)*

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

Year ended 31 December 2015	Mobile telecommunication devices RMB'000	Real estates RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	15,830,720	–	15,830,720
Revenue			15,830,720
Segment results	588,428	(4,314)	584,114
Reconciliation:			
Interest income	14,686	8	14,694
Finance costs	(168,448)	–	(168,448)
Profit/(loss) before tax	434,666	(4,306)	430,360
Segment assets	6,845,234	302,340	7,147,574
Segment liabilities	4,153,233	195,839	4,349,072
Other segment information:			
Impairment losses recognised in profit or loss	35,436	–	35,436
Depreciation and amortisation	92,485	68	92,553

Information about major customers

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

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.

7. 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:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Revenue		
Sales of mobile telecommunication devices and accessories	**15,088,123**	13,612,423
Including:		
Retail of mobile telecommunication devices and accessories	**8,423,136**	8,030,317
Sales of telecommunication devices and accessories to franchisees	**2,743,507**	2,162,025
Wholesale of mobile telecommunication devices and accessories	**3,921,480**	3,420,081
Service income from mobile carriers	**593,035**	607,000
Other service fee income	**149,562**	139,186
	15,830,720	14,358,609
Other income and gains		
Interest income	**14,694**	11,983
Government grants *(note (a))*	**65,165**	23,550
Gain on disposal of items of property, plant and equipment	**53**	12
Others	**5,571**	4,623
	85,483	40,168

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 these government grants.

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Cost of inventories sold and services provided	**13,796,603**	12,382,017
Depreciation *(note 15)*	**92,165**	90,148
Amortisation of intangible assets *(note 17)*	**388**	581
Lease payments under operating leases	**406,948**	388,253
Auditors' remuneration	**3,734**	6,177
Employee benefit expense (including Directors' remuneration as set out in *note 10*):		
Wages and salaries	**459,710**	503,113
Pension scheme contributions	**55,905**	52,058
	515,615	555,171
Provision for impairment of trade receivables *(note 24)*	**11,829**	21,710
Reversal of provision for impairment of other receivables *(note 25)*	**(218)**	(1,107)
Write-down of inventories to net realisable value *(note 22)*	**23,825**	19,191
(Gain)/loss on disposal of items of property, plant and equipment	**(53)**	595

9. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Interest on bank loans	**168,448**	116,996

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Fees	**–**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**2,588**	2,397
Pension scheme contributions	**205**	195
	2,793	2,592

(a) Independent non-executive directors

The fees paid to independent non-executive directors were as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Mr. Lv Tingjie	**61**	61
Mr. Li Zunnong *(i)*	**–**	20
Mr. Leng Rongquan *(iii)*	**31**	61
Mr. Li Wencai *(i)*	**263**	198
Mr. Gao Shengping *(ii)*	**–**	20
Mr. Bian Yongzhuang *(iii)*	**74**	–
	429	360

There were no other emoluments payable to the independent non-executive directors during year.

Notes:

(i) *Mr. Li Zunnong resigned on 9 January 2014 and was replaced by Mr. Li Wencai as an independent non-executive director on 8 June 2014.*

(ii) *Mr. Gao Shengping was appointed as an independent non-executive director on 12 April 2012 and resigned on 9 January 2014.*

(iii) *Mr. Leng Rongquan resigned on 2 June 2015 and was replaced by Mr. Bian Yongzhuang as an independent non-executive director on 2 June 2015.*

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors, non-executive director and the chief executive

