迪信通

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

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

(Stock Code: 6188)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2018:

Revenue of the Group was RMB7,653,762,220, representing a decrease of 0.49% as compared to the same period of last year.

Net profit attributable to the owners of the parent company was RMB152,654,500, representing an increase of 2.08% as compared to the same period of last year.

Basic earnings of each share was RMB0.23 per share, representing an increase of RMB0.01 per share as compared to the same period of last year.

The board of directors (the "**Board**")/(the "**Director(s)**") of Beijing Digital Telecom Co., Ltd. (the "**Company**") is pleased to announce the unaudited consolidated results for the six months ended 30 June 2018 (the "**2018 Interim Results**") of the Company and its subsidiaries (the "**Group**" or "**us**"), together with comparable figures for the same period in 2017.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2018

	Notes	For the six months ended 30 June 2018 Unaudited *RMB'000*	2017 Unaudited *RMB'000*
Revenue	*5*	**7,653,762**	7,691,322
Cost of sales		**(6,666,659)**	(6,688,566)
Gross profit		**987,103**	1,002,756
Other income and gains	*5*	**51,382**	28,855
Selling and distribution costs		**(532,946)**	(552,070)
Administrative expenses		**(171,356)**	(160,621)
Other expenses		**(39,010)**	(48,314)
Finance costs		**(96,814)**	(85,437)
Share of profits/(losses) of associates and joint ventures		**(3,802)**	785
Profit before tax	*6*	**194,557**	185,954
Income tax expense	*7*	**(38,095)**	(35,780)
PROFIT FOR THE PERIOD		**156,462**	150,174
Attributable to:			
Owners of the parent		**152,655**	149,539
Non-controlling interests		**3,807**	635
		156,462	150,174
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	*8*	**0.23**	0.22

	Notes	For the six months ended 30 June **2018** **Unaudited** ***RMB'000***	2017 Unaudited *RMB'000*
PROFIT FOR THE PERIOD		**156,462**	150,174
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		**(547)**	(2,380)
Exchange differences on translation of foreign operations		**1,543**	–
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Net gain on investments at fair value through other comprehensive income		**152**	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**1,148**	(2,380)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**157,610**	147,794
Attributable to:			
Owners of the parent		**153,372**	147,159
Non-controlling interests		**4,238**	635
		157,610	147,794

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2018

	Notes	**As at 30 June 2018 Unaudited** *RMB'000*	As at 31 December 2017 Audited *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**126,135**	132,150
Goodwill		**83,168**	57,476
Other intangible assets		**3,580**	328
Investments in joint ventures		**80,322**	76,840
Investments in associates		**25,260**	10,091
Available-for-sale investments		**–**	10,845
Investments at fair value through other comprehensive income		**24,781**	–
Deferred tax assets		**39,349**	35,624
Loan receivables		**15,880**	54,217
Total non-current assets		**398,475**	377,571
CURRENT ASSETS			
Inventories		**2,316,643**	2,297,599
Properties under development		**12,529**	82,121
Completed properties held for sale		**112,526**	119,594
Trade and bills receivables	*9*	**2,188,118**	1,986,806
Prepayments, deposits and other receivables		**1,494,756**	1,357,765
Loan receivables		**336,350**	300,000
Due from related parties		**58,401**	53,887
Available-for-sale investments		**–**	210,000
Investments at fair value through profit or loss		**21,510**	–
Pledged deposits		**946,910**	953,421
Cash and cash equivalents		**584,941**	614,879
Total current assets		**8,072,684**	7,976,072
CURRENT LIABILITIES			
Trade and bills payables		**397,881**	431,935
Other payables and accruals		**153,965**	379,215
Contract liabilities		**130,465**	–
Interest-bearing bank and other borrowings	*10*	**3,773,422**	3,147,184
Due to related parties		**3,186**	2,301
Tax payable		**312,361**	285,124
Total current liabilities		**4,771,280**	4,245,759

	Notes	**As at 30 June 2018 Unaudited** ***RMB'000***	As at 31 December 2017 Audited *RMB'000*
NET CURRENT ASSETS		**3,301,404**	3,730,313
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,699,879**	4,107,884
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*10*	**–**	596,542
NET ASSETS		**3,699,879**	3,511,342
EQUITY			
Equity attributable to owners of the parent:			
Issued capital		**666,667**	666,667
Reserves		**2,915,243**	2,764,392
		3,581,910	3,431,059
Non-controlling interests		**117,969**	80,283
Total equity		**3,699,879**	3,511,342

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. CORPORATE INFORMATION

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

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

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

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

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

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

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has applied, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* that recognise the cumulative effect of the initial application as an adjustment to the opening balance of equity at 1 January 2018. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretation were applied for the first time in 2018, but did not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group has not restated comparative information for 2017 for revenue in the scope of IFRS 15. Therefore, the comparative information for 2017 was reported under IAS 11, IAS 18 and related interpretations and was not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 15 have been recognised directly in retained earnings as of 1 January 2018. However, the adoption of IFRS 15 had no significant impact on revenue recognition except for the presentation and disclosure, as further explained below.

The Group adopted IFRS 15 using the modified retrospective method of adoption and applied the new requirements only to contracts that are not completed before 1 January 2018. The effect of adopting IFRS 15 is as follows:

(a) *Sale of goods and rendering of services*

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 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. Prior to the adoption of IFRS 15, revenue was recognised as sales of telecommunications devices and accessories to franchisees.

Under IFRS 15, the Group assessed that there are two performance obligations in a contract for the sale of telecommunications devices and accessories to franchisees. The Group performed a re-allocation of contract consideration based on the relative stand-alone selling prices of a franchise fee and the sale of telecommunications devices and accessories. However, the amount of total revenue to be recognised was not affected. Separated revenue from the franchise fee and the revenue from the sale of telecommunications devices and accessories to franchisees are disclosed in Note 5.

(b) *Development and sale of properties*

Prior to the adoption of IFRS 15, the Group presented sales proceeds received from customers in connection with the Group's pre-sales of properties as receipts in advance under advanced receipts, accruals and other payables in the consolidated statement of financial position. No interest was accrued on the long-term advances received under the previous accounting policy.

Upon adoption of IFRS 15, the Group recognised contract liabilities for the interest on the sales proceeds received from customers with a significant financing component. The Group elected to apply the practical expedient and did not recognise the effects of a significant financing component with a customer if the time period is one year or less. In addition, reclassifications have been made from advances from customers to contract liabilities for the outstanding balance of sales proceeds from customers. Differences arising from the adoption of IFRS 15 have been recognised directly in retained earnings as of 1 January 2018 and are disclosed in Note 3.

