




# THE FUTURE of new retail





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## COMPANY PROFILE

Beijing Digital Telecom Co., Ltd. (the “**Company**” or “**Beijing Digital**”) was founded in 2001 and has been listed in Hong Kong (stock code: 06188.HK) since 2014.

As at 30 June 2020, the Company had over 100 subsidiaries (collectively referred to as the “**Group**” or “**we**”) and had opened more than 1,200 independently operated outlets and franchised outlets in 22 provinces and 4 municipalities over China. Since its establishment, the Group has been focusing on the sales of mobile telecommunication devices and the provision of related services. With its extensive offline sales channels and online sales platform, the Group provides comprehensive services to consumers, ranging from the sales of mobile phone hardware and accessories, provision of value-added services for software, and provision of personalized services for mobile phones and aftersales services. To better adapt to the development environment of the retail industry under the new market situation at home and abroad, the Group has steadily launched new retail business, diversified merchandise sales business and overseas business through multi-channel operation system and multidimensional service model in recent years, so as to consolidate market competitiveness and brand influence.

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

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Liu Donghai (*Chairman*)  
Mr. Liu Yajun  
Ms. Liu Wencui  
Mr. Liu Songshan (Retired on 22 May 2020)

### Non-executive Directors

Mr. Li Wenzhi (Appointed on 22 May 2020)  
Mr. Yao Yanzhong (Appointed on 22 May 2020)  
Mr. Lv Jing (Appointed on 22 May 2020)  
Mr. Qi Xiangdong (Retired on 22 May 2020)  
Ms. Xin Xin (Retired on 22 May 2020)

### Independent Non-executive Directors

Mr. Lv Tingjie  
Mr. Lv Pingbo  
Mr. Zhang Senquan

## SUPERVISORS

Mr. Liu Zhenlong (Appointed on 22 May 2020)  
Mr. Li Wanlin  
Mr. Hu Yuzhong  
Ms. Wei Shuhui (Retired on 22 May 2020)

## JOINT COMPANY SECRETARIES

Ms. Li Dongmei  
Ms. Lam Yuk Ling

## AUTHORIZED REPRESENTATIVES

Mr. Liu Yajun  
Ms. Li Dongmei

## AUDIT COMMITTEE

Mr. Zhang Senquan (*Chairman*)  
Mr. Lv Tingjie  
Mr. Lv Pingbo

## NOMINATION COMMITTEE

Mr. Lv Tingjie (*Chairman*)  
Mr. Yao Yanzhong (Appointed on 22 May 2020)  
Mr. Lv Pingbo  
Mr. Liu Songshan (Ceased to act on 22 May 2020)

## REMUNERATION AND ASSESSMENT COMMITTEE

Mr. Lv Pingbo (*Chairman*)  
Mr. Lv Jing (Appointed on 22 May 2020)  
Mr. Zhang Senquan  
Ms. Xin Xin (Ceased to act on 22 May 2020)

## STRATEGY COMMITTEE

Mr. Liu Donghai (*Chairman*)  
Mr. Liu Yajun  
Mr. Li Wenzhi (Appointed on 22 May 2020)  
Mr. Yao Yanzhong (Appointed on 22 May 2020)  
Mr. Lv Tingjie  
Mr. Liu Songshan (Ceased to act on 22 May 2020)  
Mr. Qi Xiangdong (Ceased to act on 22 May 2020)

## REGISTERED OFFICE

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

## HEADQUARTERS

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit D, 16/F, MG Tower  
133 Hoi Bun Road  
Kwun Tong  
Hong Kong

## CORPORATE INFORMATION *(Continued)*

### H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
17M Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### LEGAL ADVISERS

As to Hong Kong law and United States law:  
Clifford Chance  
27th Floor, Jardine House  
One Connaught Place  
Central  
Hong Kong

As to PRC law:  
Zhong Lun Law Firm  
36-37/F, SK Tower  
6A Jianguomenwai Avenue  
Beijing  
PRC

### AUDITOR

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

### STOCK CODE

6188

### COMPANY'S WEBSITE

[www.dixintong.com](http://www.dixintong.com)

### PRINCIPAL BANKERS

Bank of Communications Co., Ltd.  
(Lincui Road Sub-branch, Beijing)  
Block 24, Yilin Jiayuan, Lincui Road  
Chaoyang District  
Beijing  
PRC

Shanghai Pudong Development Bank Co., Ltd.  
(Business Department of Beijing Branch)  
18 Taipingqiao Avenue  
Xicheng District  
Beijing  
PRC

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

Hang Seng Bank (China) Limited  
(Beijing Branch)  
18/F, South Office Tower, Kerry Center,  
1 Guanghua Road  
Chaoyang District, Beijing  
PRC

Bank of China Limited  
(Beijing BOC Tower Branch)  
1 Fuxingmennei Street  
Beijing, PRC

Bank of Beijing Co., Ltd.  
(Headquarters Base Branch)  
No. 15, Area 17, No. 188, South 4th Ring Road West  
Road  
Fengtai District, Beijing  
PRC

## FINANCIAL HIGHLIGHTS

Items	For the half year ended 30 June	
	2020 RMB'000	2019 RMB'000
<b>Consolidated Statement of Profit or Loss</b>		
Revenue	6,125,193	7,265,420
Gross profit	645,785	843,579
Profit for the period	64,797	124,857
Attributable to:		
Owners of the parent	63,466	137,814
Non-controlling interests	1,331	(12,957)
Earning per share attributable to ordinary equity holders of the parent		
– Basic and diluted (RMB/share)	0.09	0.21
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>(14,421)</b>	<b>(1,150)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>50,376</b>	<b>123,707</b>
Attributable to:		
Owners of the parent	49,090	136,798
Non-controlling interests	1,286	(13,091)

## FINANCIAL HIGHLIGHTS (Continued)

	30 June 2020 RMB'000	31 December 2019 RMB'000
<b>Consolidated Balance Sheet</b>		
Non-current assets	945,558	1,167,898
Current assets	9,213,086	9,773,359
Total assets	10,158,644	10,941,257
Current liabilities	5,493,823	6,440,324
Total assets less current liabilities	4,664,821	4,500,933
Non-current liabilities	246,914	324,428
Net assets	4,417,907	4,176,505
Share capital	732,460	666,667
Reserve	3,521,914	3,347,591
Equity attributable to owners of the parent	4,254,374	4,014,258
Non-controlling interests	163,533	162,247
	<b>For the half year ended 30 June</b>	
	2020	2019
	RMB'000	RMB'000
<b>Consolidated Statement of Cash Flows</b>		
Net cash flows used in operating activities	274,532	(162,171)
Net cash flows from/(used in) investment activities	(113,003)	53,774
Net cash flows from/(used in) financing activities	634,057	(81,744)
Net decrease in cash and cash equivalents	(472,528)	(190,141)
Cash and cash equivalents at the beginning of the period	666,245	708,548
Effect of foreign exchange rate changes	392	32
Cash and cash equivalents at the end of the period	194,109	518,439



# MANAGEMENT DISCUSSION & ANALYSIS

## I. BUSINESS REVIEW

For the six months ended 30 June 2020, the Group sold 3,774,980 mobile handsets, representing a decrease of 755,140 sets or 16.67% from 4,530,120 sets for the same period in 2019. Operating revenue for the first half of 2020 amounted to RMB6,125,192,690, representing a decrease of RMB1,140,227,600 or 15.69% from RMB7,265,420,290 for the same period in 2019. For the first half of 2020, net profit attributable to equity owners of the Company for the period amounted to RMB63,465,900, representing a decrease of RMB74,348,400 or 53.95% from RMB137,814,300 for the same period in 2019.