	Fees RMB'000	Salaries allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2015				
Executive directors:				
Mr. Liu Songshan	**–**	**449**	**41**	**490**
Mr. Liu Donghai	**–**	**409**	**41**	**450**
Ms. Liu Wencui	**–**	**409**	**41**	**450**
Ms. Liu Hua	**–**	**409**	**41**	**450**
Mr. Liu Yajun	**–**	**409**	**41**	**450**
	–	**2,085**	**205**	**2,290**
Non-executive director:				
Mr. Qi Xiangdong*(i)*	**–**	**74**	**–**	**74**
	–	**2,159**	**205**	**2,364**
2014				
Executive directors:				
Mr. Liu Songshan	–	413	39	452
Mr. Liu Donghai	–	406	39	445
Ms. Liu Wencui	–	406	39	445
Ms. Liu Hua	–	406	39	445
Mr. Liu Yajun	–	406	39	445
	–	2,037	195	2,232
Non-executive director:				
Mr. Wang Lin	–	–	–	–
	–	2,037	195	2,232

Note:

(i) *There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.*

11. FIVE HIGHEST PAID EMPLOYEES

An analysis of the five highest paid employees within the Group during the year is as follows:

	Number of employees Year ended 31 December	
	2015	2014
Directors and the chief executive	**1**	4
Non-director and non-chief executive	**4**	1
	5	5

Details of directors' remuneration are set out in note 10 above.

Details of the remuneration of the above highest paid employees who are neither a director nor chief executive of the Group are as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,908**	446
Pension scheme contributions	**164**	39
	2,072	485

The number of non-director and non-chief executive highest paid individuals whose remuneration fell within the following band is as follows:

	Number of employees Year ended 31 December	
	2015	2014
Nil to HK$1,000,000	**4**	1

12. INCOME TAX EXPENSE

The provision for PRC current income tax is based on the 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, except for Jiangsu Shengduo Technology Trading Co., Ltd. and Sichuan Yijialong Communication Technology Chain Co., Ltd., two subsidiaries of the Company which were exempted from tax and taxed at a preferential rate of 15%, respectively, for the year ended 31 December 2015. The major components of income tax expense are as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Current:		
Tax charge for the year	**106,749**	117,490
Deferred *(note 21)*	**(33,112)**	(5,634)
Total tax charge for the year	**73,637**	111,856

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of the subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit before tax	**430,360**	430,216
Tax at the statutory tax rate	**107,590**	107,554
Lower tax rates for certain entities	**(12,066)**	(1,032)
Adjustments in respect of current tax of previous periods	**3,347**	–
Profits attributable to associates and a joint venture	**(296)**	(249)
Effect of unrealised profit to be realised at a different tax rate	**(29,051)**	–
Expenses not deductible for tax	**1,846**	2,006
Tax losses utilised from previous periods	**(3,577)**	–
Tax losses not recognised	**5,844**	3,577
Tax charge at the Group's effective rate	**73,637**	111,856

The share of tax attributable to associates and a joint venture amounting to RMB17,000 (2014: Nil) and RMB279,000 (2014: RMB249,000), respectively, is included in "Share of profits of associates and a joint venture" in the consolidated statement of profit or loss and other comprehensive income.

13. DIVIDENDS

The Directors did not propose a dividend for the year ended 31 December 2015.

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

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 666,667,000 (2014: 580,365,458) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2015 and 2014.

The calculation of basic earnings per share is based on:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**357,062**	318,133
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**666,667,000**	580,365,458

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2015					
At 31 December 2014 and at 1 January 2015:					
Cost	63,258	278,329	65,637	37,337	444,561
Accumulated depreciation	(15,544)	(215,755)	(42,221)	(16,923)	(290,443)
Net carrying amount	47,714	62,574	23,416	20,414	154,118
At 1 January 2015, net of accumulated depreciation	47,714	62,574	23,416	20,414	154,118
Additions	8,072	61,883	13,468	2,366	85,789
Acquisition of a subsidiary	–	7,945	101	300	8,346
Disposals	–	–	(3,346)	(1,602)	(4,948)
Depreciation provided during the year	(3,026)	(75,982)	(10,107)	(3,050)	(92,165)
Depreciation transferred	–	–	1,845	1,237	3,082
At 31 December 2015, net of accumulated depreciation	52,760	56,420	25,377	19,665	154,222
At 31 December 2015:					
Cost	71,330	348,157	75,860	38,401	533,748
Accumulated depreciation	(18,570)	(291,737)	(50,483)	(18,736)	(379,526)
Net carrying amount	52,760	56,420	25,377	19,665	154,222

