迪信通

Beijing Digital Telecom Co., Ltd.
北京迪信通商貿股份有限公司
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6188)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2017

FINANCIAL HIGHLIGHTS

For the year ended December 31, 2017:

Revenue of the Group was RMB15,974,316,400, representing an increase of 5.25% from last year.

Net profit attributable to the owners of the parents of the Company was RMB322,490,090, representing a decrease of 9.50% from last year.

Basic earnings of each Share was RMB0.48 per share, representing a decrease by RMB0.05 per share from last year.

The Board did not recommend any final dividend for the year ended December 31, 2017.

The board (the "**Board**") of directors (the "**Directors**") of Beijing Digital Telecom Co., Ltd. (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended December 31, 2017, together with comparable figures for the same period in 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2017

	Notes	2017 RMB'000	2016 RMB'000 Restated
REVENUE	3	**15,974,316**	15,177,126
Cost of sales		**(13,974,148)**	(13,321,448)
Gross profit		**2,000,168**	1,855,678
Other income and gains	3	**56,556**	90,036
Selling and distribution expenses		**(1,068,995)**	(1,043,686)
Administrative expenses		**(353,423)**	(319,689)
Other expenses		**(52,326)**	(27,113)
Finance costs	5	**(182,741)**	(111,201)
Share of profits/(losses) of:			
Joint ventures		**4,934**	(1,816)
Associates		**(3,286)**	(657)
PROFIT BEFORE TAX	4	**400,887**	441,552
Income tax expense	6	**(77,940)**	(84,541)
PROFIT FOR THE YEAR		**322,947**	357,011
Attributable to:			
Owners of the parent		**322,490**	356,358
Non-controlling interests		**457**	653
		322,947	357,011
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted (RMB)	8	**0.48**	0.53

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
Year ended December 31, 2017

	Notes	2017 RMB'000	2016 RMB'000 Restated
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive loss of a joint venture		**(1,075)**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(1,075)**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**321,872**	357,011
Attributable to:			
Owners of the parent		**321,415**	356,358
Non-controlling interests		**457**	653
		321,872	357,011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000* Restated
NON-CURRENT ASSETS			
Property, plant and equipment		**132,150**	157,538
Goodwill		**57,476**	57,476
Other intangible assets		**328**	853
Investments in joint ventures		**76,840**	31,806
Investments in associates		**10,091**	8,077
Available-for-sale investments		**10,845**	15,075
Deferred tax assets		**35,624**	37,984
Loan receivables		**54,217**	–
Total non-current assets		**377,571**	308,809
CURRENT ASSETS			
Inventories		**2,297,599**	2,175,649
Properties under development		**82,121**	316,156
Completed properties held for sale		**119,594**	–
Trade and bills receivables	*9*	**1,986,806**	1,772,276
Prepayments, deposits and other receivables		**1,357,765**	1,135,598
Loan receivables		**300,000**	–
Due from related parties		**53,887**	13,504
Available-for-sale investments		**210,000**	–
Pledged deposits		**953,421**	815,367
Cash and cash equivalents		**614,879**	784,756
Total current assets		**7,976,072**	7,013,306
CURRENT LIABILITIES			
Trade and bills payables	*10*	**431,935**	443,240
Other payables and accruals		**379,215**	405,003
Interest-bearing bank borrowings		**3,147,184**	3,056,403
Due to related parties		**2,301**	8,848
Tax payable		**285,124**	239,007
Total current liabilities		**4,245,759**	4,152,501
NET CURRENT ASSETS		**3,730,313**	2,860,805
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,107,884**	3,169,614

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
December 31, 2017

	Notes	**2017** **RMB'000**	2016 *RMB'000* Restated
NON-CURRENT LIABILITIES			
Corporate bonds		**596,542**	–
NET ASSETS		**3,511,342**	3,169,614
EQUITY			
Equity attributable to owners of the parent			
Share capital		**666,667**	666,667
Reserves		**2,764,392**	2,442,977
		3,431,059	3,109,644
Non-controlling interests		**80,283**	59,970
Total equity		**3,511,342**	3,169,614

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1.1 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**"), 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 December 31, 2017. A subsidiary is an 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.

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.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 *included in Annual Improvements to IFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

The nature and the impact of the amendments are described below:

(a) Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(b) Amendments to IAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to IFRS 12 clarify that the disclosure requirements in IFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of IFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group did not have any subsidiary, joint venture or associate classified as held for sale as at December 31, 2017 and so no additional information is required to be disclosed.

1.3 RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS AS A RESULT OF BUSINESS COMBINATIONS FOR THE ENTITY UNDER COMMON CONTROL

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

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

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

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

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

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

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

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

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

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

1.4. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[3]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IAS 19	*Employee Benefits*[2]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
Annual Improvements 2014-2016 Cycle	Amendments to IFRSs including:
Amendments to IFRS 1	*Deletion of short-term exemption for first-time adopter*[1]
Amendments to IAS 28	*Measuring an associate or join venture at fair value*[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRSs including:
Amendments to IFRS 3	*Previously held interest in a joint operation*[2]
Amendments to IFRS 11	*Previously held interest in a joint operation*[2]
Amendments to IAS 12	*Income tax consequences of payment on financial instruments classified as equity*[2]
Amendments to IAS 23	*Borrowing cost eligible for capitalisation*[2]

1 Effective for annual periods beginning on or after January 1, 2018
2 Effective for annual periods beginning on or after January 1, 2019
3 Effective for annual periods beginning on or after January 1, 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards.

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 will adopt IFRS 9 from January 1, 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at January 1, 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of IFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group does not expect the loss allowance to be significantly different upon application of the expected credit loss model.

IFRS 15, issued in May 2014, establishes a new five-step model that will apply to 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. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in IFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at January 1, 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before January 1, 2018. The Group expects that the transitional adjustment to be made on January 1, 2018 upon initial adoption of IFRS 15 will not be material. However, the expected changes in accounting policies, as further explained below, will have a material impact on the Group's financial statements from 2018 onwards. During 2017, the Group has performed a detailed assessment on the impact of the adoption of IFRS 15. Based on the assessment, the Group anticipates that the adoption of IFRS 15 is unlikely to have any significant impact on revenue recognition except for the presentation and disclosure as follows:

The Group's principal activities consist of the sale of mobile telecommunications devices and accessories, the provision of related services and the development and sale of properties. The expected impacts arising from the adoption of IFRS 15 on the Group are summarised as follows:

(a) Allocate the transaction price to performance obligations

The Group provides franchise business which involves the sale of mobile telecommunications devices and accessories to third-party franchisees pursuant to their franchise agreements with the Group. Upon the adoption of IFRS 15, revenue from the sale of telecommunications devices and accessories to franchisees would be separated into a franchise fee and the sale of telecommunications devices and accessories due to different performance obligations. The Group has further assessed the revenue amounts to be recognised when the Group satisfies different performance obligations. The Group has determined that when IFRS 15 is adopted, revenue from the franchise fee and the revenue from the sale of telecommunications devices and accessories to franchisees for 2017 will amount to RMB1,281,000 and RMB3,114,917,000, respectively, because of the allocation of the transaction price to each of the performance obligations and the adoption of IFRS 15 is unlikely to have any significant impact on the total revenue recognised for the year then ended.

(b) Presentation and disclosure

The presentation and disclosure requirements in IFRS 15 are more detailed than those under the current IAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. In addition, as required by IFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

IFRS 16, issued in January 2016, replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt IFRS 16 from January 1, 2019. The Group and is currently assessing the impact of IFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted.

At December 31, 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB684,921,000. Upon adoption of IFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short-term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

IFRIC 22, issued in December 2016, provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from January 1, 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

IFRIC 23, issued in June 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from January 1, 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2. 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 telecommunications devices segment mainly engages in the sale of mobile telecommunications devices and accessories.