## II. FINANCIAL POSITION AND OPERATING RESULTS

### (I) Overview

For the six months ended 30 June 2020, the Group recognized net profit of RMB64,797,010, representing a decrease of RMB60,060,360 or 48.10% from RMB124,857,370 for the same period in 2019, among which, net profit attributable to equity owners of the Company for the period amounted to RMB63,465,900, representing a decrease of RMB74,348,400 or 53.95% from RMB137,814,300 for the same period in 2019.

### (II) Consolidated comprehensive income statement

The following table sets forth the 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 the 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.



## MANAGEMENT DISCUSSION & ANALYSIS (Continued)

Items	For the six months ended 30 June			Percentage of change
	2020 RMB'000	2019 RMB'000	Change RMB'000	
Operating revenue	6,125,192.69	7,265,420.29	(1,140,227.60)	(15.69%)
Operating costs	(5,479,407.74)	(6,421,841.46)	942,433.72	(14.68%)
Gross profit	645,784.95	843,578.83	(197,793.88)	(23.45%)
Other income and gains	34,404.09	40,748.19	(6,344.10)	(15.57%)
Selling and distribution expenses	(321,047.80)	(401,872.59)	80,824.79	(20.11%)
Administrative expenses	(120,264.44)	(143,933.84)	23,669.40	(16.44%)
Impairment losses on financial assets	(16,614.31)	(32,543.65)	15,929.34	(48.95%)
Other expenses	(32,945.84)	(29,789.10)	(3,156.74)	10.60%
Finance costs	(94,972.62)	(120,247.50)	25,274.88	(21.02%)
Investment losses	(13,136.25)	(2,527.19)	(10,609.06)	419.80%
Profit before tax	81,207.78	153,413.15	(72,205.37)	(47.07%)
Income tax expenses	(16,410.77)	(28,555.78)	12,145.01	(42.53%)
<b>PROFIT FOR THE PERIOD</b>	<b>64,797.01</b>	<b>124,857.37</b>	<b>(60,060.36)</b>	<b>(48.10%)</b>
Net profit attributable to the parent	63,465.90	137,814.30	(74,348.40)	(53.95%)
Attributable to minority interests	1,331.11	(12,956.93)	14,288.04	(110.27%)

## MANAGEMENT DISCUSSION & ANALYSIS (Continued)

### 1. Operating revenue

For the six months ended 30 June 2020, operating revenue of the Group amounted to RMB6,125,192,690, representing a decrease of RMB1,140,227,600 or 15.69% from the operating revenue of RMB7,265,420,290 for the same period in 2019. Revenue decreased mainly for two reasons: first, there was a decrease in retail revenue resulted from the decrease in the number of our independent stores and store-in-store outlets; second, there was a reduction in service income from carriers. 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 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.

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

Items	For the six months ended 30 June					Percentage of change
	2020		2019		Change	
	RMB'000	% of total revenue	RMB'000	% of total revenue		
<b>Sales of mobile telecommunications devices and accessories</b>	<b>6,007,488.69</b>	<b>98.08%</b>	7,036,106.36	96.84%	(1,028,617.67)	(14.62%)
Including: Sales from retail of mobile telecommunications devices and accessories	2,629,015.82	42.92%	3,623,864.33	49.88%	(994,848.51)	(27.45%)
Sales of telecommunications devices and accessories to franchisees	454,197.68	7.42%	1,382,630.66	19.02%	(928,432.98)	(67.15%)
Wholesale of mobile telecommunications devices and accessories	2,924,275.19	47.74%	2,029,611.37	27.94%	894,663.82	44.08%
<b>Service income from mobile carriers</b>	<b>58,458.62</b>	<b>0.95%</b>	181,477.85	2.50%	(123,019.23)	(67.79%)
<b>Other service fee income</b>	<b>59,245.38</b>	<b>0.97%</b>	47,836.08	0.66%	11,409.30	23.85%
<b>Total</b>	<b>6,125,192.69</b>	<b>100%</b>	7,265,420.29	100%	(1,140,227.60)	(15.69%)

The Group's service income from mobile carriers amounted to RMB58,458,620 for the six months ended 30 June 2020, representing a decrease of RMB123,019,230 or 67.79% compared with the service income from mobile carriers of RMB181,477,850 for the same period in 2019. Decrease in the service income from mobile carriers was attributable to a decrease in subsidies granted to retail channel from three major carriers in 2020.

## MANAGEMENT DISCUSSION & ANALYSIS (Continued)

The following table sets forth our service income from each of the major mobile carriers for the first half of 2020 and the first half of 2019:

Items	For the six months ended 30 June					Percentage of change
	2020		2019		Change	
	RMB'000	% of total revenue	RMB'000	% of total revenue		
China Mobile	37,333.29	63.86%	83,731.65	46.14%	(46,398.36)	(55.41%)
China Unicom	4,254.61	7.28%	17,427.30	9.60%	(13,172.69)	(75.59%)
China Telecom	16,870.72	28.86%	80,141.61	44.16%	(63,270.89)	(78.95%)
Virtual Network Operators	0.00	0.00%	177.29	0.10%	(177.29)	(100%)
<b>Total</b>	<b>58,458.62</b>	<b>100.00%</b>	<b>181,477.85</b>	<b>100.00%</b>	<b>(123,019.23)</b>	<b>(67.79%)</b>

### 2. Operating costs

For the six months ended 30 June 2020, the Group's operating costs amounted to RMB5,479,407,740, representing a decrease of RMB942,433,720 or 14.68% from the operating costs of RMB6,421,841,460 for the same period in 2019, 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					Percentage of change
	2020		2019		Change	
	RMB'000	% of total costs	RMB'000	% of total costs		
<b>Sales of mobile telecommunications devices and accessories</b>	<b>5,467,810.02</b>	<b>99.78%</b>	<b>6,400,071.20</b>	<b>99.66%</b>	<b>(932,261.18)</b>	<b>(14.57%)</b>
Including: Sales from retail of mobile telecommunications devices and accessories	2,177,154.11	39.73%	3,086,590.55	48.06%	(909,436.44)	(29.46%)
Sales of telecommunications devices and accessories to franchisees	442,391.85	8.07%	1,343,297.86	20.92%	(900,906.01)	(67.07%)
Wholesale of mobile telecommunications devices and accessories	2,848,264.06	51.98%	1,970,182.79	30.68%	878,081.27	44.57%
<b>Service income from mobile carriers</b>	<b>8,531.03</b>	<b>0.16%</b>	<b>19,234.06</b>	<b>0.30%</b>	<b>(10,703.03)</b>	<b>(55.65%)</b>
<b>Other service fee income</b>	<b>3,066.69</b>	<b>0.06%</b>	<b>2,536.20</b>	<b>0.04%</b>	<b>530.49</b>	<b>20.92%</b>
<b>Total</b>	<b>5,479,407.74</b>	<b>100.00%</b>	<b>6,421,841.46</b>	<b>100.00%</b>	<b>(942,433.72)</b>	<b>(14.68%)</b>

## MANAGEMENT DISCUSSION & ANALYSIS (Continued)

### 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 2020 amounted to RMB645,784,950, representing a decrease of RMB197,793,880 or 23.45% from the gross profit of RMB843,578,830 for the same period in 2019. Our overall gross profit margins for the six months ended 30 June 2020 and 2019 were 10.54% and 11.61%, respectively. Overall gross profit margin was basically the same as that for the same period last year.