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2014					
At 31 December 2013 and at 1 January 2014:					
Cost	63,258	215,425	61,809	36,032	376,524
Accumulated depreciation	(12,385)	(142,139)	(37,040)	(14,524)	(206,088)
Net carrying amount	50,873	73,286	24,769	21,508	170,436
At 1 January 2014, net of accumulated depreciation	50,873	73,286	24,769	21,508	170,436
Additions	–	62,904	8,926	2,628	74,458
Disposals	–	–	(5,098)	(1,323)	(6,421)
Depreciation provided during the year	(3,159)	(73,616)	(9,916)	(3,457)	(90,148)
Depreciation transferred	–	–	4,735	1,058	5,793
At 31 December 2014, net of accumulated depreciation	47,714	62,574	23,416	20,414	154,118
At 31 December 2014:					
Cost	63,258	278,329	65,637	37,337	444,561
Accumulated depreciation	(15,544)	(215,755)	(42,221)	(16,923)	(290,443)
Net carrying amount	47,714	62,574	23,416	20,414	154,118

At 31 December 2015, none of the Group's buildings (2014: RMB18,889,000) was pledged to secure general banking facilities granted to the Group (note 30).

16. GOODWILL

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
At 1 January:		
Cost and net carrying amount	**57,302**	57,302
Cost at 1 January, net of accumulated impairment	**57,302**	57,302
Acquisition of a subsidiary	**174**	–
At 31 December	**57,476**	57,302

Impairment testing of goodwill

The carrying amounts of goodwill allocated to each of the cash-generating units which are subsidiaries of the Company are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Changsha 958598 Electronic Communication Equipment Co., Ltd.	**490**	490
Shenyang Tongliansihai Electronic Communication Technology Co., Ltd.	**381**	381
Sichuan Yijialong Communication Technology Chain Co., Ltd.	**34,650**	34,650
Luoyang Dphone Electronic Communication Technology Co., Ltd.	**5,739**	5,739
Shangqiu Dphone Electronic Communication Technology Co., Ltd.	**1,729**	1,729
Xiamen Dphone Electronic Communication Technology Co., Ltd.	**495**	495
Yunnan Dphone Electronic Communication Technology Co., Ltd.	**7,792**	7,792
Wuhan Yitongda Communication Equipment Co., Ltd.	**1,235**	1,235
Xi'an Dphone Electronic Communication Technology Co., Ltd.	**3,790**	3,790
Beijing Jinyitongda Communication Equipment Maintenance Co., Ltd.	**351**	351
Xinyang Beixing Science Trading Co., Ltd.	**650**	650
Yunfu SCI Commercial Properties Co., Limited	**174**	–
	57,476	57,302

16. GOODWILL *(Continued)*

The recoverable amount of each cash-generating unit has been determined based on a value in use calculation. To calculate this, cash flow projections are prepared based on financial budgets as approved by the Directors which cover a period of five years. At 31 December 2015, the pre-tax discount rate applied to the cash flow projections was 16% to 18% (2014: 14% to 16%).

The growth rate used to extrapolate the cash flows of the cash-generating units beyond the five-year period is 3% as at 31 December 2015 (2014: 3%). The Directors believe that this growth rate is conservative and reliable for the purpose of impairment testing.

Assumptions were used in the value in use calculation of the cash-generating units noted above for 31 December 2015 and 31 December 2014. The following describes each key assumption on which management has based on in the preparation of cash flow projections to undertake impairment testing of goodwill:

Revenue: the bases used to determine the future earnings potential are historical sales and average and expected growth rates of the market in the PRC.

Gross margins: the gross margins are based on the average gross margin achieved in the past three years and expected trend in the future.