(c) *Presentation and disclosure requirements*

As required for the condensed interim financial statements, the Group disaggregated 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. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to Note 4 for the disclosure on disaggregated revenue.

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under IFRS 15.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* and is effective for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge accounting, which the Group applied prospectively, the Group has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018.

(a) *Classification and measurement*

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "**SPPI criterion**").

The new classification and measurement of the Group's debt financial assets are as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade and other receivables, and loans receivables.

- Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Group's quoted debt instruments that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell. Under IAS 39, the Group's quoted debt instruments were classified as available-for-sale (AFS) financial assets.

Other financial assets are classified and subsequently measured as follows:

- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group's unquoted equity instruments were classified as AFS financial assets.

- Financial assets at FVPL comprise derivative instruments and quoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail to meet the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under IAS 39, the Group's quoted equity securities were classified as AFS financial assets. Upon transition, the AFS reserve relating to quoted equity securities, which had been previously recognised under accumulated OCI, was reclassified to retained earnings.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in profit or loss.

(b) *Impairment*

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 was reported under IAS 39 and was not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in fair value reserve of equity as of 1 January 2018 and are disclosed in Note 3.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This interpretation did not have any impact on the Group's consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments did not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. These amendments are not relevant to the Group.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 *Insurance Contracts*, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

Amendments to IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments did not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purposes. These amendments did not have any impact on the Group's consolidated financial statements.

3. TRANSITION DISCLOSURES

The following table set out the impacts of adopting IFRS 15 and IFRS 9 on the statement of financial position and retained earnings.

	As at 1 January 2018			
	As previously stated	**Reclassifications under IFRS 15**	**Remeasurement under IFRS 15**	**Restated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables and accruals	**(379,215)**	**193,324**	**–**	**(185,891)**
Contract liabilities	**–**	**(193,324)**	**(2,155)**	**(195,479)**
Completed properties held for sale	**119,594**	**–**	**584**	**120,178**
Retained profits	**(1,996,853)**	**–**	**1,571**	**(1,995,282)**

	As at 1 January 2018			
	As previously stated	**Reclassifications under IFRS 9**	**Remeasurement under IFRS 9**	**Restated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale investments	**220,845**	**(220,845)**	**–**	**–**
Investments at fair value through other comprehensive income	**–**	**10,845**	**(1,266)**	**9,579**
Investments at fair value through profit or loss	**–**	**210,000**	**–**	**210,000**
Deferred tax assets	**35,624**	**–**	**316**	**35,940**
Fair value reserve	**–**	**–**	**950**	**950**

4. 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.

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 June 2018 and 2017.

For the six months ended 30 June 2018	**Mobile telecommunication devices** *RMB'000*	**Properties** *RMB'000*	**Total** *RMB'000*
Segment revenue:			
Sales to external customers	**7,571,478**	**82,284**	**7,653,762**
Total revenue	**7,571,478**	**82,284**	**7,653,762**
Segment results	**262,885**	**2,184**	**265,069**
Reconciliation:			
Interest income	**26,231**	**71**	**26,302**
Finance costs	**(96,406)**	**(408)**	**(96,814)**
Profit before tax	**192,710**	**1,847**	**194,557**
Other segment information:			
Impairment losses recognised in profit or loss	**36,433**	**2**	**36,435**
Depreciation and amortisation	**30,840**	**8**	**30,848**

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

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2018 and 31 December 2017.

	Mobile telecommunication devices *RMB'000*	Properties *RMB'000*	Total *RMB'000*
Segment assets			
As at 30 June 2018 (Unaudited)	**8,248,489**	**222,670**	**8,471,159**
As at 31 December 2017 (Audited)	8,047,952	305,691	8,353,643
Segment liabilities			
As at 30 June 2018 (Unaudited)	**4,662,019**	**109,261**	**4,771,280**
As at 31 December 2017 (Audited)	4,653,682	188,619	4,842,301

Information about major customers

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

Geographical information

The Group mainly operates in Mainland China, Spain and India, geographical segment information as required by IFRS 8 *Operating Segments* is presented as follows:

	As at 30 June 2018 Unaudited *RMB'000*	As at 31 December 2017 Audited *RMB'000*
Non-current assets		
China	**314,406**	276,885
India	**3,483**	–
Spain	**576**	–
Total non-current assets	**318,465**	276,885

The non-current asset information of continuing operations above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Seasonality of operations

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

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold and services rendered, after allowances for returns, trade discounts and various types of government surcharges, where applicable.

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

	For the six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Revenue		
Sales of mobile telecommunications devices and accessories	**7,224,032**	7,362,789
Including:		
Retail of mobile telecommunications devices and accessories	**3,838,884**	4,123,598
Sales of telecommunications devices and accessories to franchisees	**1,412,093**	1,365,307
Wholesale of mobile telecommunications devices and accessories	**1,973,055**	1,873,884
Service income from mobile carriers	**296,253**	276,983
Development and sales of properties	**82,284**	–
Other service fee income	**51,193**	51,550
	7,653,762	7,691,322

	For the six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Other income and gains		
Interest income	**26,302**	5,605
Government grants *(note (a))*	**22,941**	21,843
Others	**2,139**	1,407
	51,382	28,855

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

6. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Cost of inventories sold and services provided	**6,666,659**	6,688,566
Depreciation	**30,654**	33,547
Amortisation of intangible assets	**194**	290
Lease payments under operating leases	**190,167**	200,928
Auditors' remuneration	**2,578**	2,974
Employee benefit expense (including Directors' remuneration)		
– Wages and salaries	**211,726**	239,356
– Pension scheme contributions	**31,643**	31,706
	243,369	271,062
Provision for impairment of trade receivables	**11,083**	11,987
Provision for impairment of amounts due from related parties	**319**	1,928
Provision for impairment of other receivables	**3,933**	2,571
Provision for impairment of inventories	**21,100**	26,686
Loss on disposal of property, plant and equipment	**1,137**	683

7. INCOME TAX

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

	For the six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Current tax		
Income tax in the PRC for the reporting period	**42,402**	36,362
Deferred tax	**(4,307)**	(582)
	38,095	35,780

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

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

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

	For the six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**152,655**	149,539
Shares		
Weighted average number of ordinary shares	**666,667,000**	666,667,000

9. TRADE AND BILLS RECEIVABLES

	As at 30 June 2018	As at 31 December 2017
	Unaudited	Audited
	RMB'000	*RMB'000*
Trade receivables	**2,302,264**	2,087,992
Bills receivable	**715**	2,678
Less: provision for impairment of trade receivables	**(114,861)**	(103,864)
	2,188,118	1,986,806