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

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

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

Year ended December 31, 2017	**Mobile telecommunications devices** *RMB'000*	**Properties** *RMB'000*	**Total** *RMB'000*
Segment revenue:			
Sales to external customers	**15,754,368**	**219,948**	**15,974,316**
Revenue			**15,974,316**
Segment results	**570,534**	**437**	**570,971**
Reconciliation:			
Interest income	**12,570**	**87**	**12,657**
Finance costs	**(182,675)**	**(66)**	**(182,741)**
Profit before tax	**400,429**	**458**	**400,887**
Segment assets	**8,047,952**	**305,691**	**8,353,643**
Segment liabilities	**4,653,682**	**188,619**	**4,842,301**
Other segment information:			
Impairment losses recognised/(reversed) in profit or loss	**39,959**	**(78)**	**39,881**
Depreciation and amortisation	**65,990**	**134**	**66,124**

Year ended December 31, 2016 (Restated)	**Mobile telecommunications devices** *RMB'000*	**Properties** *RMB'000*	**Total** *RMB'000*
Segment revenue:			
Sales to external customers	15,177,126	–	15,177,126
Revenue			15,177,126
Segment results	539,846	(2,764)	537,082
Reconciliation:			
Interest income	15,660	11	15,671
Finance costs	(111,167)	(34)	(111,201)
Profit/(loss) before tax	444,339	(2,787)	441,552
Segment assets	6,956,809	365,306	7,322,115
Segment liabilities	3,899,870	252,631	4,152,501
Other segment information:			
Impairment losses recognised in profit or loss	23,754	190	23,944
Depreciation and amortisation	62,483	59	62,542

Information about major customers

During the year, the Group had no customers from whom the revenue derived 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, geographical segment information as required by IFRS 8 *Operating Segments* is not presented.

3. 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 are as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
		Restated
Revenue		
Sales of mobile telecommunications devices and accessories	**15,257,138**	14,676,918
Including:		
Retail of mobile telecommunications devices and accessories	**8,466,621**	8,426,306
Sales of telecommunications devices and accessories to franchisees	**3,116,198**	2,818,234
Wholesale of mobile telecommunications devices and accessories	**3,674,319**	3,432,378
Service income from mobile carriers	**369,175**	383,605
Other service fee income	**128,055**	116,603
Development and sales of properties	**219,948**	–
	15,974,316	15,177,126
Other income and gains		
Interest income	**12,657**	15,671
Government grants *(note (a))*	**39,910**	67,270
Gain on disposal of items of property, plant and equipment	**200**	35
Others	**3,789**	7,060
	56,556	90,036

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.

4. PROFIT BEFORE TAX

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

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
		Restated
Cost of inventories sold and services provided	**13,974,148**	13,321,448
Depreciation	**65,599**	61,930
Amortisation of intangible assets	**525**	612
Lease payments under operating leases	**364,895**	357,472
Auditors' remuneration	**4,543**	3,999
Employee benefit expense (including directors' remuneration)		
Wages and salaries	**464,619**	454,522
Pension scheme contributions	**65,770**	61,847
	530,389	516,369
Provision for impairment of available-for-sale investments	**2,230**	–
Provision/(reversal of provision) for impairment of trade receivables	**12,692**	(2,616)
Provision for impairment of amounts due from related parties	**1,510**	631
Provision for impairment of other receivables	**2,386**	1,595
Write-down of inventories to net realisable value	**21,063**	24,334
Loss on disposal of items of property, plant and equipment	**1,676**	644

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Interest on bank loans and a corporate bond	**182,741**	111,201

6. 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 January 1, 2008, except for Jiangsu Shengduo Technology Trading Co., Ltd. and Sichuan Yijialong Communication Technology Chain Co., Ltd., two subsidiaries of the Company which were taxed at preferential rates of 12.5% and 15%, respectively, for the year ended December 31, 2017. The major components of income tax expense are as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Current:		
Tax charge for the year	**75,580**	61,549
Deferred	**2,360**	22,992
Total tax charge for the year	**77,940**	84,541

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 December 31,	
	2017	2016
	RMB'000	*RMB'000*
		Restated
Profit before tax	**400,887**	441,552
Tax at the statutory tax rate	**100,222**	110,388
Lower tax rates for certain entities	**(23,174)**	(30,956)
Adjustments in respect of current tax of previous periods	**2,733**	2,759
Profits/(Losses) attributable to associates and joint ventures	**(412)**	618
Expenses not deductible for tax	**1,706**	1,230
Tax losses utilised from previous periods	**(6,346)**	(5,844)
Tax losses not recognised	**3,211**	6,346
Tax charge at the Group's effective rate	**77,940**	84,541

The share of tax attributable to associates and joint ventures amounting to RMB1,800,000 (2016: RMB377,000) and nil (2016: Nil), respectively, is included in "Share of profits/(losses) of associates and joint ventures" in the consolidated statement of profit or loss and other comprehensive income.

7. DIVIDENDS

The directors did not propose a dividend for the year ended December 31, 2017.

8. 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 (2016:666,667,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended December 31, 2017 and 2016.

The calculation of basic earnings per share is based on:

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**322,490**	356,358
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**666,667,000**	666,667,000

9. TRADE AND BILLS RECEIVABLES

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
		Restated
Trade receivables	**2,087,992**	1,865,594
Bills receivable	**2,678**	–
Less: impairment of trade and bills receivables	**(103,864)**	(93,318)
	1,986,806	1,772,276

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

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

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
		Restated
Within 90 days	**1,846,331**	1,672,871
91 to 180 days	**43,495**	38,874
181 to 365 days	**72,558**	30,608
Over 1 year	**24,422**	29,923
	1,986,806	1,772,276

10. TRADE AND BILLS PAYABLES

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
Trade payables	**381,413**	422,872
Bills payable	**50,522**	20,368
	431,935	443,240

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

	As at December 31,	
	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**376,068**	408,350
91 to 180 days	**38,312**	18,214
181 to 365 days	**13,089**	12,319
Over 1 year	**4,466**	4,357
	431,935	443,240

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

11. EVENTS AFTER THE REPORTING PERIOD

(a) Acquisition of a subsidiary

On 15 June 2016, the Board of the Company passed a resolution in relation to the acquisition of a 60% interest in Digitone Mobiles Private Limited ("**Digitone Mobiles**") for the development in the India market. The purchase consideration was USD2,500,000 in cash, paid up by the end of 2016. The acquisition will be accounted for using the acquisition method in the Company's annual financial statements upon the completion of acquisition. The acquisition was completed in March 2018.

(b) Acquisition of an associate

On 15 June 2016, the Board of the Company passed a resolution in relation to the proposed investment in Spice Online Retail Private Limited ("**Spice Online**"), an unlisted company incorporated in India that specialises in the sale of mobile telecommunications devices and accessories. The Company would acquire a 49% interest in Spice Online at a consideration of USD2,400,000. Upon the completion, the Company would expand into the India market to further develop their business. As at the date of approval of the consolidated financial statements, the acquisition has not been completed. The acquisition will be accounted for using the acquisition method in the Company's annual financial statements upon the completion of acquisition, anticipated to be in 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

For the year ended December 31, 2017, the Group sold 10,470,200 mobile handsets, representing a decrease of 217,180 sets or 2.03% compared with 10,687,380 sets for the same period last year. Operating revenue for the year of 2017 amounted to RMB15,974,316,400, representing an increase of RMB797,190,170 or 5.25% from RMB15,177,126,230 for the same period last year. Net profit for the year of 2017 amounted to RMB322,947,070, representing a decrease of RMB34,064,060 or 9.54% from RMB357,011,130 for the same period last year.

II. FINANCIAL POSITION AND OPERATING RESULTS

(I) Overview

For the year ended December 31, 2017, the Group recognized net profit of RMB322,947,070, representing a decrease of RMB34,064,060 or 9.54% from RMB357,011,130 for the same period in 2016. Net profit attributable to the owners of the parent amounted to RMB322,490,090, representing a decrease of RMB33,867,650 or 9.50% from RMB356,357,740 for the same period in 2016.

(II) Consolidated comprehensive income statement

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

	For the year ended December 31,			
Items	2016	**2017**	**Change**	**Percentage of change**
	RMB'000	***RMB'000***	*RMB'000*	
Operating revenue	15,177,126.23	**15,974,316.40**	797,190.17	5.25%
Cost of sales	(13,321,448.00)	**(13,974,148.49)**	(652,700.49)	4.90%
Gross profit	1,855,678.23	**2,000,167.91**	144,489.68	7.79%
Other income and gains	90,036.41	**56,555.81**	(33,480.60)	(37.19%)
Selling and distribution expenses	(1,043,686.33)	**(1,068,995.15)**	(25,308.82)	2.42%
Administrative expenses	(319,688.64)	**(353,423.24)**	(33,734.60)	10.55%
Other expenses	(27,113.06)	**(52,325.91)**	(25,212.85)	92.99%
Finance costs	(111,201.22)	**(182,740.98)**	(71,539.76)	64.33%
Investment gains	(2,473.07)	**1,648.47**	4,121.54	(166.66%)
Profit before tax	441,552.32	**400,886.91**	(40,665.41)	(9.21%)
Income tax expense	(84,541.19)	**(77,939.84)**	6,601.35	(7.81%)
Total net profit for the year after taxation	357,011.13	**322,947.07**	(34,064.06)	(9.54%)
Attributable to owners of the parent	356,357.74	**322,490.09**	(33,867.65)	(9.50%)
Attributable to minority interests	653.39	**456.98**	(196.41)	(30.06%)

1. *Operating revenue*

Operating revenue of the Group for the year ended December 31, 2017 amounted to RMB15,974,316,400, representing an increase of RMB797,190,170 or 5.25% from RMB15,177,126,230 for the same period in 2016. Increase in revenue was mainly driven by the increase in three areas as follows:

(1) increase in revenue from franchisees and wholesale business owed to the efforts in exploring new franchisees and third party wholesalers, as the Group intended to expand its sales through wholesale during the year.