Expenses: the value assigned to the key assumptions reflects past experience and management's commitment to maintain the Group's operating expenses to an acceptable level.

Discount rates: the discount rates used are before tax and reflect management's estimate of the risks specific to each unit. In determining appropriate discount rates for the units, regard has been given to the applicable borrowing rate of the Group during the year.

The values assigned to the key assumptions on market development, gross margins, expenses and discount rates are consistent with external information sources.

17. OTHER INTANGIBLE ASSETS

	Software copyrights RMB'000
31 December 2015	
Cost at 1 January 2015, net of accumulated amortisation	**614**
Additions	**554**
Acquisition of a subsidiary	**5**
Amortisation provided during the year	**(388)**
At 31 December 2015	**785**
At 31 December 2015:	
Cost	**3,839**
Accumulated amortisation	**(3,054)**
Net carrying amount	**785**
31 December 2014	
Cost at 1 January 2014, net of accumulated amortisation	**885**
Additions	**310**
Amortisation provided during the year	**(581)**
At 31 December 2014	**614**
At 31 December 2014:	
Cost	**3,280**
Accumulated amortisation	**(2,666)**
Net carrying amount	**614**

18. INVESTMENT IN A JOINT VENTURE

	As at 31 December 2015 RMB'000	2014 RMB'000
Share of net assets	**2,111**	994

Particulars of the Group's joint venture are as follows:

Name	Investment cost RMB'000	Place of registration and business	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
Hollard-D. Phone (Beijing) Technology Development Co., Ltd.*	2,500	PRC/Mainland China	50	50	50	Technology research and consulting service

* *English translations of names for identification purposes only*

The above investment is directly held by the Company.

The following table illustrates the financial information of the Group's joint venture:

	2015 RMB'000	2014 RMB'000
Share of the joint venture's profit and total comprehensive income for the year	**1,117**	994

19. INVESTMENTS IN ASSOCIATES

	As at 31 December 2015 RMB'000
Share of net assets	3,866
Goodwill on acquisition	4,201
	8,067

Particulars of the Group's associates are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Shenzhen Dixin Nuclear Communications Co., Ltd. *	Ordinary shares	Mainland China	20	Wholesale and retail of communication equipment
Shanxi Hartcourt Intermediation Information Technology Co., Ltd. *	Ordinary shares	Mainland China	40	Providing POS terminal equipment and services

* *English translations of names for identification purposes only.*

The Group's shareholdings in the associates all comprise equity shares held by the Company, except for Shanxi Hartcourt Intermediation Information Technology Co., Ltd., the shareholding in which is held through a wholly-owned subsidiary of the Company.

19. INVESTMENTS IN ASSOCIATES *(Continued)*

The following table illustrates the financial information of the Group's associates:

	2015 **RMB'000**
Share of the associates' profit and total comprehensive income for the year	67

20. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 December	
	2015 **RMB'000**	2014 RMB'000
Unlisted equity investments, at cost	**15,075**	7,055

The unlisted equity investments are equity securities issued by private entities established in the PRC. They are measured at cost less impairment at each reporting date because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

21. DEFERRED TAX

The movements in deferred tax assets during the year are as follows:

Deferred tax assets

	Deductible temporary differences RMB'000	**Unrealised profit to be realised at a different tax rate** RMB'000	**Total** RMB'000
Gross deferred tax assets at 1 January 2014	22,230	–	22,230
Deferred tax credited to the statement of profit or loss during the year	5,634	–	5,634
Gross deferred tax assets at 31 December 2014 and 1 January 2015	27,864	–	27,864
Deferred tax credited to the statement of profit or loss during the year	4,061	29,051	33,112
At 31 December 2015	31,925	29,051	60,976

There were no significant unrecognised deferred tax assets in respect of deductible temporary differences and unused tax credits as at 31 December 2015 and 2014.