Items	2020		For the six months ended 30 June 2019				Change RMB'000	Percentage of change
	RMB'000	% of total gross profit	Gross profit margin	RMB'000	% of total gross profit	Gross profit margin		
<b>Sales of mobile telecommunications devices and accessories</b>	<b>539,678.67</b>	<b>83.57%</b>	<b>8.98%</b>	636,035.16	75.40%	9.04%	(96,356.49)	(15.15%)
Including: Sales from retail of mobile telecommunications devices and accessories	451,861.71	69.97%	17.19%	537,273.78	63.70%	14.83%	(85,412.07)	(15.90%)
Sales of telecommunications devices and accessories to franchisees	11,805.83	1.83%	2.60%	39,332.80	4.66%	2.84%	(27,526.97)	(69.98%)
Wholesale of mobile telecommunications devices and accessories	76,011.13	11.77%	2.60%	59,428.58	7.04%	2.93%	16,582.55	27.90%
Service income from mobile carriers	49,927.59	7.73%	85.41%	162,243.79	19.23%	89.40%	(112,316.20)	(69.23%)
Other service fee income	56,178.69	8.70%	94.82%	45,299.88	5.37%	94.70%	10,878.81	24.02%
<b>Total</b>	<b>645,784.95</b>	<b>100.00%</b>	<b>10.54%</b>	843,578.83	100.00%	11.61%	(197,793.88)	(23.45%)

## MANAGEMENT DISCUSSION & ANALYSIS (Continued)

### 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			Percentage of change
	2020	2019	Change	
Sales of mobile handsets (in RMB thousands)	<b>5,781,455.02</b>	6,763,089.53	(981,634.51)	(14.51%)
Sales volume of mobile handsets (in sets)	<b>3,774,978.00</b>	4,530,122.00	(755,144.00)	(16.67%)
Average selling price (RMB/per set)	<b>1,531.52</b>	1,492.92	38.60	2.59%

### 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 2020 amounted to RMB34,404,090, representing a decrease of RMB6,344,100 or 15.57% from other income and gains of RMB40,748,190 for the same period in 2019. The decrease of other income and gains was mainly attributable to the decrease in government grants for the first half of 2020.

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

Items	For the six months ended 30 June			Percentage of change
	2020 RMB'000	2019 RMB'000	Change RMB'000	
Interest income	<b>9,676.09</b>	8,095.07	1,581.02	19.53%
Government grants	<b>21,040.14</b>	23,226.41	(2,186.27)	(9.41%)
Others	<b>3,687.86</b>	9,426.71	(5,738.85)	(60.88%)
<b>Total</b>	<b>34,404.09</b>	40,748.19	(6,344.10)	(15.57%)

## MANAGEMENT DISCUSSION & ANALYSIS (Continued)

### 6. Selling and distribution expenses

Items	For the six months ended 30 June					
	Selling and distribution expenses		% of total expenses		Change	Percentage of change
	2020	2019	2020	2019		
	RMB'000	RMB'000			RMB'000	
Staff salaries	138,805.45	181,906.53	43.24%	45.26%	(43,101.08)	(23.69%)
Office expenses	4,362.17	5,487.00	1.36%	1.37%	(1,124.83)	(20.50%)
Travelling expenses	2,518.47	3,199.13	0.78%	0.80%	(680.66)	(21.28%)
Transportation expenses	5,861.47	7,361.51	1.83%	1.83%	(1,500.04)	(20.38%)
Business entertainment expenses	1,068.37	1,346.85	0.33%	0.34%	(278.48)	(20.68%)
Communication expenses	1,258.48	1,579.74	0.39%	0.39%	(321.26)	(20.34%)
Rentals and property management expenses	113,060.62	135,927.72	35.22%	33.82%	(22,867.10)	(16.82%)
Repair expenses	1,892.47	2,360.86	0.59%	0.59%	(468.39)	(19.84%)
Advertising and promotion expenses	17,536.98	19,533.61	5.46%	4.86%	(1,996.63)	(10.22%)
Depreciation expenses	2,922.34	3,189.94	0.91%	0.79%	(267.60)	(8.39%)
Amortisation of long-term deferred expenses	15,771.66	18,614.80	4.91%	4.63%	(2,843.14)	(15.27%)
Amortisation of low-cost consumables	573.56	1,428.25	0.18%	0.36%	(854.69)	(59.84%)
Market management fees	3,133.47	4,397.24	0.98%	1.09%	(1,263.77)	(28.74%)
Utilities	8,025.79	11,068.03	2.50%	2.75%	(3,042.24)	(27.49%)
Others	4,256.50	4,471.38	1.32%	1.11%	(214.88)	(4.81%)
<b>Total</b>	<b>321,047.80</b>	<b>401,872.59</b>	<b>100.00%</b>	<b>100.00%</b>	<b>(80,824.79)</b>	<b>(20.11%)</b>

Total selling and distribution expenses of the Group for the six months ended 30 June 2020 amounted to RMB321,047,800, representing a decrease of RMB80,824,790 or 20.11% from the total selling and distribution expenses of RMB401,872,590 for the same period in 2019, which was mainly due to combined effect of the decrease in rentals and property management expenses and market management fees 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 2020 amounted to RMB113,060,620, representing a decrease of RMB22,867,100 or 16.82% from the total rentals and property management expenses of RMB135,927,720 for the same period in 2019. Such decrease was mainly 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 under the impact of the pandemic.

## MANAGEMENT DISCUSSION & ANALYSIS (Continued)

Total market management fees for the six months ended 30 June 2020 amounted to RMB3,133,470, representing a decrease of RMB1,263,770 or 28.74% from total market management fees of RMB4,397,240 for the same period in 2019. Such decrease was mainly due to the reduction in marketing promotion activities under the impact of the pandemic.

Total staff salaries for the six months ended 30 June 2020 amounted to RMB138,805,450, representing a decrease of RMB43,101,080 or 23.69% from the total staff salaries of RMB181,906,530 for the same period in 2019. Such decrease was mainly due to the streamlining of the staffing structure of the Group during the current period for saving expenses as well as the decrease in the number of stores and salespersons under the impact of the pandemic.

### 7. Administrative expenses

Items	For the six months ended 30 June					
	Administrative expenses		% of total expenses			Percentage of change
	2020	2019	2020	2019	Change	
RMB'000	RMB'000			RMB'000		
Staff salaries	61,355.96	65,530.63	51.02%	45.53%	(4,174.67)	(6.37%)
Tax expenses	0.00	2.16	0.00%	0.00%	(2.16)	(100.00%)
Office expenses	1,143.66	3,363.32	0.95%	2.34%	(2,219.66)	(66.00%)
Depreciation expenses	4,146.94	4,823.37	3.45%	3.35%	(676.43)	(14.02%)
Amortisation of intangible assets	188.45	435.12	0.16%	0.30%	(246.67)	(56.69%)
Amortisation of long-term deferred expenses	280.30	575.30	0.23%	0.40%	(295.00)	(51.28%)
Amortisation of low-cost consumables	537.63	1,913.29	0.45%	1.33%	(1,375.66)	(71.90%)
Travelling expenses	3,508.58	4,309.94	2.92%	2.99%	(801.36)	(18.59%)
Rentals and property management fees	5,770.29	6,060.35	4.80%	4.21%	(290.06)	(4.79%)
Business entertainment expenses	2,287.33	3,339.59	1.90%	2.32%	(1,052.26)	(31.51%)
Communication expenses	1,059.16	1,721.84	0.88%	1.20%	(662.68)	(38.49%)
Agency fees	8,343.94	9,232.52	6.94%	6.41%	(888.58)	(9.62%)
Transportation expenses	3,410.82	4,961.83	2.84%	3.45%	(1,551.01)	(31.26%)
handling fees	19,681.85	32,458.79	16.37%	22.55%	(12,776.94)	(39.36%)
Others	8,549.53	5,205.79	7.09%	3.62%	3,343.74	64.23%
<b>Total</b>	<b>120,264.44</b>	<b>143,933.84</b>	<b>100.00%</b>	<b>100.00%</b>	<b>(23,669.40)</b>	<b>(16.44%)</b>

The Group's total administrative expenses for the six months ended 30 June 2020 amounted to RMB120,264,440, representing a decrease of RMB23,669,400 or 16.44% from the total administrative expenses of RMB143,933,840 for the same period in 2019. Such decrease in administrative expenses was primarily attributable to the combined effect of the significant decrease in handling fees and the decrease in the amount of staff salaries.