(2) increase in revenue from retail was in line with the development of market shares of domestic brands, such as Huawei, VIVO and OPPO, who continuously launched and released new products.

(3) increase in revenue from the sale of properties was due to the completion of construction and delivery of the residential units and business premises.

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 franchise 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. Our service income from mobile carriers primarily represents various subsidies from the mobile carriers such as rental and commissions. 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. Our revenue from the sale of properties primarily represents revenue from sales of residential units and business premises.

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

		For the year ended December 31,					
		2016		**2017**		**Change**	**Percentage of change**
		RMB'000	*% of total revenue*	***RMB'000***	***% of total revenue***	*RMB'000*	
(1)	**Sales of mobile telecommunications devices and accessories**	14,676,917.89	96.70%	**15,257,138.41**	**95.51%**	580,220.52	3.95%
	Including: Sales from retail of mobile telecommunications devices and accessories	8,426,305.88	55.51%	**8,466,621.41**	**53.00%**	40,315.53	0.48%
	Sales of telecommunications devices and accessories to franchisees	2,818,234.01	18.57%	**3,116,197.87**	**19.51%**	297,963.86	10.57%
	Wholesale of mobile telecommunications devices and accessories	3,432,378.00	22.62%	**3,674,319.13**	**23.00%**	241,941.13	7.05%
(2)	**Service income from mobile carriers**	383,604.85	2.53%	**369,174.67**	**2.31%**	(14,430.18)	(3.76%)
(3)	**Other service fee income**	116,603.49	0.77%	**128,055.15**	**0.80%**	11,451.66	9.82%
(4)	**Revenue from the sale of properties**	–	–	**219,948.17**	**1.38%**	219,948.17	–
Total		15,177,126.23	100.00%	**15,974,316.40**	**100.00%**	797,190.17	5.25%

The Group's service income from mobile carriers amounted to RMB369,174,670 for the year ended December 31, 2017, representing a decrease of RMB14,430,180 or 3.76% from RMB383,604,850 for the same period in 2016. Decrease in the service income from mobile carriers was caused by the decrease of subsidies provided by the major carriers for selling mobile phones to the end users in 2017.

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

	For the year ended December 31,					
Items	2016		**2017**		**Change**	**Percentage of change**
	RMB'000	*% of total revenue*	***RMB'000***	***% of total revenue***	*RMB'000*	
China Mobile	168,109.81	43.82%	**163,162.17**	**44.20%**	(4,947.64)	(2.94%)
China Unicom	47,332.27	12.34%	**39,624.13**	**10.73%**	(7,708.14)	(16.29%)
China Telecom	168,109.92	43.83%	**166,302.63**	**45.05%**	(1,807.29)	(1.08%)
Dixintong Telecommunications Services	52.85	0.01%	**85.74**	**0.02%**	32.89	62.23%
Total	383,604.85	100.00%	**369,174.67**	**100.00%**	(14,430.18)	(3.76%)

"Dixintong Telecommunications Services" refers to Beijing Dphone Communication Services Co., Ltd. (北京迪信通通信服務有限公司), 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, 2017 amounted to RMB13,974,148,490, representing an increase of RMB652,700,490 or 4.90% from RMB13,321,448,000 for the same period in 2016, which was mainly due to the increase in cost of sales in tandem with the increase in operating revenue.

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

	For the year ended December 31,					
	2016		**2017**		**Change**	**Percentage of change**
	RMB'000	*% of total costs*	***RMB'000***	***% of total costs***	*RMB'000*	
(1) **Sales of mobile telecommunications devices and accessories**	13,261,834.68	99.55%	**13,716,811.98**	**98.16%**	454,977.30	3.43%
Including: Sales from retail of mobile telecommunications devices and accessories	7,139,365.48	53.59%	**7,122,226.58**	**50.97%**	(17,138.90)	(0.24%)
Sales of telecommunications devices and accessories to franchisees	2,761,591.15	20.73%	**3,025,591.40**	**21.65%**	264,000.25	9.56%
Wholesale of mobile telecommunications devices and accessories	3,360,878.05	25.23%	**3,568,994.00**	**25.54%**	208,115.95	6.19%
(2) **Service income from mobile carriers**	56,944.13	0.43%	**42,253.00**	**0.30%**	(14,691.13)	(25.80%)
(3) **Other service fee income**	2,669.19	0.02%	**2,925.28**	**0.02%**	256.09	9.59%
(4) **Cost of the sale of properties**	–	–	**212,158.23**	**1.52%**	212,158.23	–
Total	13,321,448.00	100.00%	**13,974,148.49**	**100.00%**	652,700.49	4.90%

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, 2017 amounted to RMB2,000,167,910, representing an increase of RMB144,489,680, or 7.79%, from RMB1,855,678,230 for the same period in 2016. Our overall gross profit margins for the year ended December 31, 2016 and 2017 were 12.23% and 12.52%, respectively. Increase in our overall gross profit margin as compared with 2016 was primarily driven by the increase in the gross profits from sales of mobile telecommunications devices and accessories attributable to the increase in the sales of domestic brand handsets with higher gross profits.

	For the year ended December 31,							
	2016			**2017**				
	Gross profit *RMB'000*	% of total gross profit	Gross profit margin	**Gross profit** ***RMB'000***	**% of total gross profit**	**Gross profit margin**	**Change** *RMB'000*	**Percentage of change**
(1) **Sales of mobile telecommunications devices and accessories**	1,415,083.21	76.26%	9.64%	**1,540,326.43**	**77.01%**	**10.10%**	125,243.22	8.85%
Including: Sales from retail of mobile telecommunications devices and accessories	1,286,940.40	69.36%	15.27%	**1,344,394.83**	**67.21%**	**15.88%**	57,454.43	4.46%
Sales of telecommunications devices and accessories to franchisees	56,642.86	3.05%	2.01%	**90,606.47**	**4.53%**	**2.91%**	33,963.61	59.96%
Wholesale of mobile telecommunications devices and accessories	71,499.95	3.85%	2.08%	**105,325.13**	**5.27%**	**2.87%**	33,825.18	47.31%
(2) **Service income from mobile carriers**	326,660.72	17.60%	85.16%	**326,921.67**	**16.34%**	**88.55%**	260.95	0.08%
(3) **Other service fee income**	113,934.30	6.14%	97.71%	**125,129.87**	**6.26%**	**97.72%**	11,195.57	9.83%
(4) **Revenue from the sale of properties**	–	–	–	**7,789.94**	**0.39%**	**3.54%**	7,789.94	–
Total	1,855,678.23	100.00%	12.23%	**2,000,167.91**	**100.00%**	**12.52%**	144,489.68	7.79%

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

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

Items	For the year ended December 31, 2016 *RMB*	**2017** ***RMB***	**Change** *RMB*	**Percentage of change**
Sales of mobile handsets (in RMB thousands)	14,032,471.13	**14,568,434.62**	535,963.49	3.82%
Sales volume (in handsets)	10,687,383.00	**10,470,204.00**	(217,179.00)	(2.03%)
Average selling price (RMB/per handset)	1,312.99	**1,391.42**	78.43	5.97%

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; (iv) gain on foreign exchange; (v) investment gain on disposal of subsidiaries; and (vi) others. The Group's other income and gains for the year ended December 31, 2017 amounted to RMB56,555,810, representing a decrease of RMB33,480,600 or 37.19% from RMB90,036,410 for the same period in 2016, which was primarily attributable to decreased government grants in 2017.