22. INVENTORIES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Merchandise for resale	**2,170,970**	1,953,644
Consumable supplies	**913**	1,573
	2,171,883	1,955,217
Less: provision against inventories	**(23,825)**	(19,191)
	2,148,058	1,936,026

23. PROPERTIES UNDER DEVELOPMENT

	As at 31 December 2015 RMB'000
At 1 January	**–**
Additions	**91,669**
Acquisition of a subsidiary	**191,049**
At 31 December	**282,718**

24. TRADE RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Trade receivables	**1,969,307**	1,762,514
Less: impairment of trade receivables	**(98,648)**	(86,819)
	1,870,659	1,675,695

The Group grants different credit periods to customers. The Group's retail sales to consumers are cash sales. Credit periods are offered to customers of volume sales of telecommunication devices and accessories. The credit period offered to unincorporated customers is considered on a case-by-case basis. The Group maintains strict controls 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 receivables are unsecured and non-interest-bearing.

Endorsed bills receivable

The Group endorsed certain bills receivable (the "Endorsement") accepted by banks in the PRC (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers at 31 December 2015 with an aggregate carrying amount of RMB57,000,000 (2014: RMB185,110,000). The Derecognised Bills have maturities ranging from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, the Group has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables.

The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase the Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are immaterial.

During the year, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The Endorsement has been made evenly throughout the year.

24. TRADE RECEIVABLES *(Continued)*

Trade receivables factoring

As part of its normal business, the Group entered into a trade receivable factoring arrangement (the "Arrangement") and transferred certain trade receivables to a bank. Under the Arrangement, the Group may be required to reimburse the bank for loss if any trade debtors have defaulted. In the opinion of the Directors, the Group has retained substantially all risks and rewards with regard to trade receivables. Accordingly, it has not derecognised the full carrying amounts, and the proceeds from the Arrangement are recorded as bank borrowings. The original carrying value of trade receivables transferred under the Arrangement that have not been settled as at 31 December 2015 amounted to RMB53,720,000 (2014: RMB10,000,000), and the proceeds from the Arrangement in the same amount are recorded as bank borrowings.

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Within 90 days	**1,753,546**	1,299,643
91 to 180 days	**39,931**	199,757
181 to 365 days	**40,940**	145,387
Over 1 year	**36,242**	30,908
	1,870,659	1,675,695

24. TRADE RECEIVABLES *(Continued)*

Trade receivables factoring *(Continued)*

The movements in the provision for impairment of trade receivables are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
At 1 January	**86,819**	65,974
Impairment losses recognised *(note 8)*	**11,829**	21,710
Amount written off as uncollectible	**–**	(865)
At 31 December	**98,648**	86,819

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Neither past due nor impaired	**1,540,451**	1,281,406
Past due but not impaired:		
Less than 90 days	**224,731**	201,289
91 to 180 days	**37,983**	105,676
181 to 365 days	**36,981**	59,994
Over 1 year	**30,513**	27,330
	1,870,659	1,675,695

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

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Prepayments	**904,747**	793,552
Deposits and other receivables	**121,594**	106,675
	1,026,341	900,227
Less: impairment of other receivables	**(5,228)**	(5,446)
	1,021,113	894,781

The movements in the provision for impairment of other receivables are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
At 1 January	**5,446**	6,553
Impairment losses reversed *(note 8)*	**(218)**	(1,107)
At 31 December	**5,228**	5,446

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Cash and bank balances	**441,844**	335,298
Time deposits	**1,080,808**	355,382
	1,522,652	690,680
Less: pledged time deposits –		
pledged for bank borrowings	**1,046,976**	168,180
pledged for bank acceptance notes	**33,832**	187,202
Cash and cash equivalents, denominated in RMB	**441,844**	335,298

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between three months and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

27. BALANCES WITH RELATED PARTIES

The amounts due from/to related companies of the Group and subsidiaries of the Company are trade in nature, interest-free and repayable on demand.