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

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

	As at 30 June 2018 Unaudited ***RMB'000***	As at 31 December 2017 Audited *RMB'000*
Within 90 days	**1,994,444**	1,846,331
91 to 180 days	**80,025**	43,495
181 to 365 days	**78,109**	72,558
Over 1 year	**35,540**	24,422
	2,188,118	1,986,806

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

	As at 30 June 2018 Unaudited ***RMB'000***	As at 31 December 2017 Audited *RMB'000*
Neither past due nor impaired	**1,846,751**	1,606,759
Past due but not impaired		
Less than 90 days	**223,749**	294,632
91 to 180 days	**71,323**	40,572
181 to 365 days	**27,935**	34,588
Over 1 year	**18,360**	10,255
	2,188,118	1,986,806

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

10. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	**As at 30 June 2018 Unaudited** ***RMB'000***	As at 31 December 2017 Audited *RMB'000*
Bank loans:	*(a)*		
Unsecured, repayable within one year		**1,360,715**	1,083,000
Secured, repayable within one year		**1,815,443**	2,064,184
		3,176,158	3,147,184
Corporate bond:	*(b)*		
Current portion		**597,264**	–
Non-current portion		**–**	596,542
		3,773,422	3,743,726

Note (a): The bank loans bear interest at rates ranging from 0.79% to 6.90% (31 December 2017: 3.50% to 7.90%) per annum.

Note (b): On 5 April 2017, the Company issued a corporate bond with a maturity of three years in an aggregate amount of RMB600,000,000, which bear interest at 7.50% per annum. The interest is payable annually in arrears and the maturity date is 5 April 2020. The terms of the bond were attached with the Company's option to adjust the coupon rate and the option for investors to sell back at the end of the second year.

11. ACQUISITION OF A SUBSIDIARY

On 9 March 2018, New Idea Investment Pte Ltd, a subsidiary of the Company, completed the acquisition of shares representing 60% of the share capital and voting rights of Digitone Mobiles Private Limited ("**Digitone**"), an unlisted company based in India that specialises in the wholesale of mobile telecommunications devices and accessories, at a consideration of USD2,500,000, equivalent to RMB15,863,000. The acquisition was undertaken to further develop the business in India.

The acquisition has been accounted for using the acquisition method.

The fair values of the identifiable assets and liabilities of Digitone during the period as at the date of acquisition were as follows:

	Fair value recognised on acquisition *RMB'000* (Unaudited)
Cash and cash equivalents	14
Prepayments, deposits and other receivables	334
Other intangible assets	3,625
Trade and bills payables	182
Other payables and accruals	2,583
Deferred tax liabilities	906
Interest-bearing bonds	16,683
Total identifiable net liabilities at fair values	(16,381)
Non-controlling interests	(6,552)
Total net liabilities acquired	(9,829)
Goodwill on acquisition	25,692
	15,863
Satisfied by:	
Cash	15,863
Cash consideration unpaid	–
	15,863

The fair values of the acquired other receivables as at the date of acquisition approximate to their gross contractual amounts. None of these receivables are expected to be uncollectible.

The goodwill recognised is not expected to be deductible for income tax purposes.

12. DIVIDENDS

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

13. EVENTS AFTER THE REPORTING PERIOD

On 29 August 2018, the Board of the Company passed a resolution in relation to the termination of the process of acquisition of a 49% interest in Spice Online Retail Private Limited and the sale of related creditor's rights to a third party buyer. The transfer agreement was signed by all parties on 29 August 2018. According to the transfer agreement, loan receivables amounting to USD2,400,000 and other receivables amounting to USD2,400,000 will be transferred to the buyer with considerations equivalent to initial costs upon completion of the transfer which is anticipated to be the fourth quarter of in 2018.

As at the date of approval of the interim condensed consolidated financial statements, the sale of assets has not been completed.

MANAGEMENT DISCUSSION & ANALYSIS

I. BUSINESS REVIEW

For the six months ended 30 June 2018, the Group sold 4,940,860 mobile handsets, representing a decrease of 155,000 sets or 3.04% compared with 5,095,860 sets for the same period in 2017. Operating revenue for the first half of 2018 amounted to RMB7,653,762,220, representing a decrease of RMB37,559,760 or 0.49% from RMB7,691,321,980 for the same period in 2017. Net profit for the first half of 2018 amounted to RMB156,461,500, representing an increase of RMB6,287,120 or 4.19% from RMB150,174,380 for the same period in 2017.

II. FINANCIAL POSITION AND OPERATING RESULTS

(I) Overview

For the six months ended 30 June 2018, the Group recognised net profit of RMB156,461,500, representing an increase of RMB6,287,120 or 4.19% from RMB150,174,380 for the same period in 2017. In particular, net profit attributable to equity owners of the Company for the period amounted to RMB152,654,500, representing an increase of RMB3,115,100 or 2.08% from RMB149,539,400 for the same period in 2017.

(II) Consolidated comprehensive income statement

The following table sets forth selected items in our consolidated comprehensive income statement for the periods indicated. Our operating results have fluctuated in the past and may continue to fluctuate in future. Hence, direct comparison of our operating results for different periods may not be appropriate, and our past performance may not be a reliable indicator of our future operating results.

Items	**For the six months ended 30 June**			
	2018	2017	**Change**	**Percentage of change**
	RMB'000	*RMB'000*	*RMB'000*	
Operating revenue	**7,653,762.22**	7,691,321.98	(37,559.76)	(0.49%)
Operating costs	**(6,666,659.25)**	(6,688,565.98)	21,906.73	(0.33%)
Gross profit	**987,102.97**	1,002,756.00	(15,653.03)	(1.56%)
Other income and gains	**51,382.27**	28,855.68	22,526.59	78.07%
Selling and distribution expenses	**(532,945.97)**	(552,069.60)	19,123.63	(3.46%)
Administrative expenses	**(171,355.67)**	(160,621.21)	(10,734.46)	6.68%
Other expenses	**(39,010.31)**	(48,314.70)	9,304.39	(19.26%)
Finance costs	**(96,814.26)**	(85,436.58)	(11,377.68)	13.32%
Investment gains	**(3,802.28)**	784.99	(4,587.27)	(584.37)
Profit before tax	**194,556.75**	185,954.58	8,602.17	4.63%
Income tax expense	**(38,095.25)**	(35,780.20)	(2,315.05)	6.47%
Total net profit for the year after taxation	**156,461.50**	150,174.38	6,287.12	4.19%
Attributable to the parent	**152,654.50**	149,539.40	3,115.10	2.08%
Attributable to minority interests	**3,807.00**	634.98	3,172.02	499.55%

1. Operating revenue

For the six months ended 30 June 2018, operating revenue of the Group amounted to RMB7,653,762,220, representing a decrease of RMB37,559,760 or 0.49% from the operating revenue of RMB7,691,321,980 for the same period in 2017. Decrease in revenue was mainly resulted from a decrease in revenue from retail which was due to the decrease in the number of our independent stores and store-in-store outlets. Our sales of mobile telecommunications devices and accessories include (i) sales in our retail business; (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, 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 distributed to mobile carriers and other third-party retailers.