## MANAGEMENT DISCUSSION & ANALYSIS (Continued)

Total financial institution charges for the six months ended 30 June 2020 amounted to RMB19,681,850, representing a decrease of RMB12,776,940 or 39.36% from the total financial institution charges of RMB32,458,790 for the same period in 2019. Such decrease was primarily attributable to the decrease in outlets business and therefore the decrease in handling fees under the impact of the pandemic.

For the six months ended 30 June 2020, total amount of staff salaries amounted to RMB61,355,960, representing a decrease of RMB4,174,670 or 6.37% from the staff salaries of RMB65,530,630 for the same period in 2019. Such decrease was mainly attributable to the decrease in the number of supporting staff under the impact of the pandemic.

### 8. Finance costs

Item	For the six months ended 30 June			Percentage of change
	2020 RMB'000	2019 RMB'000	Change RMB'000	
Finance costs – interest expenses	<b>94,972.62</b>	120,247.50	(25,274.88)	(21.02%)

The Group's total finance costs for the six months ended 30 June 2020 amounted to RMB94,972,620, representing a decrease of RMB25,274,880, or 21.02% from the total finance costs of RMB120,247,500 for the same period in 2019. Such decrease in finance costs was attributable to the decrease in total borrowings.

### 9. Other expenses

Our other expenses include impairment losses on assets, non-operating expenses, exchange loss and investment loss. For the six months ended 30 June 2019 and 2020, our other expenses amounted to RMB29,789,100 and RMB32,945,840, respectively.

Items	For the six months ended 30 June			Percentage of change
	2020 RMB'000	2019 RMB'000	Change RMB'000	
Impairment losses on assets	<b>29,828.58</b>	25,026.34	4,802.24	19.19%
Non-operating expenses	<b>2,271.01</b>	1,752.93	518.08	29.56%
Exchange loss	<b>846.25</b>	146.08	700.17	479.31%
Investment loss	–	2,863.75	(2,863.75)	(100.00%)
<b>Total</b>	<b>32,945.84</b>	29,789.10	3,156.74	10.60%

## MANAGEMENT DISCUSSION & ANALYSIS (Continued)

### 10. Income tax expenses

Our income tax expenses for the stated periods included PRC corporate income tax and deferred income tax during 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			Percentage of change
	2020 RMB'000	2019 RMB'000	Change RMB'000	
Current tax:				
Income tax in the PRC for the year	7,822.74	35,067.74	(27,245.00)	(77.69%)
Deferred tax	8,588.03	(6,511.96)	15,099.99	(231.88%)
<b>Total</b>	<b>16,410.77</b>	<b>28,555.78</b>	<b>(12,145.01)</b>	<b>(42.53%)</b>

For the six months ended 30 June 2020, the Group's total income tax amounted to RMB7,822,740, representing a decrease of RMB27,245,000 or 77.69% as compared with RMB35,067,740 for the same period in 2019. Such decrease was primarily attributable to the decrease of profit before tax.

### 11. Indebtedness – bank and other borrowings

As of 30 June 2020, our bank borrowings were primarily bank loans and other borrowings which were short term and long term in nature. The following table sets forth our outstanding borrowings as at the dates indicated:

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
<b>Current</b>		
Bank loans:		
Unsecured, repayable within one year	980,817.19	710,984.69
Secured, repayable within one year	2,140,069.52	2,615,621.00
Corporate bond:		
Current portion	–	576,660.46
Other loans:		
Unsecured, repayable within one year	25,363.19	65,506.80
<b>Long term</b>		
Unsecured, repayable after one year	15,922.00	–
<b>Total</b>	<b>3,162,171.90</b>	<b>3,968,772.95</b>

As of 30 June 2020, 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 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.

As of 30 June 2020, our bank and other borrowings amounted to RMB3,162,171,900, representing a decrease of RMB806,601,050 or 20.32% from RMB3,968,772,950 as of 31 December 2019. Such decrease was attributable to the increase in capital for routine operation as compared to last year as the Group acquired capital injection from JD.

We are subject to certain customary restrictive covenants pursuant to our loan agreements with 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.

The directors of the Company (the “**Directors**”) confirmed that as of 30 June 2020 and up to the date of this report, we did not have any material default in payment of trade and non-trade payables and bank borrowings, nor did we breach any financial covenants. Save as disclosed herein, the agreements under our 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 at 30 June 2020.

### (III) Current assets and financial position

As at 30 June 2020, the Group had cash and cash equivalents in an amount of RMB194,109,350, representing a decrease of RMB472,135,690 or 70.87% as compared to RMB666,245,040 as of 31 December 2019.

As at 30 June 2020, the Group had bank and other borrowings in an amount of RMB3,162,171,900, representing a decrease of RMB805,601,050 or 20.32% as compared to RMB3,968,772,950 as of 31 December 2019.

### (IV) Capital expenditure

For the six months ended 30 June 2020, the Group's capital expenditure amounted to RMB8,233,120, 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.

## MANAGEMENT DISCUSSION & ANALYSIS (Continued)

### (V) Related party transactions

The following table sets forth the total amounts of transactions with related parties during the six months ended 30 June 2020 and 30 June 2019 as well as the balance with the related parties as of 30 June 2020 and 31 December 2019:

Items	Year	Sales to related parties RMB'000	Purchases from related parties RMB'000	Other transactions with related parties RMB'000	Amounts owed by related parties RMB'000	Amounts owed to related parties RMB'000
<b>Associates:</b>						
Shenzhen Dixin Nuclear Communications Co., Ltd. <sup>1</sup>	2020	-	-	-	1,007.25	-
	2019	-	-	-	707.25	-
Shenzhen Aizuji Technology Co., Ltd. <sup>1</sup>	2020	2,018.46	-	-	-	9,719.15
	2019	-	-	-	-	-
Shanghai Diju Information Technology Co., Ltd. <sup>2</sup>	2020	-	8,018.87	-	-	2,156.48
	2019	-	20,893	-	-	2,095.27
Comservice Commercial Factoring Co., Ltd. <sup>3</sup>	2020	-	-	(32,878.70)	-	43,240.20
	2019	-	-	57,652	-	74,213.36
Beijing Jingdixin Technology Co., Ltd. <sup>1</sup>	2020	-	758,760.95	-	100.00	364,244.58
	2019	-	-	-	-	349,081.74
<b>Joint ventures:</b>						
Hollard-D.Phone (Beijing) Technology Development Co., Ltd. <sup>4</sup>	2020	1,018.50	3,288.64	-	-	7,142.04
	2019	-	8,975	-	-	6,717.53
Guangzhou Zhongqi Energy Technology Co., Ltd. <sup>4</sup>	2020	40,886.98	16,347.18	-	41,361.54	-
	2019	26,228	8,549	-	52,497.31	-
Yunnan Dphone Investment Co., Ltd. <sup>5</sup>	2020	-	-	-	-	-
	2019	214	-	-	-	-
<b>A subsidiary of a joint venture:</b>						
Yunfu Zhongqi Communication Technology Co., Ltd. <sup>6</sup>	2020	1,741.57	5.44	-	1,895.65	-
	2019	-	-	-	464.85	-
<b>Fellow subsidiaries:</b>						
Beijing Dphone Communication Services Co., Ltd. <sup>7</sup>	2020	5.47	-	-	9,957.93	70.62
	2019	-	30	-	11,227.04	112.54
Guang'an Dixin Cloud Communication Technology Co., Ltd. <sup>7</sup>	2020	72.63	-	-	487.79	-
	2019	251	-	-	459.80	-