28. TRADE AND BILLS PAYABLE

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Trade payables	**479,610**	445,540
Bills payable	**71,850**	257,969
	551,460	703,509

An aged analysis of the outstanding trade and bills payable as at the end of the reporting period, based on the invoice date is as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Within 90 days	**511,776**	649,015
91 to 180 days	**19,523**	26,182
181 to 365 days	**15,106**	20,547
Over 1 year	**5,055**	7,765
	551,460	703,509

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 45 days.

29. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Advances from customers	**199,885**	89,849
Payroll and welfare payable	**61,762**	60,220
Accrued expenses	**9,664**	38,882
Other payables	**126,844**	106,817
	398,155	295,768

30. INTEREST-BEARING BORROWINGS

	2015		2014	
	Maturity	**RMB'000**	Maturity	RMB'000
Current				
Bank loans:				
Unsecured, repayable within one year	**2016**	**2,429,750**	2015	1,446,387
Secured, repayable within one year	**2016**	**720,543**	2015	457,085
Current portion of long term bank loans – unsecured	**2016**	**2,000**	–	–
		3,152,293	–	1,903,472
Non-current				
Bank loans:				
Unsecured	**2017**	**48,000**	–	–
		3,200,293		1,903,472
The bank loans bear interest at rates per annum in the range of		**3.55% to 7.28%**		5.60% to 7.80%

Certain of the Group's bank loans are secured by:

(i) pledged trade receivables, which had a carrying value at the end of the reporting period of RMB67,150,000 (2014: RMB10,000,000);

(ii) pledged deposits, which had an aggregate carrying value at the end of the reporting period of RMB1,046,976,000 (2014: RMB168,180,000); and

(iii) mortgages by the Group's properties, which had an aggregate carrying value at the end of the reporting period of nil (2014: RMB18,889,000).

31. SHARE CAPITAL

Shares

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Issued and fully paid:		
667,000,000 (2014: 667,000,000) ordinary shares	**666,667**	666,667

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Shared capital RMB'000**
At 1 January 2014	500,000,000	500,000
Rights issue	167,000,000	166,667
At 31 December 2014 and 2015	667,000,000	666,667

32. OTHER RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Statutory reserve funds

Pursuant to the relevant PRC laws and regulations, Sino-foreign equity joint ventures registered in the PRC are required to transfer a certain percentage, as approved by the board of Directors, of their profit after income tax, as determined in accordance with the PRC accounting rules and regulations, to the reserve funds, the enterprise expansion fund and the employee bonus and welfare fund. These funds are restricted as to use.

In accordance with the relevant PRC laws and regulations, each of the PRC domestic companies is required to transfer 10% of their profit after income tax, as determined in accordance with the PRC accounting regulations, to the statutory common reserve fund, until the balance of the fund reaches 50% of its registered capital of these companies. Subject to certain restrictions as set out in the relevant PRC laws and regulations, the statutory common reserve fund may be used to offset against accumulated losses, if any.

Distributable reserves

For dividend purposes, the amounts which the PRC companies can legally distribute by way of a dividend are determined by reference to the distributable profits as reflected in their PRC statutory financial statements which are prepared in accordance with PRC GAAP.

In accordance with the Company Law of the PRC, profit after tax of the PRC companies can be distributed as dividends after the appropriation to the statutory reserve funds as set out above.

33. BUSINESS COMBINATION

On 23 July 2015, the Group acquired a 75% interest in Yunfu SCI from SCI (HK) Business investment limited. Yunfu SCI is engaged in the development and sale of real estate. The Group acquired Yunfu SCI to expand into the real estate market. The purchase consideration for the acquisition was in the form of cash with RMB90,000,000 paid before 31 December 2015.