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

Items	**For the six months ended 30 June**					
	2018		2017		**Change**	**Percentage of change**
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*
Sales of mobile telecommunications devices and accessories	**7,224,031.66**	**94.39%**	7,362,789.02	95.73%	(138,757.36)	(1.88%)
Including: Sales from retail of mobile telecommunications devices and accessories	**3,838,884.19**	**50.16%**	4,123,597.58	53.62%	(284,713.39)	(6.90%)
Sales of telecommunications devices and accessories to franchisees	**1,412,092.97**	**18.45%**	1,365,307.06	17.75%	46,785.91	3.43%
Wholesale of mobile telecommunications devices and accessories	**1,973,054.50**	**25.78%**	1,873,884.38	24.36%	99,170.12	5.29%
Service income from mobile carriers	**296,253.34**	**3.87%**	276,983.45	3.60%	19,269.89	6.96%
Other service fee income	**51,193.37**	**0.67%**	51,549.51	0.67%	(356.14)	(0.69%)
Revenue from the sales of properties	**82,283.85**	**1.07%**	–	–	82,283.85	–
Total	**7,653,762.22**	**100.00%**	7,691,321.98	100.00%	(37,559.76)	(0.49%)

The Group's service income from mobile carriers amounted to RMB296,253,340 for the six months ended 30 June 2018, representing an increase of RMB19,269,890 or 6.96% compared with the service income from mobile carriers of RMB276,983,450 for the same period in 2017. Increase in the service income from mobile carriers was attributable to an increase in income from the share of call charge as a result of the development of cooperation with China Telecom in 2018.

The following table sets forth our service income from each of the major mobile carriers for the first half of 2017 and the first half 2018:

Items	For the six months ended 30 June					
	2018		2017		**Change**	**Percentage of change**
	RMB'000	***% of total revenue***	*RMB'000*	*% of total revenue*	*RMB'000*	
China Mobile	**107,325.30**	**36.23%**	127,145.08	45.91%	(19,819.78)	(15.59%)
China Unicom	**20,227.63**	**6.83%**	24,826.25	8.96%	(4,598.62)	(18.52%)
China Telecom	**168,661.13**	**56.93%**	124,972.44	45.12%	43,688.69	34.96%
Dixintong Telecommunications Services	**39.28**	**0.01%**	39.68	0.01%	(0.40)	(1.01%)
Total	**296,253.34**	**100.00%**	276,983.45	100.00%	19,269.89	6.96%

"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 "Related party transactions" in this section.

2. *Operating costs*

For the six months ended 30 June 2018, the Group's operating costs amounted to RMB6,666,659,250, representing a decrease of RMB21,906,730 or 0.33% from the operating costs of RMB6,688,565,980 for the same period in 2017, which was mainly due to the decrease in operating revenue.

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

Items	For the six months ended 30 June					
	2018		2017		**Change**	**Percentage of change**
	RMB'000	***% of total revenue***	*RMB'000*	*% of total revenue*	*RMB'000*	
Sales of mobile telecommunications devices and accessories	**6,558,015.69**	**98.37%**	6,654,160.12	99.49%	(96,144.43)	(1.44%)
Including: Sales from retail of mobile telecommunications devices and accessories	**3,286,680.39**	**49.30%**	3,505,073.72	52.41%	(218,393.33)	(6.23%)
Sales of telecommunications devices and accessories to franchisees	**1,364,536.43**	**20.47%**	1,325,108.80	19.81%	39,427.63	2.98%
Wholesale of mobile telecommunications devices and accessories	**1,906,798.87**	**28.60%**	1,823,977.60	27.27%	82,821.27	4.54%
Service income from mobile carriers	**29,944.57**	**0.45%**	32,913.27	0.49%	(2,968.70)	(9.02%)
Other service fee income	**1,332.38**	**0.02%**	1,492.59	0.02%	(160.21)	(10.73%)
Cost of the sales of properties	**77,366,61**	**1.16%**	–	–	77,366.61	–
Total	**6,666,659.25**	**100.00%**	6,688,565.98	100.00%	(21,906.73)	(0.33%)

3. *Gross profit and gross profit margin*

Gross profit represents operating revenue net of operating costs. The Group's gross profit for the six months ended 30 June 2018 amounted to RMB987,102,970, representing a decrease of RMB15,653,030 or 1.56%, from the gross profit of RMB1,002,756,000 for the same period in 2017. Our overall gross profit margin for the six months ended 30 June 2017 and 2018 were 13.04% and 12.90%, respectively. Overall gross profit margin was basically the same as that for the previous period.

Items	For the six months ended 30 June							
	2018			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**
Sales of mobile telecommunications devices and accessories	**666,015.97**	**67.47%**	**9.22%**	708,628.90	70.67%	9.62%	(42,612.93)	(6.01%)
Including: Sales from retail of mobile telecommunications devices and accessories	**552,203.80**	**55.94%**	**14.38%**	618,523.86	61.68%	15.00%	(66,320.06)	(10.72%)
Sales of telecommunications devices and accessories to franchisees	**47,556.54**	**4.82%**	**3.37%**	40,198.26	4.01%	2.94%	7,358.28	18.30%
Wholesale of mobile telecommunications devices and accessories	**66,255.63**	**6.71%**	**3.36%**	49,906.78	4.98%	2.66%	16,348.85	32.76%
Service income from mobile carriers	**266,308.77**	**26.98%**	**89.89%**	244,070.18	24.34%	88.12%	22,238.59	9.11%
Other service fee income	**49,860.99**	**5.05%**	**97.40%**	50,056.92	4.99%	97.10%	(195.93)	(0.39%)
Gross profit from the sales of properties	**4,917,24**	**0.50%**	**5.98%**	–	–	–	4,917.24	–
Total	**987,102.97**	**100.00%**	**12.90%**	1,002,756.00	100.00%	13.04%	(15,653.03)	(1.56%)

4. *Sales volume and average selling price of mobile 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 six months ended 30 June**			
	2018	2017	**Change**	**Percentage of change**
Sales of mobile handsets *(in RMB thousands)*	**6,827,889.00**	7,114,118.51	(286,229.51)	(4.02%)
Sales volume of mobile handsets (in sets)	**4,940,863.00**	5,095,861.00	(154,998.00)	(3.04%)
Average selling price *(RMB/per set)*	**1,381.92**	1,396.06	(14.14)	(1.01%)

5. *Other income and gains*

Other income and gains include: (i) interest income; (ii) government grants; and (iii) others. The Group's other income and gains for the six months ended 30 June 2018 amounted to RMB51,382,270, representing an increase of RMB22,526,590 or 78.07% from other income and gains of RMB28,855,680 for the same period in 2017. The increase in other income and gains was mainly attributable to the increases in interest income generated from the external loan receivables and pledged bank deposits for the first half of 2018.