## MANAGEMENT DISCUSSION & ANALYSIS (Continued)

Items	Year	Sales to related parties RMB'000	Purchases from related parties RMB'000	Other transactions with related parties RMB'000	Amounts owed by related parties RMB'000	Amounts owed to related parties RMB'000
<b>Companies significantly influenced by the controlling shareholders:</b>						
Beijing Tianxingyuanjing Technology Development Co., Ltd. <sup>8</sup>	2020	-	-	-	-	103.67
	2019	-	-	-	-	88.06
Luzhou Digital Science and Technology Co., Ltd. <sup>9</sup>	2020	-	-	-	-	-
	2019	13	-	-	-	-
<b>A subsidiary of non-controlling shareholder:</b>						
Beijing Digital China Limited <sup>10</sup>	2020	-	-	-	0.15	-
	2019	-	7	-	0.15	-

- 1 The investment in the associates, Shenzhen Dixin Nuclear Communications Co., Ltd., Shenzhen Aizuji Technology Co., Ltd. and Beijing Jingdixin Technology Co., Ltd., are directly held by the Company.
- 2 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.
- 3 The Group entered into trade receivable factoring arrangement and transferred certain trade receivables to Comservice Commercial Factoring Co., Ltd. The secured other loans bear interest at a rate ranging from 6.65% to 10.8% and are secured by trade receivables amounting to RMB61,494,470.
- 4 The investments in the joint venture entities, Hollard-D.Phone (Beijing) Technology Development Co., Ltd. and Guangzhou Zhongqi Energy Technology Co., Ltd., are directly held by the Company.
- 5 The investment in the joint venture, Yunnan Dphone Investment Co., Ltd., is indirectly held by the Company.
- 6 The joint venture, Yunfu Zhongqi Communication Technology Co., Ltd., is a wholly-owned subsidiary of Guangzhou Zhongqi Energy Technology Limited Company which is a joint venture entity 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.
- 8 The investment in the entity, Beijing Tianxingyuanjing Technology Development Co., Ltd., is respectively held by Mr. Liu Donghai, the controlling shareholder of the Company, and Mr. Jin Xin, the former CEO. They directly and indirectly hold 20.53% equity interests in aggregate and have significant influence over the entity.
- 9 40% of equity interests in Luzhou Digital Science and Technology Co., Ltd. are held by the controlling shareholders of the Company.
- 10 Beijing Digital China Limited and the non-controlling shareholder of the Company, Digital China (HK) Limited, are all controlled by Digital China Group Co., Ltd., and Digital China (HK) Limited holds 21.62% equity interests of the Company.

The board of Directors (the “**Board**”) of the Company 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 ratio

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

Items	As of 30 June 2020	As of 31 December 2019	Change	Percentage of change
Current ratio	1.68	1.52	0.16	10.53%
Gearing ratio	40.19%	39.49%	0.70%	1.77%
Net debt-to-equity ratio	67.18%	65.27%	1.91%	2.93%

Current ratio is our current assets divided by our current liabilities at the end of each financial period. Our current ratio as at 30 June 2020 was 1.68, increasing 0.16 as compared to the current ratio of 1.52 as of 31 December 2019, representing an increase of 10.53%. The increase was primarily due to the redemption of matured bonds in April 2020 by the Company.

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 and other borrowings less cash and cash equivalents. As of 30 June 2020, our gearing ratio was 40.19%, increasing by 0.70 percentage point from the gearing ratio of 39.49% as of 31 December 2019, representing an increase of 1.77%, which was primary attributable to the increase in net debt.

Net debt-to-equity ratio equals net debt divided by total equity at the end of the financial period and multiplied by 100%. Our net debt-to-equity ratio increased by 1.91 percentage points from 65.27% as at 31 December 2019 to the net debt-to-equity ratio of 67.18% as at 30 June 2020, representing an increase of 2.93%. Such increase was mainly attributable to the increase in net debt.

(VII) Material acquisitions and disposals

Details of the Group's material acquisitions during the six months ended 30 June 2020 are set out in the section headed "(XII) Material investments".

(VIII) Contingent liabilities

As of 30 June 2020, 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 in Hong Kong at an offer price of HK\$5.30 per share, raising proceeds with an aggregate amount of HK\$883,335,100 (the "**Proceeds from the Initial Public Offering**") which had been placed in a special account.

In January 2020, we had completed the directed non-public offering of 65,793,400 H shares in Hong Kong to Nelson Innovation Limited at an offer price of HK\$3.25 per share, raising proceeds with an aggregate amount of HK\$213,828,550 (the "**Proceeds from the Directed Non-public Offering**") which had been placed in a special account.

## MANAGEMENT DISCUSSION & ANALYSIS (Continued)

The following table sets forth details of the proceeds in the special account as of 30 June 2020:

Account holder	Banker	Account number	Amount HK\$'000
Beijing Digital Telecom Co., Ltd.	Standard Chartered Bank (Hong Kong) Limited	44717867377	631.00

As of 30 June 2020, HK\$1,096,532,650 out of the net proceeds had been utilized cumulatively. The Proceeds from the Initial Public Offering have been fully utilized. As of 30 June 2020, the balance of the proceeds in the special account amounted to HK\$631,000 (including accrued interest of HK\$12,480). The abovementioned balance will be fully utilized as daily working capital in the coming two years.

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

In accordance with the plan for the public offering, the Proceeds from the Initial Public Offering were applied as to approximately 53.48% in the expansion of our retail and distribution network, approximately 13.44% in the repayment of bank loans, approximately 6.29% in the upgrade of information systems for further enhancement of our management ability, approximately 3.9% in the upgrade of existing outlets and establishment of new call centers and new after-sales services system in the PRC, approximately 4.99% in multi-functional mobile internet projects, approximately 9.01% as working capital and for general corporate purpose and approximately 8.89% as payment of listing agency fees. The applications of the Proceeds from the Initial Public Offering as of 30 June 2020 are set out in the following table:

Items	Amount paid HK\$'000	Percentage
Expansion of retail and distribution network	472,414.94	53.48%
Repayment of bank loans	118,703.28	13.44%
Upgrade of information system to further improve management capability	55,584.09	6.29%
Upgrade of existing outlets and establishment of new call centers and new after-sales services system in the PRC	34,472.32	3.9%
Undertaking multi-functional mobile internet projects	44,060.18	4.99%
Working capital and other general corporate purpose	79,538.25	9.01%
Payment of listing agency fees	78,562.04	8.89%
<b>Total</b>	<b>883,335.10</b>	<b>100.00%</b>



## MANAGEMENT DISCUSSION & ANALYSIS (Continued)

In accordance with the disclosure set out in the announcement of the Company dated 26 July 2019, the Proceeds from the Directed Non-public Offering, after deducting issuance expenses payable by the Company, will be used for goods procurement and daily operations. Our usage of the Proceeds from the Directed Non-public Offering as at 30 June 2020 is set out below:

Item	Amount paid HK\$'000	Account Balance HK\$'000
Issuance expenses	2,368.57	
Goods procurement and daily operations	210,828.98	
		<hr/>
		631.00

### (X) Foreign exchange rate risks

The Group's businesses are primarily 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, EUR, HKD, Indian Rupee and Bangladeshi Taka. The Group has not hedged its foreign exchange rate risk.

### (XI) Pledge of assets

As of 30 June 2020, the Group had no other pledge of assets except for the pledged deposits amounting to RMB1,261,233,100, financial assets held for trading amounting to RMB304,891,590 and pledged trade receivables amounting to RMB61,494,470.