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

Items	For the year ended December 31, 2016 *RMB'000*	**2017** ***RMB'000***	**Change** *RMB'000*	**Percentage of change**
Interest income	15,671.05	**12,657.05**	(3,014.00)	(19.23%)
Government grants	67,270.07	**39,909.62**	(27,360.45)	(40.67%)
Gain on disposal of property, plant and equipment	34.74	**199.96**	165.22	475.59%
Gain on foreign exchange	1,403.29	**–**	(1,403.29)	(100.00%)
Investment gain on disposal of subsidiaries	1.14	**–**	(1.14)	(100.00%)
Others	5,656.12	**3,789.18**	(1,866.94)	(33.01%)
Total	90,036.41	**56,555.81**	(33,480.60)	(37.19%)

6. *Selling and distribution expenses*

Items	For the year ended December 31, Selling and distribution expenses 2016 RMB'000	2017 RMB'000	% of total expenses 2016	2017	Change RMB'000	Percentage of change
Staff salaries	455,810.90	**469,269.08**	43.67%	**43.90%**	13,458.18	2.95%
Office expenses	17,398.49	**17,685.68**	1.67%	**1.65%**	287.19	1.65%
Travelling expenses	3,768.31	**3,766.44**	0.36%	**0.35%**	(1.87)	(0.05%)
Transportation expenses	15,593.86	**15,314.04**	1.49%	**1.43%**	(279.82)	(1.79%)
Business entertainment expenses	3,371.64	**3,263.34**	0.32%	**0.31%**	(108.30)	(3.21%)
Communication expenses	4,310.75	**4,660.00**	0.41%	**0.44%**	349.25	8.10%
Rentals and property management expenses	343,877.76	**350,601.07**	32.95%	**32.80%**	6,723.31	1.96%
Repair expenses	6,113.07	**5,645.49**	0.59%	**0.53%**	(467.58)	(7.65%)
Advertising and promotion expenses	64,868.07	**66,912.89**	6.22%	**6.26%**	2,044.82	3.15%
Depreciation expenses	7,862.46	**7,895.42**	0.75%	**0.74%**	32.96	0.42%
Amortisation of leasehold improvement	42,651.80	**44,066.33**	4.09%	**4.12%**	1,414.53	3.32%
Amortisation of low-cost consumables	5,819.96	**6,223.16**	0.56%	**0.58%**	403.20	6.93%
Market management fees	16,282.92	**15,818.29**	1.56%	**1.48%**	(464.63)	(2.85%)
Utilities	36,861.59	**37,843.55**	3.53%	**3.54%**	981.96	2.66%
Others	19,094.75	**20,030.37**	1.83%	**1.87%**	935.62	4.90%
Total	1,043,686.33	**1,068,995.15**	100.00%	**100.00%**	25,308.82	2.42%

Total selling and distribution expenses for the year ended December 31, 2017 amounted to RMB1,068,995,150, representing an increase of RMB25,308,820 or 2.42% from RMB1,043,686,330 for the same period in 2016, which was mainly due to the increase in staff salaries, rentals and property management expenses, advertising and promotion expenses and amortisation of leasehold improvement.

Total staff salaries for the year ended December 31, 2017 amounted to RMB469,269,080, representing an increase of RMB13,458,180, or 2.95%, from RMB455,810,900 for the same period in 2016. Such increase was due to the Group's routine annual salary increment.

Total rentals and property management expenses for the year ended December 31, 2017 amounted to RMB350,601,070, representing an increase of RMB6,723,310, or 1.96%, from RMB343,877,760 for the same period in 2016. Such increase was due to the increase in the number of independent shops with higher rentals.

Total advertising and promotion expenses for the year ended December 31, 2017 amounted to RMB66,912,890, representing an increase of RMB2,044,820, or 3.15%, from RMB64,868,070 for the same period in 2016. Such increase was attributable to the increase in advertising expenses on soft and hard advertisements in order to increase the influence of the brand in 2017.

Total amortisation of leasehold improvement for the year ended December 31, 2017 amounted to RMB44,066,330, representing an increase of RMB1,414,530 or 3.32%, from RMB42,651,800 for the same period in 2016. Such increase was attributable to the increase in amortisation of leasehold improvement as a result of the scheduled amortization of the existing shops together with the leasehold improvement for the new independent shops in 2017.

7. *Administrative expenses*

Items	Administrative expenses		% of total expenses		Change	Percentage of change
	For the year ended December 31,					
	2016	**2017**	2016	**2017**		
	RMB'000	***RMB'000***			*RMB'000*	
Staff salaries	140,410.64	**143,984.74**	43.92%	**40.74%**	3,574.10	2.55%
Tax expenses	1,790.03	**1,049.33**	0.56%	**0.30%**	(740.70)	(41.38%)
Office expenses	24,919.43	**25,388.92**	7.79%	**7.18%**	469.49	1.88%
Depreciation expenses	9,955.00	**12,176.13**	3.11%	**3.45%**	2,221.13	22.31%
Amortisation of intangible assets	612.25	**524.56**	0.19%	**0.15%**	(87.69)	(14.32%)
Amortisation of leasehold improvements	1,459.80	**1,460.54**	0.46%	**0.41%**	0.74	0.05%
Amortisation of low-cost consumables	5,331.77	**4,946.90**	1.67%	**1.40%**	(384.87)	(7.22%)
Travelling expenses	13,506.55	**14,157.50**	4.22%	**4.01%**	650.95	4.82%
Rental and property management fees	13,594.39	**14,294.29**	4.25%	**4.04%**	699.90	5.15%
Business entertainment expenses	12,331.71	**11,733.17**	3.86%	**3.32%**	(598.54)	(4.85%)
Communication expenses	3,829.44	**3,895.27**	1.20%	**1.10%**	65.83	1.72%
Agency fees	11,276.52	**13,581.62**	3.53%	**3.84%**	2,305.10	20.44%
Transportation expenses	15,494.18	**15,761.93**	4.85%	**4.46%**	267.75	1.73%
Financial institution charges	53,313.49	**78,093.20**	16.68%	**22.10%**	24,779.71	46.48%
Others	11,863.44	**12,375.14**	3.71%	**3.50%**	511.70	4.31%
Total	319,688.64	**353,423.24**	100.00%	**100.00%**	33,734.60	10.55%

The Group's total administrative expenses for the year ended December 31, 2017 amounted to RMB353,423,240, representing an increase of RMB33,734,600, or 10.55%, from RMB319,688,640 for the same period in 2016. Such increase in administrative expenses was primarily attributable to the increase in staff salaries, agency fees and financial institution charges.

Total staff salaries for the year ended December 31, 2017 amounted to RMB143,984,740, representing an increase of RMB3,574,100, or 2.55%, from the total staff salaries amounting to RMB140,410,640 for the same period in 2016. Such increase was due to the Group's routine annual salary increment.

Total agency fees for the year ended December 31, 2017 amounted to RMB13,581,620, representing an increase of RMB2,305,100, or 20.44%, from the total agency fees amounting to RMB11,276,520 for the same period in 2016. Such increase was attributable to the increase in consultation agency fee for the issuance of a corporate bond by the Company in 2017.

Total financial institution charges for the year ended December 31, 2017 amounted to RMB78,093,200, representing an increase of RMB24,779,710, or 46.48%, from the total financial institution charges amounting to RMB53,313,490 for the same period in 2016. Such increase was attributable to the change of payment methods substantially from cash to Alipay, Wechat and installment payment.

8. *Other expenses*

Other expenses include impairment losses on assets, exchange loss and non-operating expenses. For the years ended December 31, 2016 and 2017, other expenses amounted to RMB27,113,060 and RMB52,325,910, respectively.

	For the year ended December 31,			
Items	2016 *RMB'000*	**2017** ***RMB'000***	**Change** *RMB'000*	**Percentage of change**
Impairment losses on assets	23,943.72	**39,881.26**	15,937.54	66.56%
Financial cost – exchange loss	–	**4,547.39**	4,547.39	–
Non-operating expenses	3,169.34	**7,897.26**	4,727.92	149.18%
Total	27,113.06	**52,325.91**	25,212.85	92.99%

The Group's total other expenses for the year ended December 31, 2017 amounted to RMB52,325,910, representing an increase of RMB25,212,850 or 92.99% from RMB27,113,060 for the same period in 2016. The increase was mainly attributable to the increase in impairment losses on assets for the current period. The increase in impairment losses on assets was caused by the increase in the balance of trade and other receivables resulting in the increase in the provisions for bad debts.

9. Finance costs

	For the year ended December 31,			
Item	**Finance costs**		**Change**	**Percentage of change**
	2016	**2017**		
	RMB'000	***RMB'000***	*RMB'000*	
Finance costs – interest expenses	111,201.22	**182,740.98**	71,539.76	64.33%

The Group's total finance costs for the year ended December 31, 2017 amounted to RMB182,740,980, representing an increase of RMB71,539,760, or 64.33%, from RMB111,201,220 for the same period in 2016. Such increase in finance costs was primarily attributable to the interest expense of the corporate bond issued in the current year and the increase in the interest rates from the major borrowing banks of our short-term borrowings.