The fair values of the identifiable assets and liabilities of Yunfu SCI as at the date of acquisition were as follows:

	Note	**Fair value recognised on acquisition RMB'000**
Property, plant and equipment		8,346
Intangible assets		5
Cash and bank balances		4,388
Prepayments, deposits and other receivables		36,993
Properties under development		191,049
Amount due from Shenzhen Digitone Investment Holdings Co., Limited*		80,000
Accruals and other payables		(201,013)
Total identifiable net assets at fair value		119,768
Non-controlling interests		(29,942)
		89,826
Goodwill	*16*	174
Satisfied by cash		90,000

* *The balance represents further capital injection payable at the date of acquisition by Shenzhen Digitone Investment Holdings Co., Limited, a subsidiary of the Company, which was fully paid before 31 December 2015.*

The fair value of other receivables as at the date of acquisition amounted to RMB22,872,000. The gross contractual amount of other receivables was RMB22,872,000. No other receivable balance was expected to be uncollectible.

The Group incurred transaction costs of RMB85,000 in aggregate for the acquisition. The transaction costs have been expensed and are included in administrative expenses in the consolidated profit or loss.

33. BUSINESS COMBINATION *(Continued)*

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	90,000
Cash and bank balances acquired	(4,388)
Net outflow of cash and cash equivalents included in cash flows from investing activities	85,612
Transaction costs of the acquisition included in cash flows from operating activities	(85)
	85,527

Since the acquisition, Yunfu SCI contributed nil to the Group's revenue and a loss of RMB3,430,000 to the consolidated profit or loss for the year ended 31 December 2015.

Had the combination taken place at the beginning of the year, revenue and profit of the Group for the year ended 31 December 2015 would have been RMB15,830,720,000 and RMB354,292,000, respectively.

34. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for office properties are for terms ranging from one to five years.

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Within a year	**312,376**	319,764
In the second to fifth years, inclusive	**525,259**	575,242
After five years	**139,233**	158,743
	976,868	1,053,749

35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34 above, the Group had the following capital commitments at the end of the reporting period:

	2015	2014
	RMB'000	RMB'000
Contracted, but not provided for:		
Properties under development	**6,497**	–

36. RELATED PARTY TRANSACTIONS

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
A joint venture entity:		
Purchases of goods	**84**	250
A fellow subsidiary:		
Sales of goods	**273**	444
Purchases of goods	**569**	845
Service income	**5,257**	4,983

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

36. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Outstanding balances with related parties:

Details of the Group's outstanding balances with related parties are set out in note 27.

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Salaries, allowances, bonuses and other expenses	**6,220**	6,094

Further details of Directors' and the chief executive officer's emoluments are included in note 10.

The related party transactions with a fellow subsidiary in respect of item (a) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

37. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

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

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

37. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost As at 31 December	
	2015	2014
	RMB'000	RMB'000
Trade and bills payable	**551,460**	703,509
Financial liabilities included in other payables and accruals	**126,844**	106,817
Due to related parties	**665**	1,739
Interest-bearing borrowings	**3,200,293**	1,903,472
	3,879,262	2,715,537

38. FAIR VALUE AND FAIR VALUE HIERARCHY

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

The fair value of interest-bearing bank 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 the reporting period approximated to their corresponding carrying amounts due to their short term maturities.

As at 31 December 2015, the fair value information has not been disclosed for certain available-for-sale investments in equity instruments that do not have a quoted market price in an active market and are measured at cost less any impairment because their fair value cannot be measured reliably. The reason why the fair value cannot be measured reliably is because 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 RMB15,075,000 (2014: RMB7,055,000). All of them are unlisted equity investments in China held by the Group.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing loans, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets and liabilities such as trade receivables and trade and bills payable as well as other receivables and payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. Generally, the Group introduces conservative strategies on its risk management. The board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to both fair value and cash flow interest rate risks. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank borrowings with a floating interest rate.