### (XII) Material investments

For the six months ended 30 June 2020, the Group had no other material investment.

### (XIII) Equity arrangements

For the six months ended 30 June 2020, no equity subscription was conducted by the Group. As of the date of this report, no equity scheme was made by the Group.

### (XIV) Capital

For the six months ended 30 June 2020, the total share capital of the Company was 732,460,400 shares.

On 8 January 2020, the Company issued 65,793,400 new H shares in aggregate with a total carrying value of RMB65,793,400 to Nelson Innovation Limited at the subscription price of HK\$3.25 per H share (the "Subscription"). 65,793,400 H shares issued pursuant to the Subscription represented 16.67% and 8.98% of the total number of issued H shares and the total number of issued shares of the Company upon the completion of the Subscription, respectively.

The subscription price of HK\$3.25 per H share represents approximately 16.49% premium over the closing price of HK\$2.79 per H share as quoted on The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 26 July 2019 (being the date of the subscription agreement).

The gross proceeds from the Subscription were HK\$213,828,550. After deducting expenses of the Subscription payable by the Company, the net proceeds from the Subscription will be approximately HK\$211,459,980, representing the net price per H share of approximately HK\$3.21.

For the specific use of proceeds from the Subscription, please refer to the above section headed “(IX) Use of proceeds”.

**(XV) Material events after the period**

As of 30 June 2020, the Group had no material events after the period.

**(XVI) Employees and remuneration policy**

As at 30 June 2020, the Group had a total of 4,787 employees. Salary costs and employees’ benefit expenses were approximately RMB200,161,410 for the six months ended 30 June 2020. 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 programs.

**III. BUSINESS OUTLOOK FOR THE SECOND HALF OF 2020**

The biggest environmental change in 2020 comes from the comprehensive application of 5G technology in C-end and B-end. The mass-quantity launching of 5G mobile phones brings huge market opportunities to Beijing Digital, and the new retail scheme that has been explored and formulated has also ushered in a stage of high-speed development. In 2020, we will enhance the Company’s performance through the following approaches in response to the market development:

**(I) To carry out system reform and strengthen the offline retail foundation by unleashing the front-line initiative**

By promoting the reform of the “partnership system”, the front-line staff will become the “boss” with a sense of ownership, and under the unified guidance of management norms, the store output will be greatly improved. In this process, we will sort out and record the quality and development space of existing stores, optimize existing outlets and appropriately expand new high-quality outlets.

**(II) To actively explore and advocate all-staff engagement into the promotion of new online channel development**

While the outbreak of the Novel Coronavirus pandemic has a serious impact on offline business, it has greatly stimulated the potential of new online channels, and new retail models such as home delivery, community and live broadcast have emerged. For these new channels, we have explored the effective approach of omni-channel operation, and will keep upgrading the all-channel omni operation structure of Beijing Digital throughout the year of 2020 and attain higher operational efficiency.

(III) To take JD cooperation as the core and explore the practical solutions of omni-channel marketing through multiple paths

In August 2019, JD became a shareholder of Beijing Digital. At present, JD has carried out various O2O explorations with Beijing Digital, such as offline performance for the 3C categories of JD in Beijing Digital outlets nationwide, the launch of “JD Daojia” for all stores, construction of the JD special areas in Beijing Digital stores and helping its supply chain penetrate into surrounding small stores, and the pilot cooperation project of O+O flagship stores for trendy tech products. For the next step, we will provide the JD series of entrusted operation service for the self-operation of three major mobile carriers and social channels, in a bid to support JD in developing its offline network.

(IV) To help the three major mobile carriers to realize new retail upgrading and enrich IOT solutions

The three major mobile carriers’ business focus in 2020 is to realize new retail upgrading across their networks and have the ability to provide solutions for the IOT industry. After years of exploration, our new retail brand portfolio of UP+, Mini UP+ and automated vending machines are currently the best new retail systematic solutions for the channel network of flagship stores, main stores and community stores of mobile carriers, which will be widely adopted and implemented this year. At the same time, based on our understanding of shopping centers and the IOT supply chain, we are able to provide carriers with IOT scenario application solutions to integrated shopping centers.

(V) To improve our service quality and enhance brand influence

In 2016, we introduced a customer service hotline with dedicated staff solving the problems that our end users might face. Our concept of “full-hearted loyalty” has been well received by a large number of customers and enabled Beijing Digital to accumulate numerous fans. In 2017, we opened a dedicated customer services and call center to fulfill the after-sale demand from our customers to the greatest extent. In 2020, we will continue to intensively pursue the “full-hearted loyalty” concept in order to enhance our prestige and reputation through provision of quality services, so as to enhance the Group’s brand influence and ultimately achieve sales growth.

(VI) To create the “smart retail” system and platform solution for the 3C industry and unleash the technology capacity output

After more than a year of exploration, the first customized 3C solution, namely the “Molink” system, created by us and Tencent has been developed and commercialized. Built on the remarkable achievements made in Beijing Digital’s systems, “Molink” has begun to be delivered to the carriers’ systems, with China Mobile (Guangdong) being our first client for technology output and platform operation service. “Molink” is currently the only system and platform in China that simultaneously realizes product online, employee online and customer online. It is expected to be introduced by provincial carriers on a large scale.

(VII) To continue expanding overseas 3C business

Since 2016, Beijing Digital has grown into an influential 3C chain brand in Nigeria and Spain, with outstanding profit performance. In 2019, we increased our investment in the distribution business in Thailand, and now we are the largest distributor of Mi Homes in Thailand with good returns obtained. In 2020, Beijing Digital will help Huawei to focus on developing retail business in key western European countries, while continuing to expand distribution scale in Thailand, and strive for greater brand influence and investment returns.

## OTHER INFORMATION

### INTERIM DIVIDEND

The Board does not recommend interim dividend for the six months ended 30 June 2020.

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

As at 30 June 2020, the interests and short positions of the directors, the supervisors of the Company (the “**Supervisors**”) and chief executives (the “**Chief Executives**”) of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) were as follows:

Name of Director	Type of Shares	Nature of Interests	Number of shares/ underlying shares held (long position/ short position/ lending pool)	Percentage of the relevant class of share capital (%) (Note 1)	Percentage of the total share capital (%) (Note 1)
Liu Donghai (Note 2)	Domestic shares	Interest of controlled corporation	312,700,000 (long position)	92.60	42.69
Liu Wencui (Notes 2&3)	Domestic shares	Interest of controlled corporation	320,200,000 (long position)	94.82	43.72

Notes:

- The percentage is calculated with the number of the relevant class of shares of the Company issued as at the date of this interim report divided by the total number of shares.
- Beijing Di Er Tong Consulting Company Limited (北京迪爾通諮詢有限公司, “**Di Er Tong**”) and Digital Science & Technology Group Limited (迪信通科技集團有限公司, “**Digital Science & Technology**”) directly hold 101,300,000 domestic shares and 211,400,000 domestic shares of the Company respectively, and Liu Donghai, Liu Hua, Liu Songshan, Liu Wencui and Liu Yongmei respectively hold 22.12%, 4.74%, 45.90%, 2.20% and 4.74% interests in Di Er Tong; Liu Donghai, Liu Hua, Liu Wencui, Liu Yongmei and Liu Wenli respectively hold 84.72%, 5.06%, 3.93%, 5.06% and 1.23% interests in Digital Science & Technology. Accordingly, pursuant to the SFO, Liu Donghai and Liu Wencui are deemed to be interested in 101,300,000 domestic shares and 211,400,000 domestic shares held by Di Er Tong and Digital Science & Technology respectively.
- Beijing Rong Feng Tai Management and Consulting Company Limited (北京融豐泰管理諮詢有限公司, “**Rong Feng Tai**”) directly holds 7,500,000 domestic shares of the Company, and Liu Wencui holds 66.27% interests in Rong Feng Tai. Accordingly, pursuant to the SFO, Liu Wencui is deemed to be interested in 7,500,000 domestic shares held by Rong Feng Tai.