10. Income tax expenses

Our income tax expenses for the stated periods included PRC Corporate Income Tax ("**CIT**") and deferred income tax. In accordance with the Corporate 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, 2017, the income tax rate of 25% was applicable to all of the Group's PRC subsidiaries except Sichuan Yijialong Communication Technology Chain Co., Ltd. (四川億佳隆通訊連鎖有限公司) and Jiangsu Shengduo Technology Trading Co., Ltd. (江蘇勝多科貿有限責任公司). Sichuan Yijialong Communication Technology Chain Co., Ltd. has been entitled to an income tax rate of 15% since 2012 as a company which is principally engaged in an industry encouraged by the State. Jiangsu Shengduo Technology Trading Co., Ltd. has been entitled to full exemption of CIT 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, 2016 and 2017, our effective tax rates were 19.15% and 19.44%, respectively. During the year ended December 31, 2017, 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, 2016	**2017**	Change	Percentage of change
	RMB'000	***RMB'000***	*RMB'000*	
Income tax in the PRC for the year	61,548.97	**75,579.53**	14,030.56	22.80%
Deferred tax	22,992.22	**2,360.31**	(20,631.91)	(89.73%)
Total	84,541.19	**77,939.84**	(6,601.35)	(7.81%)

The Group's total income tax expense for the year ended December 31, 2017 amounted to RMB77,939,840, representing a decrease of RMB6,601,350 or 7.81% compared with the total income tax expense of RMB84,541,190 for the same period in 2016. Such decrease was primarily attributable to the lower total profits 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.

Items	For the year ended December 31, 2016	**2017**
	RMB'000	***RMB'000***
Net cash generated from operating activities	461,743.80	**69,584.98**
Net cash used in investing activities	(163,668.43)	**(638,590.70)**
Net cash generated from financing activities	44,261.93	**400,277.66**
Net increase in cash and cash equivalents	342,337.30	**(168,728.06)**
Cash and cash equivalents at beginning of the year	441,844.00	**784,755.66**
Effect of changes of foreign exchange rate on cash flow	574.36	**(1,148.11)**
Cash and cash equivalents at end of the year	784,755.66	**614,879.49**

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. We had net operating cash inflow of RMB69,584,980 for the year ended December 31, 2017.

For the year ended December 31, 2017, we had net cash inflow from operating activities of RMB69,584,980, primarily due to (i) profit before tax of RMB400,886,910 in line with the Group's remarkable operating results; (ii) an increase of receivables from operating activities owing to more favourable credit terms offered to the wholesale customers which offset the effect of cash inflow from the net profits; and (iii) shorter credit period for the trade payables offered by the suppliers which in turn decreased the payables from operating activities.

2. *Net cash used in investing activities*

Our cash flow generated from investing activities reflects the results of our investing activities for the period, such as purchase of property, plant, equipment, proceeds from disposal of property, plant and equipment, acquisition of associated companies and joint ventures; purchase of bank financial products and loans to the third parties.

For the year ended December 31, 2017, we had net cash outflow from investing activities of RMB638,590,700, which was primarily attributable to (i) the purchase and construction of fixed assets and decoration costs of RMB42,353,000 in connection with the opening of new outlets and the renovation of old ones; (ii) the investment of RMB49,175,000 in the joint ventures and associated companies; (iii) expenses on the purchase of bank financial products of RMB210,000,000; and (iv) entrusted loans and loans to the third parties of RMB322,119,000.

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 the issuance of a corporate bond, repayment of bank loans, payment of interests and other financing activities.

For the year ended December 31, 2017, we had net cash inflow from financing activities of RMB400,277,660, primarily due to (i) bank loans of RMB7,341,360,000 and repayment of bank loans of RMB7,250,579,000; (ii) cash of RMB595,500,000 received from issuance of a corporate bond; and (iii) interest payment to banks of RMB147,949,000.

(IV) Balance Sheet Items

1. *Trade and bills receivables*

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

	As of December 31,			
	2016 *RMB'000* Restated	**2017** ***RMB'000***	**Fluctuation** *RMB'000*	**Percentage of Fluctuation**
Trade receivables	1,865,594.10	**2,087,991.71**	222,397.61	11.92%
Bills receivables	–	**2,678.37**	2,678.37	–
	1,865,594.10	**2,090,670.08**	225,075.98	12.06%
Less: Impairment for trade receivables	(93,317.88)	**(103,864.49)**	(10,546.61)	11.30%
	1,772,276.22	**1,986,805.59**	214,529.37	12.10%

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

	As of December 31,			
	2016 *RMB'000* Restated	**2017** ***RMB'000***	**Fluctuation** *RMB'000*	**Fluctuation of Percentage**
Franchisees	637,465.03	**847,160.49**	209,695.46	32.90%
Supermarket customers	161,515.15	**145,307.30**	(16,207.85)	(10.03%)
Mobile carriers	483,863.32	**471,993.69**	(11,869.63)	(2.45%)
Third party wholesale customers	582,750.60	**612,605.23**	29,854.63	5.12%
Property buyers	–	**10,925.00**	10,925.00	–
Total	1,865,594.10	**2,087,991.71**	222,397.61	11.92%

To enhance sales of our handsets and enlarge our market share, we granted credit periods of 30–120 days to certain customers in 2017. Credit periods are offered to customers with the largest 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, 2017 amounted to RMB1,984,127,220, representing an increase of RMB211,851,000 or 11.95%, from RMB1,772,276,220 as of December 31, 2016. Our trade receivables before deducting impairment as of December 31, 2017 amounted to RMB2,087,991,710, representing an increase of RMB222,397,610, or 11.92% from RMB1,865,594,100 as of December 31, 2016.

Trade receivable from franchisees as of December 31, 2017 amounted to RMB847,160,490, representing an increase of RMB209,695,460 or 32.90%, from RMB637,465,030 as of December 31, 2016. Such increase was primarily attributable to: (i) an increase in trade receivables from the franchisees in line with increased revenue from them; and (ii) extension of the credit periods for some of creditworthy franchisees.

Trade receivable from supermarket customers as of December 31, 2017 amounted to RMB145,307,300, representing a decrease of RMB16,207,850 or 10.03%, from RMB161,515,150 as of December 31, 2016. Such decrease was primarily attributable to the decrease of revenue from supermarket customers.

Amounts receivable from mobile carriers as of December 31, 2017 amounted to RMB471,993,690, representing a decrease of RMB11,869,630 or 2.45%, from RMB483,863,320 as of December 31, 2016. There was no substantial change in the outstanding amounts for both years.

Trade receivables from property buyers as of December 31, 2017 amounted to RMB10,925,000. The balance as of December 31, 2016 was nil, mainly owing to the initial recognition of revenue from the property segment of the Group.

Trade receivable from third party wholesale customers as of December 31, 2017 amounted to RMB612,605,230, representing an increase of RMB29,854,630 or 5.12%, from RMB582,750,600 as of December 31, 2016. Such increase was primarily attributable to the increased wholesale sales to third party wholesale customers and mobile carriers.

As of the date of this announcement, an amount of approximately RMB1,837,239,650 in our trade receivables as of December 31, 2017 were subsequently settled.

Our management regularly monitors the recoverability of our overdue balances of trade receivables and provides for impairment of these trade receivables as appropriate. Our provisions for impairment of trade receivables as of December 31, 2017 amounted to RMB103,864,490, representing an increase of RMB10,546,610 or 11.30% from RMB93,317,880 as of December 31, 2016, primarily owing to the increased risk from bad debt resulting from the increase of outstanding trade receivables. Our Directors believe that our provisions for impairment on trade receivables are adequate.

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

	As of December 31,	
Items	2016	**2017**
	RMB'000	***RMB'000***
Within 90 days	1,672,870.63	**1,846,330.54**
91 to 180 days	38,874.13	**43,495.20**
181 to 365 days	30,608.25	**72,557.82**
Over 1 year	29,923.21	**24,422.03**
Total	1,772,276.22	**1,986,805.59**

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

	For the year ended December 31,			
Item	2016	**2017**	**Change in number of days**	**Percentage of change**
	Number of days	***Number of days***		
Average trade receivables turnover days	43	**42**	(1)	(2.33%)

For the year ended December 31, 2017, our average trade receivables turnover days was 42 days, which was substantially the same as that for 2016.