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

Items	**For the six months ended 30 June**			
	2018	2017	**Change**	**Percentage of change**
	RMB'000	*RMB'000*	*RMB'000*	
Interest income	**26,301.84**	5,605.19	20,696.65	369.24%
Government grants	**22,940.77**	21,843.05	1,097.72	5.03%
Others	**2,139.66**	1,407.44	732.22	52.02%
Total	**51,382.27**	28,855.68	22,526.59	78.07%

6. *Selling and distribution expenses*

Items	**For the six months ended 30 June**					
	Selling and distribution expenses		**% of total expenses**			
	2018	2017	**2018**	2017	**Change**	**Percentage of change**
	RMB'000	*RMB'000*			*RMB'000*	
Staff salaries	**220,576.41**	225,934.95	**41.39%**	40.93%	(5,358.54)	(2.37%)
Office expenses	**5,999.37**	6,029.57	**1.13%**	1.09%	(30.20)	(0.50%)
Travelling expenses	**3,467.79**	3,693.73	**0.65%**	0.67%	(225.94)	(6.12%)
Transportation expenses	**8,036.87**	8,121.32	**1.51%**	1.47%	(84.45)	(1.04%)
Business entertainment expenses	**1,800.96**	1,752.83	**0.34%**	0.32%	48.13	2.75%
Communication expenses	**1,718.55**	1,726.73	**0.32%**	0.31%	(8.18)	(0.47%)
Rentals and property management expenses	**183,967.47**	194,685.29	**34.52%**	35.26%	(10,717.82)	(5.51%)
Repair expenses	**2,558.94**	2,566.21	**0.48%**	0.46%	(7.27)	(0.28%)
Advertising and promotion expenses	**41,744.97**	41,749.28	**7.83%**	7.56%	(4.31)	(0.01%)
Depreciation expenses	**3,598.13**	3,806.02	**0.68%**	0.69%	(207.89)	(5.46%)
Amortisation of long-term deferred expenses	**21,487.36**	22,640.78	**4.03%**	4.10%	(1,153.42)	(5.09%)
Amortisation of low-cost consumables	**1,570.51**	1,673.55	**0.29%**	0.30%	(103.04)	(6.16%)
Market management fees	**10,146.17**	10,809.45	**1.90%**	1.96%	(663.28)	(6.14%)
Utilities	**15,480.66**	16,393.21	**2.90%**	2.97%	(912.55)	(5.57%)
Others	**10,791.81**	10,486.68	**2.02%**	1.91%	305.13	2.91%
Total	**532,945.97**	552,069.60	**100.00%**	100.00%	(19,123.63)	(3.46%)

Total selling and distribution expenses of the Group for the six months ended 30 June 2018 amounted to RMB532,945,970, representing a decrease of RMB19,123,630 or 3.46% from the total selling and distribution expenses of RMB522,069,600 for the same period in 2017, which was mainly due to comprehensive impact of the decreases in rentals and property management expenses and amortisation of long-term deferred expenses as well as the decrease in staff number and total amount of staff salaries.

Total rentals and property management expenses for the six months ended 30 June 2018 amounted to RMB183,967,470, representing a decrease of RMB10,717,820, or 5.51%, from RMB194.685,290 for the same period in 2017. Such decrease was due to the decrease in the number of self-owned stores and store-in-store outlets, and the effort of the Company in actively seeking rental reduction from the landlords.

Total staff salaries for the six months ended 30 June 2018 amounted to RMB220,576,410, representing a decrease of RMB5,358,540 or 2.37% from total staff salaries of RMB225,934,950 for the same period in 2017. Such decrease was due to the streamlining of the staffing structure of the Group during the current period for saving expenses.

Total amortisation of long-term deferred expenses for the six months ended 30 June 2018 amounted to RMB21,487,360, representing a decrease of RMB1,153,420 or 5.09% from total amortisation of long-term deferred expenses of RMB5,358,540 for the same period in 2017. Such decrease was due to the increased investments in decoration of stores in cooperation, in which the additional decoration expenses were borne by the handsets manufacturers.

7. *Administrative expenses*

Items	**For the six months ended 30 June**					
	Administrative expenses		**% of total expenses**			**Percentage**
	2018	2017	**2018**	2017	**Change**	**of change**
	RMB'000	*RMB'000*			*RMB'000*	
Staff salaries	**71,541.99**	72,060.94	**41.75%**	44.86%	(518.95)	(0.72%)
Tax expenses	**333.78**	–	**0.20%**	0.00%	333.78	–
Office expenses	**4,171.12**	4,258.97	**2.43%**	2.65%	(87.85)	(2.06%)
Depreciation expenses	**4,900.38**	6,351.34	**2.86%**	3.95%	(1,450.96)	(22.84%)
Amortisation of intangible assets	**195.23**	290.46	**0.11%**	0.18%	(95.23)	(32.79%)
Amortisation of long-term deferred expenses	**667.72**	747.98	**0.39%**	0.47%	(80.26)	(10.73%)
Amortisation of low-cost consumables	**2,101.59**	2,236.98	**1.23%**	1.39%	(135.39)	(6.05%)
Travelling expenses	**6,582.83**	6,761.39	**3.84%**	4.21%	(178.56)	(2.64%)
Rental and property management fees	**6,199.26**	6,242.60	**3.62%**	3.89%	(43.34)	(0.69%)
Business entertainment expenses	**3,673.49**	3,627.06	**2.14%**	2.26%	46.43	1.28%
Communication expenses	**1,901.41**	1,878.68	**1.11%**	1.17%	22.73	1.21%
Agency fees	**7,295.63**	8,714.23	**4.26%**	5.43%	(1,418.60)	(16.28%)
Transportation expenses	**6,631.80**	6,782.56	**3.87%**	4.22%	(150.76)	(2.22%)
Financial institution charges	**46,081.68**	31,155.32	**26.89%**	19.40%	14,926.36	47.91%
Others	**9,077.76**	9,512.70	**5.30%**	5.92%	(434.94)	(4.57%)
Total	**171,355.67**	160,621.21	**100.00%**	100.00%	10,734.46	6.68%

The Group's total administrative expenses for the six months ended 30 June 2018 amounted to RMB171,355,670, representing an increase of RMB10,734,460 or 6.68% from the total administrative expenses of RMB160,621,210 for the same period in 2017. Such increase in administrative expenses was primarily attributable to the significant increase in financial institution charges.