## OTHER INFORMATION (Continued)

Save as disclosed above, as at 30 June 2020, none of the Directors, the Supervisors and the Chief Executives had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2020, to the knowledge of the Directors, the following persons (other than the Directors, the Supervisors and the Chief Executives) had interests or short positions in the shares or underlying shares of the Company which fall to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Type of Shares	Nature of Interests	Number of shares/ underlying shares held (long position/ short position/ lending pool)	Percentage of the relevant class of share capital (%) (Note 1)	Percentage of the total share capital (%) (Note 1)
Liu Yongmei (Note 2)	Domestic shares	Interest of controlled corporation	312,700,000 (long position)	92.60	42.69
Liu Hua (Note 2)	Domestic shares	Interest of controlled corporation	312,700,000 (long position)	92.60	42.69
Liu Wenli (Note 2)	Domestic shares	Interest of controlled corporation	211,400,000 (long position)	62.60	28.86
Liu Songshan (Note 2)	Domestic shares	Interest of controlled corporation	101,300,000 (long position)	30.00	13.83
Di Er Tong (Note 2)	Domestic shares	Beneficial owner	101,300,000 (long position)	30.00	13.83
Digital Science & Technology (Note 2)	Domestic shares	Beneficial owner	211,400,000 (long position)	62.60	28.86
Lenovo Group Limited	H shares	Beneficial owner	32,435,500 (long position)	8.22	4.43
Digital China Group Co., Ltd. ("Digital China Group") (Note 3)	H shares	Interest of controlled corporation	158,350,000 (long position)	40.11	21.62
Digital China (China) Limited ("Digital China (China)") (Note 3)	H shares	Interest of controlled corporation	158,350,000 (long position)	40.11	21.62

## OTHER INFORMATION (Continued)

Name of Shareholder	Type of Shares	Nature of Interests	Number of shares/ underlying shares held (long position/ short position/ lending pool)	Percentage of the relevant class of share capital (%) (Note 1)	Percentage of the total share capital (%) (Note 1)
Digital China (HK) Limited (“Digital China”) (Note 3)	H shares	Beneficial owner	158,350,000 (long position)	40.11	21.62
Dawn Galaxy International Limited	H shares	Beneficial owner	42,000,000 (long position)	10.64	5.73
Liu Qiangdong (Note 4)	H shares	Trust beneficiary	65,793,400 (long position)	16.67	8.98
Nelson Innovation Limited (Note 4)	H shares	Beneficial owner	65,793,400 (long position)	16.67	8.98
Max Smart Limited (Note 4)	H shares	Interest of controlled corporation	65,793,400 (long position)	16.67	8.98
JD.com, Inc. (Note 4)	H shares	Interest of controlled corporation	65,793,400 (long position)	16.67	8.98
JD.com Investment Limited (Note 4)	H shares	Interest of controlled corporation	65,793,400 (long position)	16.67	8.98

### Notes:

- The percentage is calculated with the number of the relevant class of shares of the Company issued as at the date of this interim report divided by the total number of shares.
- Di Er Tong and Digital Science & Technology directly hold 101,300,000 domestic shares and 211,400,000 domestic shares of the Company respectively, while Liu Yongmei and Liu Hua hold controlling interests in Di Er Tong and Digital Science & Technology, and Liu Wenli holds controlling interests in Digital Science & Technology and Liu Songshan holds controlling interests in Di Er Tong. Accordingly, pursuant to the SFO, Liu Yongmei and Liu Hua are deemed to be interested in 101,300,000 domestic shares and 211,400,000 domestic shares held by Di Er Tong and Digital Science & Technology respectively, while Liu Wenli is deemed to be interested in 211,400,000 domestic shares held by Digital Science & Technology and Liu Songshan is deemed to be interested in 101,300,000 domestic shares held by Di Er Tong.
- Digital China directly holds 158,350,000 H shares of the Company, and Digital China Group holds 100% interests in Digital China through its wholly-owned subsidiary Digital China (China). Accordingly, pursuant to SFO, Digital China Group and Digital China (China) are deemed to be interested in 158,350,000 H shares held by Digital China.
- Nelson Innovation Limited directly holds 65,793,400 H shares of the Company, and Liu Qiangdong holds 72.90% interests in JD.com, Inc. through his wholly-owned subsidiary Max Smart Limited, and JD.com, Inc. holds 100% interests in Nelson Innovation Limited through its wholly-owned subsidiary JD.com Investment Limited. Accordingly, pursuant to SFO, Liu Qiangdong, Max Smart Limited, JD.com, Inc. and JD.com Investment Limited are deemed to be interested in 65,793,400 H shares held by Nelson Innovation Limited.



## OTHER INFORMATION *(Continued)*

Save as disclosed above, as at 30 June 2020, there was no other person (other than the Directors, the Supervisors and the Chief Executives) to the Directors' knowledge who had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or which have been recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

### PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDER

On 18 December 2019, Di Er Tong, the controlling shareholder of the Company, pledged 63,270,000 domestic shares of the Company (representing approximately 9.5% of the total issued shares of the Company as at 18 December 2019) to Beijing Jingdixin Technology Company Limited (北京京迪信科技有限公司) (“**Jingdixin**”), an investee company of the Company, as a guarantee for the delivery credit facility of approximately RMB380,000,000 provided by Jingdixin to the Company. As at the date of this report, the abovementioned pledging of the domestic shares of the Company has not been released.

### DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the six months ended 30 June 2020 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors or the Supervisors to acquire benefits by means of acquisition of shares in, or debentures of, the Company, and none of the Directors or the Supervisors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or had exercised any such right.

### CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Listing Rules as its own code of corporate governance. During the six months ended 30 June 2020, save as disclosed in this report, the Company has complied with all the code provisions of the CG Code and adopted most of the recommended best practice set out therein.

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



## OTHER INFORMATION *(Continued)*

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' and Supervisors' securities transactions. Specific enquiries have been made to all Directors and Supervisors, each Director and Supervisor has confirmed that they have complied with the standards for securities transactions of Directors set out in the Model Code during the six months ended 30 June 2020.

During the six months ended 30 June 2020, the Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standards set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

### PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2020, 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 (chairman), Mr. Lv Pingbo and Mr. Lv Tingjie.

The Audit Committee, together with the management of the Company and the external auditor, has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2020.

### CHANGES TO INFORMATION IN RESPECT OF DIRECTORS AND SUPERVISORS

Mr. Liu Songshan has retired as executive Director, member of Nomination Committee and member of Strategy Committee due to the expiry of his term of office with effect from 22 May 2020; Mr. Qi Xiangdong has retired as non-executive Director and member of Strategy Committee; Ms. Xinxin has retired as non-executive Director and member of Remuneration and Assessment Committee; on the same day, Mr. Li Wenzhi was appointed as non-executive Director and member of Strategy Committee; Mr. Yao Yanzhong was appointed non-executive Director, member of Nomination Committee and member of Strategy Committee; Mr. Lv Jing was appointed as non-executive Director and member of Remuneration and Assessment Committee. For details, please refer to the Company's announcements dated 31 March 2020 and 22 May 2020 and the circular dated 28 April 2020.