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:

	As of December 31,			
	2016	**2017**	**Fluctuation**	**Percentage of Fluctuation**
	RMB'000 (restated)	***RMB'000***	*RMB'000*	
Prepayments	958,281.06	**1,129,281.92**	171,000.86	17.84%
Other receivables	184,140.09	**237,692.27**	53,552.18	29.08%
Total	1,142,421.15	**1,366,974.19**	224,553.04	19.66%
Less: Impairment for other receivables	(6,823.42)	**(9,209.53)**	(2,386.11)	34.97%
	1,135,597.73	**1,357,764.66**	222,166.93	19.56%

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, 2017 amounted to RMB1,129,281,920, representing an increase of RMB171,000,860, or 17.84% from RMB958,281,060 as of December 31, 2016. Such increase was mainly attributable to the increased local procurement by the subsidiaries with shorter credit period and increased requirement of prepayment for procurement when compared with centralized procurement.

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. *Inventories*

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:

	As of December 31,			
Items	2016	**2017**	**Change**	**Percentage of change**
	RMB'000	***RMB'000***	*RMB'000*	
Merchandise for sale	2,199,376.09	**2,318,661.06**	119,284.97	5.42%
Consumables	607.04	**–**	(607.04)	(100%)
Total	2,199,983.13	**2,318,661.06**	118,677.93	5.39%
Less: Provision against inventories	(24,333.71)	**(21,062.44)**	3,271.27	(13.44%)
Total	2,175,649.42	**2,297,598.62**	121,949.20	5.61%

Our inventories as of December 31, 2017 amounted to RMB2,297,598,620, representing an increase of RMB121,949,200 or 5.61% from RMB2,175,649,420 as of December 31, 2016. Such increase was mainly attributable to the increased unit price of mobile handsets.

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

	As of December 31,			
Period	2016	**2017**	**Change**	**Percentage of change**
	RMB'000	***RMB'000***	*RMB'000*	
Within 30 days	2,130,718.44	**2,161,171.29**	30,452.85	1.43%
31 to 60 days	32,906.03	**80,313.21**	47,407.18	144.07%
60 to 90 days	19,793.50	**34,443.90**	14,650.40	74.02%
Over 90 days	16,565.16	**42,732.66**	26,167.50	157.97%
Total	2,199,983.13	**2,318,661.06**	118,677,93	5.39%

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

Item	For the year ended December 31, 2016 Number of days	 **2017** **Number of days**	 **Change in number of days**	 **Percentage of change**
Average inventory turnover days	58	**58**	0	0.00%

Average inventory turnover days for the year ended December 31, 2017 was 58 days, which was the same as that in 2016.

5. *Properties under development and completed properties held for sale*

Item	For the year ended December 31, 2016 *RMB'000*	 **2017** ***RMB'000***	 **Change** *RMB'000*	 **Percentage of change**
Properties under development	316,155.83	**82,121.40**	(234,034.43)	(74.03%)
Completed properties held for sale	–	**119,593.55**	119,593.55	–
Total	316,155.83	**201,714.95**	(114,440.88)	(36.20%)

For the year ended December 31, 2017, the Group had properties under development of RMB82,121,400 and completed properties held for sale of RMB119,593,550. Decrease in the amount for properties under development and increase in the amount for completed properties held for sale were mainly due to the completion of the procedures for the filing for construction completion for the completed residential units and business premises, and some of them had already been delivered to the buyers during the year.

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, 2016	**2017**	**Change**	**Percentage of change**
	RMB'000	***RMB'000***	*RMB'000*	
Trade payables	422,871.97	**381,412.86**	(41,459.11)	(9.80%)
Bills payables	20,367.62	**50,521.66**	30,154.04	148.05%
Total	443,239.59	**431,934.52**	(11,305.07)	(2.55%)

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

Items	As of December 31, 2016	**2017**	**Change**	**Percentage of change**
	RMB'000	***RMB'000***	*RMB'000*	
Within 90 days	408,350.17	**376,066.77**	(32,283.40)	(7.91%)
91 to 180 days	18,213.70	**38,312.45**	20,098.75	110.35%
181 to 365 days	12,319.18	**13,089.16**	769.98	6.25%
Over 1 year	4,356.54	**4,466.14**	109.60	2.52%
Total	443,239.59	**431,934.52**	(11,305.07)	(2.55%)

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

Item	For the year ended December 31, 2016 Number of days	**2017 Number of days**	**Change in number of days**	**Percentage of change**
Average trade and bills payables turnover days	12	**11**	(1)	(8.33%)

Our trade payables are non-interest bearing and are normally settled within 30–45 days. Our trade and bills payables for the year ended December 31, 2017 amounted to RMB431,934,520, representing a decrease of RMB11,305,070 or 2.55% from RMB443,239,590 for the year ended December 31, 2016. The decrease in trade and bills payables for this period was mainly due to the decrease in centralized procurement made by the Group's headquarters and the increase in local procurement made by subsidiaries. Local procurement is mainly settled on cash with shorter credit periods.

7. *Other payables and accruals*

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

	As of December 31,			
Items	2016	**2017**	**Change**	**Percentage of change**
	RMB'000	***RMB'000***	*RMB'000*	
Advances from customers	237,879.79	**193,324.22**	(44,555.57)	(18.73%)
Payroll and welfare payables	34,637.39	**32,606.17**	(2,031.22)	(5.86%)
Accrued expenses	6,642.24	**10,126.34**	3,484.10	52.45%
Other payables	125,844.01	**109,408.52**	(16,435.49)	(13.06%)
Bond interest payables	–	**33,750.00**	33,750.00	–
Total	405,003.43	**379,215.25**	(25,788.18)	6.37%

Our advances from customers represent advance payments by customers for their purchases. Our advances from customers as of December 31, 2017 amounted to RMB193,324,220, representing a decrease of RMB44,555,570 or 18.73% from RMB237,879,790 as of December 31, 2016. The decrease was primarily due to the recognition of the advance payment received from the property buyers upon the delivery of the residential units and business premises to them.

Our payroll and welfare payables represent accrued payroll and welfare expenses to our employees. Our payroll and welfare payables as of December 31, 2017 amounted to RMB32,606,170, representing a decrease of RMB2,031,220 or 5.86% from RMB34,637,390 as of December 31, 2016. Such decrease was primarily due to the transfer of some staff members from salesmen to promotion specialists who were paid on service fees basis instead of on salary basis in order to control the labour costs of the Group, and such service fees will not be included in the item "payroll and welfare payables".

Our accrued expenses represent other current liabilities. Our accrued expenses as of December 31, 2017 amounted to RMB10,126,340, representing an increase of RMB3,484,100 or 52.45% from RMB6,642,240 as of December 31, 2016. Such increase was primarily due to the investment in an associate by the Company with the resources of its self-owned shops, which increased its other current liabilities in 2017.

Our other payables as of December 31, 2017 amounted to RMB109,408,520, representing a decrease of RMB16,435,490 or 13.06% from RMB125,844,010 as of December 31, 2016. Such decrease was primarily due to the decrease in the investment received in advance for the prior period as a result of the completion of change in business registration in this period.

As of December 31, 2017, our interest payables amounted to RMB33,750,000 incurred from the unpaid bond interest payables for the corporate bond in the principal of RMB600,000,000 issued in the current year.

8. *Net current assets position*

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

	As of December 31,			
Items	2016	**2017**	**Change**	**Percentage of change**
	RMB'000	***RMB'000***	*RMB'000*	
Current assets				
Inventories	2,175,649.42	**2,297,598.62**	121,949.20	5.61%
Properties under development	316,155.83	**82,121.40**	(234,034.43)	(74.03%)
Completed properties held for sale	–	**119,593.55**	119,593.55	–
Trade and bills receivables	1,772,276.22	**1,986,805.59**	214,529.37	12.10%
Prepayments, deposits and other receivables	1,135,597.73	**1,357,764.66**	222,166.93	19.56%
Loan receivables	–	**300,000.00**	300,000.00	–
Due from related parties	13,504.28	**53,887.40**	40,383.12	299.04%
Avaliable-for-sale investment	–	**210,000.00**	210,000.00	–
Pledged deposits	815,367.28	**953,420.83**	138,053.55	16.93%
Cash and cash equivalents	784,755.66	**614,879.49**	(169,876.17)	(21.65%)
Total current assets	7,013,306.42	**7,976,071.54**	962,765.12	13.73%
Current liabilities				
Interest-bearing loans and other loans	3,056,402.54	**3,147,183.55**	90,781.01	2.97%
Trade and bills payables	443,239.59	**431,934.52**	(11,305.07)	(2.55%)
Other payables and accruals	405,003.43	**379,215.25**	(25,788.18)	(6.37%)
Tax payable	239,007.42	**285,124.20**	46,116.78	19.30%
Due to related parties	8,847.97	**2,300.98**	(6,546.99)	(73.99%)
Total current liabilities	4,152,500.95	**4,245,758.50**	93,257.55	2.25%
Net current assets	2,860,805.47	**3,730,313.04**	869,507.57	30.39%

Our net current assets as of December 31, 2017 amounted to RMB3,730,313,040, representing an increase of RMB869,507,570 or 30.39% from RMB2,860,805,470 as of December 31, 2016. Such growth was primarily due to the increase in working capital requirement as a result of the expansion of business scale and finance from long-term debts.