For the six months ended 30 June 2018, total financial institution charges amounted to RMB46,081,680, representing an increase of RMB14,926,360 or 47.91% from the total financial institution charges of RMB31,155,320 for the same period in 2017. The increase was mainly attributable to an increase in handling fees resulting from an upsurge in popularity of payment methods such as WeChat Payment, Alipay and credit card instalment payments compared with the cash payment without any charge fee.

For the six months ended 30 June 2018, total agency fees amounted to RMB7,295,630, representing a decrease of RMB1,418,600 as compared to the total agency fees of RMB8,714,230 for the same period in 2017. During the first half of 2017, the Group assumed a large amount of expenses for the consultations for the issuance of bonds and potential investment. During the first half of 2018, with the completion of issuance of bonds and majority investment, the consultation fees sharply decreased.

8. *Finance costs*

Items	For the six months ended 30 June			
	2018	2017	**Change**	**Percentage of change**
	RMB'000	*RMB'000*	*RMB'000*	
Finance costs – interest expenses	**96,814.26**	85,436.58	11,377.68	13.32%

For the six months ended 30 June 2018, the Group's total finance costs amounted to RMB96,814,260, representing an increase of RMB11,377,680 or 13.32% from the total finance costs of RMB85,436,580 for the same period in 2017. Such increase in finance costs was primarily attributable to the significant increase in interest expenses during the period compared with the same period of last year, resulting from the corporate bond with an initial par value of RMB600,000,000 newly issued by the Group on 4 May 2017.

9. *Other expenses*

Our other expenses included impairment losses on assets, non-operating expenses and exchange losses. For the six months ended 30 June 2017 and 2018, our other expenses amounted to RMB48,314,700 and RMB39,010,310, respectively.

Items	For the six months ended 30 June			
	2018	2017	**Change**	**Percentage of change**
	RMB'000	*RMB'000*	*RMB'000*	
Impairment losses on assets	**36,434.88**	43,171.41	(6,736.53)	(15.60%)
Non-operating expenses	**1,536.40**	4,076.37	(2,539.97)	(62.31%)
Exchange losses	**1,039.03**	1,066.92	(27.89)	(2.61%)
Total	**39,010.31**	48,314.70	(9,304.39)	(19.26%)

For the six months ended 30 June 2018, the Group's total other expenses amounted to RMB39,010,310, representing a decrease of RMB9,304,390 or 19.26% from the total other expenses of RMB48,314,700 for the same period in 2017, which was mainly attributable to the decrease in impairment losses on assets resulting from the reduced inventories risks during the period.

In the current period, the Group strengthened inventory management, hence obsolete goods and slow-moving inventories and impairment risks have decreased as compared to prior period. Accordingly, the asset impairment loss has decreased.

Non-operating expenses for the period decreased by RMB2,539,970 as compared with last year, which was mainly due to a decrease in non-operating expenditure with a more stable and consistent operating strategy than the previous period.

10. *Income tax expense*

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

Items	**For the six months ended 30 June**			
	2018 *RMB'000*	2017 *RMB'000*	**Change** *RMB'000*	**Percentage of change**
Current tax:				
PRC income tax for the year	**42,402.26**	36,362.04	6,040.22	16.61%
Deferred tax	**(4,307.01)**	(581.84)	(3,725.17)	640.24%
Total	**38,095.25**	35,780.20	2,315.05	6.47%

For the six months ended 30 June 2018, the Group's total income tax amounted to RMB38,095,250, representing an increase of RMB2,315,050 or 6.47% as compared with RMB35,780,200 for the same period in 2017. Such increase was primarily attributable to the increase of profit before tax, resulting in an increase of income tax during the current period.

11. *Indebtedness – bank and other borrowings*

As of 30 June 2018, our bank borrowings were primarily short term in nature, repayable within one year, and other borrowings repayable within two years with the Company's option to adjust the coupon rate and the option for investors to sell back in 2019. The following table sets forth our outstanding borrowings as at the dates indicated:

	As at 30 June 2018 *RMB'000*	As at 31 December 2017 *RMB'000*
Bank loans:		
Unsecured, repayable within one year	**1,360,714.74**	1,083,000.00
Secured, repayable within one year	**1,815,442.84**	2,064,183.55
	3,176,157.58	3,147,183.55
Corporate bond:		
Current portion	**597,264.00**	–
Non-current portion	**–**	596,542.09
	3,773,421.58	3,743,725.64
The bank loans bear interest at rates per annum in the range of	**0.79%-6.90%**	3.50%-7.90%

As of 30 June 2018, 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 benchmark rate of the People's Bank of China plus a premium. We mainly used these bank loans to purchase mobile telecommunications devices and accessories.

Our bank and other borrowings as of 30 June 2018 amounted to RMB3,773,421,580, representing an increase of RMB29,695,940 or 0.79% from RMB3,743,725,640 as of 31 December 2017. Such increase was primarily due to steady financing requirement since our operational scale did not have significant changes.

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 reorganisation 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 5 April 2017, we issued a corporate bond with a term of three years in total principal of RMB600,000,000 at annual interest rate of 7.50%. Interest will be paid in arrears each year. The mature date is 5 April 2020.

Our Directors confirmed that as of 30 June 2018 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 30 June 2018.

(III) Current assets and financial position

As at 30 June 2018, the Group had cash and cash equivalents in an amount of RMB584,941,010, representing a decrease of RMB29,938,480 or 4.87% as compared to RMB614,879,490 as of 31 December 2017.

As at 30 June 2018, the Group had bank and other borrowings in an amount of RMB3,773,421,580, representing an increase of RMB29,695,940 or 0.79% as compared to RMB3,743,725,640 as of 31 December 2017.

(IV) Capital expenditure

For the six months ended 30 June 2018, the Group's capital expenditure amounted to RMB26,373,350, which primarily included costs in relation to purchase and construction of fixed assets and decoration costs in connection with the opening of new outlets and the renovation of old ones.