At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** RMB'000
2015	**100**	**(3,042)**
	(100)	**3,042**
2014	100	(4,862)
	(100)	4,862

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivable) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. In addition, banking facilities have been put in place for contingency purposes.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

31 December 2015	**On demand RMB'000**	**Less than 3 months RMB'000**	**3 to 12 months RMB'000**	**More than 12 months RMB'000**	**Total RMB'000**
Interest-bearing borrowings	**–**	**1,684,513**	**1,503,565**	**53,444**	**3,241,522**
Trade and bills payable	**–**	**511,776**	**39,684**	**–**	**551,460**
Financial liabilities included in other payables and accruals	**–**	**102,015**	**24,829**	**–**	**126,844**
Due to related parties	**–**	**665**	**–**	**–**	**665**
	–	**2,298,969**	**1,568,078**	**53,444**	**3,920,491**

31 December 2014	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Total RMB'000
Interest-bearing borrowings	–	792,236	1,167,139	1,959,375
Trade and bills payable	–	680,983	22,526	703,509
Financial liabilities included in other payables and accruals	–	86,862	19,955	106,817
Due to related parties	–	1,739	–	1,739
	–	1,561,820	1,209,620	2,771,440

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank loans, less cash and cash equivalents. Capital represents total equity.

During the year, the Group's strategy was to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The gearing ratios at the end of the reporting periods are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Interest-bearing loans	**3,200,293**	1,903,472
Less: cash and cash equivalents	**(441,844)**	(335,298)
Net debt	**2,758,449**	1,568,174
Total equity	**2,798,502**	2,421,203
Net debt and total equity	**5,556,951**	3,989,377
Gearing ratio	**50%**	39%

40. EVENT AFTER THE REPORTING PERIOD

The Company is in a preliminary stage of considering the feasibility of issuing long-term bonds. As at the date of approval of the financial statements, no definitive legally binding agreement or contract has been entered into by the Company.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**46,306**	48,656
Intangible assets	**505**	186
Investments in subsidiaries	**423,256**	423,511
Investment in a joint venture	**2,111**	994
Investment in an associate	**1,861**	–
Available-for-sale investments	**15,075**	7,055
Deferred tax assets	**2,563**	3,518
Total non-current assets	**491,677**	483,920
CURRENT ASSETS		
Inventories	**239,882**	185,239
Trade and bills receivable	**745,218**	256,297
Prepayments, deposits and other receivables	**193,210**	183,664
Due from subsidiaries	**2,088,980**	1,857,171
Pledged deposits	**483,923**	192,524
Cash and cash equivalents	**289,190**	185,402
Total current assets	**4,040,403**	2,860,297

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	2015 RMB'000	2014 RMB'000
CURRENT LIABILITIES		
Trade and bills payable	**738,270**	384,927
Other payables and accruals	**102,562**	37,561
Interest-bearing bank borrowings	**1,867,790**	1,289,087
Due to subsidiaries	**505,561**	349,591
Tax payable	**188**	10,226
Total current liabilities	**3,214,371**	2,071,392
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,317,709**	1,272,825
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowing	**48,000**	–
NET ASSETS	**1,269,709**	1,272,825
EQUITY		
Share capital	**666,667**	666,667
Reserves	**603,042**	606,158
Total equity	**1,269,709**	1,272,825

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	**Statutory reserve funds** RMB'000	**Retained profits** RMB'000	**Total** RMB'000
At 1 January 2014	33,205	33,532	2,020	68,757
Total comprehensive income for the year	–	–	46,322	46,322
Issue of shares	534,834	–	–	534,834
Share issue expenses	(43,755)	–	–	(43,755)
Transfer from retained profits	–	4,632	(4,632)	–
At 31 December 2014 and 1 January 2015	524,284	38,164	43,710	606,158
Total comprehensive income for the year	–	–	194	194
Share issue expenses	(3,310)	–	–	(3,310)
Transfer from retained profits	–	20	(20)	–
At 31 December 2015	**520,974**	**38,184**	**43,884**	**603,042**

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 29 March 2016.