9. *Capital expenditure*

For the year ended December 31, 2017, the Group's capital expenditure amounted to RMB42,353,000, 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*

The following table sets forth the total amounts of transactions that have been entered into with related parties during the years ended December 31, 2017 and December 31, 2016 and the balance with the related parties as of December 31, 2017 and December 31, 2016.

	Year	Sales to related parties *RMB'000*	Purchase from related parties *RMB'000*	Amounts owed by related parties *RMB'000*	Amounts owed to related parties *RMB'000*
Associates:					
Shenzhen Dixin Nuclear Communication Co., Ltd.[1]	**2017**	**–**	**13,274.62**	–	**1,493.25**
	2016	2,198.39	278.69	–	1,829.67
Shanxi Hartcourt Intermediation Information Technology Co., Ltd[5]	**2017**	**–**	**–**	**–**	**666.60**
	2016	–	–	–	666.60
Beijing Xinyi Technology Co., Ltd.[1]	**2017**	**–**	**–**	**10,279.04**	**–**
	2016	–	–	–	–
Shanghai Diju Information Technology Co., Ltd.[5]	**2017**	**26,676.19**	**–**	**–**	**–**
	2016	–	–	–	–
Joint ventures:					
Hollard-D.Phone (Beijing) Technology Development Co., Ltd.[2]	**2017**	**–**	**2,727.31**	**2,533.28**	**–**
	2016	–	17,844.44	49.95	6,264.10
Guangzhou Zhongqi Energy Technology Limited Company[2]	**2017**	**70,369.59**	**12,897.79**	**36,911.49**	**–**
	2016	11,454.16	–	7,919.31	–

	Year	Sales to related parties	Purchase from related parties	Amounts owed by related parties	Amounts owed to related parties
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fellow subsidiaries:					
Beijing Dphone Communication Services Co., Ltd.[3]	**2017**	**220.11**	**–**	**3,986.90**	**141.13**
	2016	139.58	2.14	4,806.47	87.60
Guang'an Dixin Cloud Communication Technology Co., Ltd.[3]	**2017**	**395.58**	**–**	**149.89**	**–**
	2016	–	–	–	–
Company significantly influenced by the controlling shareholder					
Beijing Tianxingyuanjing Technology Development Co., Ltd.[4]	**2017**	**–**	**–**	**26.80**	**–**
	2016	5,220.21	1,594.34	728.55	–
Subsidiaries of non-controlling shareholders					
Beijing Digital China Limited[6]	**2017**	**–**	**1,088.85**	**–**	**–**
	2016		–	–	–
Digital China (Shenzhen) Limited[6]	**2017**	**–**	**68.54**	**–**	**–**
	2016	–	–	–	–

1 The investments in the associates, Shenzhen Dixin Nuclear Communciations Co., Ltd. and Beijing Xinyi Technology Co., Ltd. are directly held by the Company.

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

3 The investments in the fellow subsidiary entities, Beijing Dphone Communication Services Co., Ltd. and Guang'an Dixin Cloud Communication Technology Co., Ltd. are directly held by the controlling shareholder of the Company.

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

5 Investments in Shanxi Hartcourt Intermediation Information Technology Co., Ltd. and Shanghai Diju Information Technology Co., Ltd. are held by our subsidiaries Shanghai Dixin Electronic Communication Technology Co., Ltd. and Shanghai Chuanda Communication Technology Co., Ltd., respectively.

6 Beijing Digital China Limited, Digital China (Shenzhen) Limited and Digital China (HK) Limited are all controlled by the ultimate holding company. Digital China Group Co., Ltd. Digital China (HK) Limited is the non-controlling shareholder of the Company and holds 23.75% equity interests of the Company.

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

11. Interest – bearing bank and other borrowings

For the year ended December 31, 2017, our bank borrowings were primarily short term in nature and repayable within one year. The following table sets forth our outstanding borrowings as of the dates indicated:

	As at December 31,	
	2016	**2017**
	RMB'000	***RMB'000***
Current		
Bank loans:		
Unsecured, repayable within one year	1,598,473.59	**1,083,000.00**
Secured, repayable within one year	1,409,928.95	**2,064,183.55**
Current portion of long term bank loans – unsecured	48,000.00	**–**
	3,056,402.54	**3,147,183.55**
Non-current		
Corporate bond:		
Non-current portion	–	**596,542.09**
	3,056,402.54	**3,743,725.64**
The bank loans bear interest at rates per annum in the range of	2.50%–6.40%	**3.50%–7.90%**

During the year ended December 31, 2017, we entered into various loan agreements with banks to finance our business operations and expansion. These bank loans were repayable within one year or on demand. These bank loans were variable-rate bank loans which carried interest at the People's Bank of China benchmark rate plus a premium. We mainly used these bank loans to purchase mobile telecommunication devices and accessories.

Our bank loans as of December 31, 2017 amounted to RMB3,147,183,550, representing an increase of RMB90,781,010 or 2.97% from RMB3,056,402,540 as of December 31, 2016. Such increase was primarily due to the higher financing need resulting from the increasing working capital requirement in line with the expanding business activities of the Company.

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, 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.

On April 5, 2017, we issued a corporate bond with a term of three years in the total principal of RMB600,000,000 with annual interest rate of 7.5%. Interest will be paid in arrears each year. The mature date is April 5, 2020.

Our Directors confirmed that during the year ended December 31, 2017 and up to the date of this announcement, 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 bank 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. 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, 2017, 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:

	As of December 31,			
Items	2016	**2017**	**Change**	**Percentage of change**
Current ratio	1.69	**1.88**	0.19	11.24%
Gearing ratio	41.75%	**47.12%**	5.37%	12.86%
Net debt-to-equity ratio	71.67%	**89.11%**	17.44%	24.33%

Current ratio is our current assets divided by our current liabilities at the end of each financial period. Our current ratio remained relatively stable during the year ended December 31, 2017.

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 plus bonds payable, less cash and cash equivalents. Our gearing ratio increased from 41.75% as of December 31, 2016 to 47.12% as of December 31, 2017. Such increase was primarily due to the Company's higher growth in net debt than in total equity for 2017 as a result of the issuance of a corporate bond. Total equity as of December 31, 2017 amounted to RMB3,511,341,280, representing an increase of RMB341,727,380 or 10.78% from RMB3,169,613,900 as of December 31, 2016, and growth in total equity was primarily due to the increase in shareholding equity capital for 2017. The Group's total retained profit as of December 31, 2017 amounted to RMB1,996,851,680, representing an increase of RMB290,240,180 or 17.01% from the total retained profit of RMB1,706,611,500 for the same period in 2016. Surplus reserves as of December 31, 2017 amounted to RMB243,661,390, representing an increase of RMB32,248,910 or 15.25% from RMB211,412,480 as of December 31, 2016. Net debt as of December 31, 2017 amounted to RMB3,128,846,150, representing an increase of RMB857,199,270 or 37.73% from RMB2,271,646,880 as of December 31, 2016.

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, 2017 was 89.11%, which was 17.44% higher than 71.67% as of December 31, 2016, representing an increase ratio of 24.33%. This was primarily due to the Company's higher growth in net debt than in total equity for 2017. Net debt as of December 31, 2017 amounted to RMB3,128,846,150, representing an increase of RMB857,199,270, or 37.73% from RMB2,271,646,880 as of December 31, 2016. Increase issued in our net debt was primarily due to a corporate bond of RMB596,542,090 issued in 2017.

(VI) Material acquisitions and disposals

Details of the Group's material acquisitions during the year ended December 31, 2017 are set out in the section headed "Material investments".