(V) Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties during the six months ended 30 June 2018 and 30 June 2017, as well as balances with related parties as at 30 June 2018 and 31 December 2017:

		Sales to related parties(i) *RMB'000*	Purchases from related parties(i) *RMB'000*	Amounts owed by related parties *RMB'000*	Amounts owed to related parties *RMB'000*
Associates:					
Shenzhen Dixin Nuclear	**2018**	**–**	**–**	**507**	**–**
Communications Co., Ltd.[1]	2017	–	13,275	–	1,493
Beijing Xinyi Technology Co., Ltd[2]	**2018**	**133**	**708**	**12,473**	**–**
	2017	–	–	10,279	–
Shanghai Diju Information	**2018**	**–**	**17,716**	**4,359**	**–**
Technology Co., Ltd.[3]	2017	19,966	–	–	–
A company significantly influenced by the controlling shareholders					
Beijing Tianxingyuanjing Technology	**2018**	**211**	**–**	**209**	**–**
Development Co., Ltd.[4]	2017	2,267	–	27	–
Joint ventures:					
Hollard-D.Phone	**2018**	**–**	**11,496**	**–**	**2,225**
(Beijing) Technology Development Co., Ltd. [5]	2017	–	13,693	2,533	–
Guangzhou Zhongqi Energy	**2018**	**41,846**	**7,351**	**35,733**	**–**
Technology Co., Ltd. [5]	2017	28,022	5,022	36,911	–
Shanxi Hartcourt Intermediation	**2018**	**–**	**–**	**–**	**667**
Information Technology Co., Ltd. [6]	2017	–	–	–	667
Fellow subsidiaries:					
Beijing Dphone Communication	**2018**	**1,601**	**–**	**4,947**	**294**
Services Co., Ltd.[7]	2017	91	–	3,987	141
Guang'an Dixin Cloud	**2018**	**106**	**–**	**173**	**–**
Communication Technology Co., Ltd.[7]	2017	–	–	150	–

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

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

2 The investment in the associate, Beijing Xinyi Technology Co., Ltd. is directly held by the Company.

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

4 The investment in the entity, Beijing Tianxingyuanjing Technology Development Co., Ltd. is held by Mr Liu Donghai and Mr Jinxin, who are the controlling shareholder and CEO of the Company, respectively. They hold 19.5% equity interest aggregately and have significant influence over the entity.

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

6 The investment in Shanxi Hartcourt Intermediation Information Technology Co., Ltd. was accounted into investment in a joint venture due to the change of equity interest proportion during the year of 2018. The investment was directly held by Shanghai Dixin Electronic Communication Technology Co., Ltd. which is a subsidiary of the Group.

7 The investments in the fellow subsidiaries, Beijing Dphone Communication Services Co., Ltd. and Guang'an Dixin Cloud Communication Technology Co., Ltd. are directly held by the controlling shareholders 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.

(VI) Key financial ratios

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

Items	**As at 30 June 2018**	As at 31 December 2017	**Change**	**Percentage of change**
Current ratio	**1.69**	1.88	(0.19)	(10.11%)
Gearing ratio	**46.29%**	47.12%	(0.83%)	(1.76%)
Net debt-to-equity ratio	**86.18%**	89.11%	(2.93%)	(3.29%)

Current ratio is calculated by our current assets divided by our current liabilities at the end of each financial period. Our current ratio was 1.69 as at 30 June 2018, representing a decrease of 0.19 or 10.11% as compared to the current ratio of 1.88 as at 31 December 2017. Such decrease was mainly attributable to the transfer of bond payables to current liabilities.

Gearing ratio is calculated by net debt divided by net debt plus total equity as of the end of each financial period and multiplied by 100%. Net debt includes interest-bearing bank loans and other borrowings, less cash and cash equivalents. As of 30 June 2018, our gearing ratio decreased by 0.83 percentage points to 46.29% from the gearing ratio of 47.12% as at 31 December 2017, representing a decrease of 1.76%, which was basically the same as compared with the gearing ratio of the previous period, and the debt structure of the Company is relatively stable.

Net debt-to-equity ratio equals to net debt divided by total equity as of the end of the period and multiplied by 100%. Our net debt-to-equity ratio decreased by 2.93 percentage points from 89.11% as at 31 December 2017 to the net debt-to-equity ratio of 86.18% as at 30 June 2018, representing a decrease of 3.29%, which was mainly attributable to an increase in profit during the current period.

(VII) Material acquisitions and disposals

For details of the Group's material acquisitions for the six months ended 30 June 2018, please refer to "(XII) Material investment" in this section.

(VIII) Contingent liabilities

As at 30 June 2018, the Group had no material contingent liabilities.

(IX) Use of proceeds

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

The following table sets forth details of funds in the special account for the raised proceeds as at 30 June 2018:

Account holder	**Banker**	**Account number**	**Balance**
			HK$'000
Beijing Digital Telecom Co., Ltd.	Standard Chartered Bank (Hong Kong) Limited	44717867377	5,476.50

As at 30 June 2018, HK$877,858,610 out of the net proceeds had been utilised. As at 30 June 2018, the balance of the special account for raised proceeds amounted to HK$5,476,500 (including interest income accruing on the special account of HK$10,980).

In order to regulate the management of raised proceeds of the Company 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 and management of fund application and supervision of use in respect of the raised proceeds.

In accordance with the plan for the public offering of shares for raising of proceeds, proceeds raised from the public offering of shares will be applied as to approximately 54% in the expansion of our retail and distribution network, approximately 14% in the repayment of bank borrowings, approximately 6% in the upgrade of information systems for further enhancement of our management capability, approximately 4% in the upgrade of existing outlets and establishment of new call centers and new after-sales services system in the PRC, approximately 5% in a series of multi-functional mobile internet projects and approximately 9% as working capital and for general corporate purpose. The applications of our raised proceeds as at 30 June 2018 are set out in the following table:

Items	**Amount paid** *HK$'000*	**Percentage**
Expansion of retail and distribution network	472,414.94	53.82%
Repayment of bank loans	118,703.28	13.52%
Upgrade of information system for further enhancement of management capability	55,584.09	6.33%
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 a series of multi-functional mobile internet projects	44,060.18	5.02%
Working capital and general corporate purpose	79,462.54	9.05%
Payment of listing agency fees	73,161.26	8.33%
Total	877,858.61	100.00%

(X) Foreign exchange rate risks

The Group's businesses are mostly located in Mainland China and the majority of transactions are settled 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, HKD and INR. The Group has not hedged its foreign exchange rate risk.

(XI) Pledge of assets

As at 30 June 2018, the Group had no other pledge of assets except for the pledged deposits amounting to RMB946,910,230.

(XII) Material investment

As at 30 June 2018, the Group had no material investment.

(XIII) Equity arrangements

For the six months ended 30 June 2018, no equity subscription was conducted by the Group. As of the date of this announcement, no equity scheme was made by the Group.