(VII) Contingent liabilities

As of December 31, 2017, 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, 2017 *Unit: HK$'000*

Account holder	**Banker**	**Account number**	**Balance**
Beijing Digital Telecom Co., Ltd.	Standard Chartered Bank (Hong Kong) Limited	44717867377	6,201.96

As of December 31, 2017, HK$877,133,140 out of the net proceeds had been utilised. As of December 31, 2017, the balance of the proceeds in the special account amounted to HK$6,201,960 (including accrued interest of HK$10,700).

To regulate the management of proceeds and protect investors' interests, the Company has formulated the "Regulations for the Management of 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 applied as to approximately 53.86% in the expansion of our retail and distribution network, approximately 13.53% in the repayment of bank loans, approximately 6.34% in the upgrade of information systems for further enhancement of our management ability, approximately 3.93% in the upgrade of existing outlets and establishment of new call centers and new after-sales services system in the PRC, approximately 5.02% in multi-functional mobile Internet projects and approximately 9.06% as working capital and for other general corporate purpose. The applications of our proceeds as of the date indicated are set out in the following table:

Items	**For the year ended December 31, 2017** **Amount paid** *HK$'000*	 **Percentage**
Expansion of retail and distribution network	472,414.94	53.86%
Repayment of bank loans	118,703.28	13.53%
Upgrade of information system to further improve management capability	55,584.09	6.34%
Upgrade of existing outlets and establishment of new call centers and new after-sales services system in the PRC	34,472.32	3.93%
Undertaking multi-functional mobile Internet projects	44,060.18	5.02%
Working capital and other general corporate purpose	79,459.95	9.06%
Payment of listing agency fees	72,438.38	8.26%
Total	877,133.14	100.00%

(IX) Foreign exchange rate risks

The Group's businesses are located in Mainland China and the majority of transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group's exposure to foreign currency risk relates to the Group's bank deposits and other receivables denominated in USD and HKD. The Group has not hedged its foreign exchange rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in the USD and HKD exchange rates, with all other variables held constant, of the Group's profit after tax due and the Group's equity.

2017

	Increase/ (decrease) in foreign currency rate	**Increase/ (decrease) in profit after tax and equity**
	%	***RMB'000***
If RMB weakens against USD	**5.00**	**2,493.00**
If RMB strengthens against USD	**(5.00)**	**(2,493.00)**
If RMB weakens against HKD	**5.00**	**194.00**
If RMB strengthens against HKD	**(5.00)**	**(194.00)**

2016

	Increase/ (decrease) in foreign currency rate	Increase/ (decrease) in profit after tax and equity
	%	*RMB'000*
If RMB weakens against USD	5.00	1,917.00
If RMB strengthens against USD	(5.00)	(1,917.00)
If RMB weakens against HKD	5.00	268.00
If RMB strengthens against HKD	(5.00)	(268.00)

(X) Pledge of assets

As of December 31, 2017, the Group had no other pledge of assets except for the pledged deposits amounting to RMB953,420,830.

(XI) Material investments

As of December 31, 2017, the Group had no material investment.

(XII) Equity arrangements

For the year ended December 31, 2017, no equity subscription was conducted by the Group. As of the date of this announcement, no equity scheme was made by the Group.

(XIII) Employees, remunerations and training programs for the employees

For the year ended December 31, 2017, the Group had 7,465 employees. Salary costs and employees' benefit expenses amounted to approximately RMB613,253,820 for the twelve months ended December 31, 2017. Remunerations for the Group's existing employees include salaries, performance-based bonus, social insurance, housing provident fund and other benefits.

In order to improve the overall quality of the employees, the operation efficiency of the Company and the quality of its services, the Group has already held and will continue to hold various training programmes for the employees, including training on professional quality, corporate culture, exchange of product and business information, and management skills for middle and senior management members. The trainings are carried out in various forms, mainly through online learning, seminars and conferences and on-site 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 2018

For the year of 2018, the 4G communications market will substantially be saturated, and it is expected that less consumers will have intention to buy new mobile handsets. The commercialization of 5G technology is going to be put on the agenda, which will bring an unstoppable new trend to the retail market. Facing such changes in the market, we have to enhance the Company's performances with the focus on the following aspects:

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

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

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

In 2018, we shall take advantage of the competitive edges of our extensive geographical coverage to generate more business to our physical outlets by using such online resources as our official website, mobile stores, credit card shopping and Tmall's flagship stores to realize the synergy effect of OTO.

(III) To enhance our cooperation with three major mobile carriers

On the one hand, we shall jointly operate our outlets with the mobile carriers, and on the other hand, through our mobile points of sale, we shall go to the communities and enter wholesale market to conclude more contracts with potential customers, sell more mobile handsets and accessories and provide more communication services for the convenience of the public.

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

(IV) To continue enhancing our brand value

In 2018, with reliance on the sales and distribution ability of the network of our own self-owned shops and franchisees, we shall vigorously develop our own brands in order to realize the growth in scale and efficiency.

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

In 2016, we introduced customer service hotline to help our end users to solve the problems they might face. Our concept of "full-hearted loyalty" has been well received by our customers and has accumulated a large number of fans of Beijing Digital. In 2017, we opened a dedicated customer services and call center to fulfil the demand for after-sale services from the customers as much as possible. In 2018, 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.

(VI) To continue expanding into oversea markets of mobile handsets

In 2017, we cooperated with Transsion to achieve satisfactory results in African market and our market shares have gradually been increased. In 2018, we shall continue to enhance our competitive edges in that region. Meanwhile, the Company will actively expand its retail and distribution of mobile handsets business in Thailand, Spain, Portugal and Bangladesh.

(VII) To actively introduce new retail concept in the mobile telecommunications devices industry by providing customers new shopping experience in advance of the upcoming revolution on the retail market

In 2017, we opened the brand new D. Phone UP+ stores in a number of cities, such as Beijing and Shanghai. Unlike the traditional retail stores, the new concept stores provide customers unrivaled shopping experience through differentiable, fashionable, thematic, interesting, humanized, entertaining, daily-used and smart products.

USE OF PROCEEDS FROM LISTING

Details for the use of the proceeds from listing during the year ended December 31, 2017 are set out in the section headed "Use of Proceeds" under "Management Discussion and Analysis".

FINAL DIVIDEND

The Board did not recommend any final dividend for the year ended December 31, 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of shareholders of the Company will be closed from May 8, 2018 to June 7, 2018 (both days inclusive), for the purpose of determining shareholders' entitlement to attend the forthcoming annual general meeting to be held on June 7, 2018. Shareholders are required to lodge all transfer documents, accompanied by relevant share certificates and transfer forms, with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, No.183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on May 7, 2018.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance. During the year ended December 31, 2017, save as disclosed in this announcement, the Company has complied with all the code provisions of the CG Code and adopted most of the best practices.

According to code provision A.2.1 under the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Given Mr. Liu Donghai's background, qualification and experience in the Company, he is deemed as the best qualified person to take up both roles at present stage. The Board considers that it is beneficial to the Company at the present stage to have Mr. Liu Donghai's taking up both roles as it helps to maintain the continuity of the Company's policies and the stability and efficiency of the Company's operations and is appropriate and to the best interests of the Company. The Board will meet quarterly to review the operation of the Company under Mr. Liu Donghai's leadership. Thus, the Board does not consider that such arrangement will impair the balance of power and authority between the Board and the management of the Company. The Company will continue to review and enhance its corporate governance to ensure the compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct for Directors' and supervisors' securities transactions. Having made specific enquiry with the Directors and supervisors, all of the Directors and supervisors confirmed that they have complied with the required standards as set out in the Model Code during the year ended December 31, 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended December 31, 2017, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee, together with the management and the external auditor, has reviewed the accounting principles and practices adopted by the Group and reviewed the annual results of the Group for the year ended December 31, 2017.

This annual results announcement is based on the audited consolidated financial statements of the Group for the year ended December 31, 2017 which have been agreed with the auditor of the Company.

PUBLICATION OF ANNUAL RESULTS AND 2017 ANNUAL REPORT

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (www.hkexnews.hk) and the Company (www.dixintong.com). The Company's 2017 annual report containing all the information required under the Listing Rules will be dispatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Beijing Digital Telecom Co., Ltd.
LIU Donghai
Chairman and executive Director

Beijing, March 28, 2018

As at the date of this announcement, the executive Directors of the Company are Mr. LIU Donghai, Mr. LIU Yajun, Mr. LIU Songshan and Ms. LIU Wencui; the non-executive Directors are Mr. QI Xiangdong and Ms. ZHANG Yunfei; and the independent non-executive Directors are Mr. LV Tingjie, Mr. BIAN Yongzhuang and Mr. Vincent Man Choi, LI.