(XIV) Capital

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

(XV) Future material investment

1. In order to support the development of technological innovation enterprise, Nansha District, Guangzhou City formulated a series of local preferential tax policy. In response to the policy and for the future entitlement of the corresponding tax preference while expanding its business, the Company, at the sixth meeting of the third session of the Board of the Company, approved the proposal of its investment of RMB200,000,000 in establishing a project company in Nansha District, Guangzhou City. Dixin Simaier Technology (Guangdong) Co., Ltd.* (迪信斯麥爾科技(廣東)有限公司), the said company, was officially established on 10 April 2018. In second half of the year, the company will gradually commence the businesses of development, application, sales and maintenance of software and hardware of computer. Investment capital will be injected in phases pursuant to the business development status of the project company.

2. For the purpose of developing its own handsets brand and taking the leadership in the smart home market, with the help of the supportive policy for enterprises formulated by the government of Yangzhou City, Jiangsu Province, the Company, at the tenth meeting of the third session of the Board, approved the proposal of establishing a Sino-foreign equity joint venture project company in Yangzhou City by the Company and D.Phone (Hong Kong) Limited, the wholly-owned foreign subsidiary. Yangzhou D Phone Technology Development Co., Ltd.* (揚州迪信通科技發展有限公司), the project company, will be established in the second half of the year with a total investment amounting to RMB300,000,000. The project company will build production plants for its own handsets brand and smart home household appliances, and will export part of the products manufactured to overseas markets, in particular the Southeast Asia market.

* *For identification purpose only*

(XVI) Employees and remuneration policy

As at 30 June 2018, the Group had a total of 7,045 employees. Salary costs and employees' benefit expenses were approximately RMB292,118,400 for the six months ended 30 June 2018. Remunerations for the Company's existing employees include salaries, performance-based bonus, social insurance and housing provident fund. The Company has also arranged various trainings for employees, including professional qualification training, product and business information training, and management skills training, which are conducted mainly through online learning, seminars and conferences and skill-specific training programmes.

III. BUSINESS OUTLOOK FOR THE SECOND HALF OF 2018

For the year of 2018, the 4G communications market is basically stable. While exploring new customers, the carriers also pay more attention on retaining their existing customers. Domestic handset manufacturers increase their emphasis on the development of the channel of physical outlets and the competition among various brands has intensified. Facing such changes in the market, we have to enhance the Company's performance with the focus on the following aspects:

(I) To proactively expand our new retail brand UP+ for achieving new heights for technology retail, while enhancing the sales capability of physical retail channel under Beijing Digital brand

First of all, we shall enhance the retail operational capability of Beijing Digital brand. On the one hand, we shall increase the profitability in existing outlets by provision of training to our staff, negotiation for rental reduction and cooperation with manufacturers. On the other hand, we shall open exclusive stores at county level through cooperation with manufacturers and open more franchise outlets in suitable cities at county level in order to increase our sales scale in the market.

Furthermore, we shall build up the new retail competitiveness of UP+ brand and conduct large scale expansion. After a year of exploration, UP+ brand has formed an integrated new retail model, covering all kinds of intelligent hardware, such as mobile handsets and smart home products, and providing our customers with services and contents, winning widespread recognition by the industry. In this regard, UP+ will enter an expansion period during the second half of 2018, with the anticipation of reaching 100 stores by the end of the year.

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

During the first half of 2018, we have built a brand new online retailing platform for all kinds of products "迪信優品 (UP)". The platform penetrated into over 200 retail stores in Beijing by way of interactive display screen. Since the launch of the platform, it achieved 100% growth rate on monthly sales over the previous month and 100% growth rate in store owner (membership) registration over the previous month. During the second half of 2018, by leveraging on UP and multiple resources, including our official website, mobile stores, credit card mall, television shopping and Tmall's flagship stores, as well as the physical passenger flow and sales driven by the interactive display screen, Beijing Digital shall realise the integration and development of its OTO business.

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

On the one hand, we shall jointly operate our outlets with the mobile carriers, and, on the other hand, take advantage of the opportunities brought by the growth of the 4G business to increase our scale of supply to the mobile carriers. Through our mobile points of sale, we shall enter the communities and the wholesale market to conclude more business contracts, sell more mobile handsets and accessories and provide more communications 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 services business of unmanned flying vehicles.

(IV) To make progress towards IOT and establish the layout for our own brand in the IOT era

In 2018, with reliance on the sales and self-distribution capability of our self-owned shops and franchise outlets, we have implemented strategic layouts and plans on our own brand for mobile handsets and IOT products in order to realise the growth in both scale and efficiency.

(V) To enrich our service offering and build up our brand competitiveness in the IOT era in multiple ways

In 2018, based on the "full-hearted loyalty" industry model system, Beijing Digital focuses on enriching its service offering in order to fulfill the rising and diversified needs of its customers, including installment payment, rental and recycle of mobile handsets. While the increasing diversity of IOT products, Beijing Digital will further develop relevant service offering and contents for IOT products so as to create new brand competitiveness.

(VI) To obtain new opportunities from overseas retail business of mobile handsets

In 2018, the operation in the developed markets in India and Africa has been stabilized and that in the new markets in Spain and Thailand has shown an apparent growth trend. Riding on the One Belt One Road national strategy, Beijing Digital's oversea retail business of mobile handsets is going to have a promising prospect.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 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 six months ended 30 June 2018, 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.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals, but due to Mr. Liu Donghai's background, qualifications and experience in the Company, he is considered the most suitable person to take up both roles under the current circumstances. The Board is of the view that it is appropriate and in the best interests of the Company that Mr. Liu Donghai holds both positions at the current stage, as it helps to maintain the continuity of the policies and the stability and efficiency of the operations of the Company. The Board also meets regularly on a quarterly basis to review the operations of the Company led by Mr. Liu Donghai. Accordingly, the Board believes that this arrangement will not impact the balance of power and authorizations between the Board and the management of the Company. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 six months ended 30 June 2018.

During the six months ended 30 June 2018, the Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standards set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2018, neither the Company nor its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") which comprises three independent non-executive directors, namely Mr. ZHANG Senquan (the chairman), Mr. BIAN Yongzhuang and Mr. LV Tingjie.

The Audit Committee, together with the management of the Company and the external auditor, has reviewed the unaudited condensed interim results of the Group for the six months ended 30 June 2018.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.dixintong.com). The Company's 2018 interim report containing all the information required under the Listing Rules will be dispatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

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

Beijing, the PRC
29 August 2018

As at the date of this announcement, the executive Directors are Mr. LIU Donghai, Mr. LIU Yajun, Mr. LIU Songshan and Ms. LIU Wencui; the non-executive Directors are Mr. QI Xiangdong and Ms. XIN Xin; and the independent non-executive Directors are Mr. LV Tingjie, Mr. BIAN Yongzhuang and Mr. ZHANG Senquan.