In addition, Ms. Wei Shuhui has retired as the employee representative Supervisor and chairwoman of the board of supervisors (“**Board of Supervisors**”) of the Company with effect from 22 May 2020. On the same day, Mr. Hu Yuzhong and Mr. Li Wanlin were appointed as the shareholder representative Supervisors of the Company, and Mr. Liu Zhenlong was appointed as the employee representative Supervisor and Chairman of Board of Supervisors of the Company. For details, please refer to the Company's announcements dated 31 March 2020 and 22 May 2020 and the circular dated 28 April 2020.

Mr. Zhang Senquan resigned as independent non-executive director of Bonny International Holding Limited, the shares of which are listed on the Stock Exchange (stock code: 1906), in June 2020. Mr. Zhang Senquan's current appointments in listed companies include serving as an independent director of Jiangsu Aidea Pharmaceutical Co., Ltd. (江蘇艾迪藥業股份有限公司), the shares of which have been listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange (stock code: 688488SH) since July 2020.

Save as disclosed above, the Directors and the Supervisors have confirmed that there is no other information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

# INDEPENDENT REVIEW REPORT

**To the board of directors of**

**Beijing Digital Telecom Co., Ltd.**

*(Established in the People's Republic of China with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 31 to 54, which comprises the condensed consolidated statement of financial position of Beijing Digital Telecom Co., Ltd. (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

28 August 2020

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

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 Unaudited RMB'000	2019 Unaudited RMB'000
<b>REVENUE</b>	4	<b>6,125,193</b>	7,265,420
Cost of sales		<b>(5,479,408)</b>	(6,421,841)
Gross profit		<b>645,785</b>	843,579
Other income and gains	4	<b>34,404</b>	40,748
Selling and distribution expenses		<b>(321,048)</b>	(401,873)
Administrative expenses		<b>(120,264)</b>	(143,934)
Impairment losses on financial assets		<b>(16,614)</b>	(32,544)
Other expenses		<b>(32,946)</b>	(29,789)
Finance costs		<b>(94,973)</b>	(120,247)
Share of profits and losses of:			
Joint ventures		<b>(11,195)</b>	(4,915)
Associates		<b>(1,941)</b>	2,388
<b>PROFIT BEFORE TAX</b>	5	<b>81,208</b>	153,413
Income tax expense	6	<b>(16,411)</b>	(28,556)
<b>PROFIT FOR THE PERIOD</b>		<b>64,797</b>	124,857
Attributable to:			
Owners of the parent		<b>63,466</b>	137,814
Non-controlling interests		<b>1,331</b>	(12,957)
		<b>64,797</b>	124,857
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted (RMB)			
For profit for the period	7	<b>0.09</b>	0.21

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	Unaudited RMB'000	Unaudited RMB'000
<i>Notes</i>		
<b>PROFIT FOR THE PERIOD</b>	<b>64,797</b>	124,857
<b>OTHER COMPREHENSIVE LOSS</b>		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Share of other comprehensive (loss)/income of a joint venture	<b>(786)</b>	202
Exchange differences on translation of foreign operations	<b>922</b>	(454)
<i>Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:</i>		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	<b>(19,410)</b>	(1,197)
Income tax effect	<b>4,853</b>	299
	<b>(14,557)</b>	(898)
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>	<b>(14,421)</b>	(1,150)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>50,376</b>	123,707
Attributable to:		
Owners of the parent	<b>49,090</b>	136,798
Non-controlling interests	<b>1,286</b>	(13,091)
	<b>50,376</b>	123,707

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

		<b>30 June 2020</b>	31 December 2019
	<i>Notes</i>	<b>Unaudited RMB'000</b>	Audited RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	98,752	114,059
Right-of-use assets		382,365	550,002
Other intangible assets		7,811	8,459
Goodwill		61,438	68,119
Investments in joint ventures		67,367	74,349
Investments in associates		250,466	252,406
Debt instrument at amortised cost		500	500
Equity investments designated at fair value through other comprehensive income		16,213	35,623
Deferred tax assets		60,646	64,381
Total non-current assets		<b>945,558</b>	1,167,898
<b>CURRENT ASSETS</b>			
Inventories	9	2,825,641	2,937,176
Trade and bills receivables	10	2,862,670	2,689,638
Prepayments, other receivables and other assets		1,698,454	1,717,857
Financial assets at fair value through profit or loss		304,892	201,205
Due from related parties		66,087	76,163
Pledged deposits	11	1,261,233	1,485,075
Cash and cash equivalents	11	194,109	666,245
Total current assets		<b>9,213,086</b>	9,773,359
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	1,077,704	1,097,525
Other payables and accruals		263,059	310,253
Interest-bearing bank and other borrowings	12	3,146,250	3,968,773
Lease liabilities		154,595	205,276
Due to related parties		426,677	432,309
Tax payable		425,538	426,188
Total current liabilities		<b>5,493,823</b>	6,440,324
<b>NET CURRENT ASSETS</b>		<b>3,719,263</b>	3,333,035
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>4,664,821</b>	4,500,933

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 June 2020

		<b>30 June 2020</b>	31 December 2019
	<i>Notes</i>	<b>Unaudited RMB'000</b>	Audited RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	12	<b>15,922</b>	–
Lease liabilities		<b>230,992</b>	324,428
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>4,417,907</b>	4,176,505
		<hr/>	<hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent:</b>			
Issued capital	14	<b>732,460</b>	666,667
Reserves		<b>3,521,914</b>	3,347,591
		<hr/>	<hr/>
		<b>4,254,374</b>	4,014,258
<b>Non-controlling interests</b>		<b>163,533</b>	162,247
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>4,417,907</b>	4,176,505
		<hr/>	<hr/>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

Attributable to owners of the parent										
						Fair value reserve of financial assets at fair value				
	Share capital	Capital reserve	Share- based payment reserve	Statutory reserve funds	Retained profits	through other comprehensive income	Exchange fluctuation reserve	Total	Non- controlling interests	Total equity
Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Six months ended 30 June 2020:</b>										
At 31 December 2019 (as audited)	666,667	500,359	25,295	302,359	2,523,559	(3,917)	(64)	4,014,258	162,247	4,176,505
Profit for the period	-	-	-	-	63,466	-	-	63,466	1,331	64,797
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	-	967	967	(45)	922
Change in fair value of equity										
Investments at fair value through other comprehensive loss, net of tax	-	-	-	-	-	(14,557)	-	(14,557)	-	(14,557)
Share of other comprehensive Income of a joint venture	-	-	-	-	-	-	(786)	(786)	-	(786)
Total comprehensive income for the period	-	-	-	-	63,466	(14,557)	181	49,090	1,286	50,376
Issue of shares	14 65,793	125,233	-	-	-	-	-	191,026	-	191,026
At 30 June 2020 (Unaudited)	732,460	625,592	25,295	302,359	2,587,025	(18,474)	117	4,254,374	163,533	4,417,907



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

For the six months ended 30 June 2020

	Attributable to owners of the parent								Total equity RMB'000
	Issued capital RMB'000	Capital reserve RMB'000	Statutory reserve funds RMB'000	Retained profits RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	
<b>Six months ended 30 June 2019:</b>									
As at 31 December 2018 (as audited)	666,667	524,953	276,615	2,291,864	651	(420)	3,760,330	73,375	3,833,705
Profit for the period	-	-	-	137,814	-	-	137,814	(12,957)	124,857
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	(320)	(320)	(134)	(454)
Change in fair value of equity									
Investments at fair value through other comprehensive loss, net of tax	-	-	-	-	(898)	-	(898)	-	(898)
Share of other comprehensive income of a joint venture	-	-	-	-	-	202	202	-	202
Total comprehensive income for the period	-	-	-	137,814	(898)	(118)	136,798	(13,091)	123,707
Acquisition of subsidiaries	-	-	-	-	-	-	-	2,114	2,114
As at 30 June 2019 (Unaudited)	666,667	524,953	276,615	2,429,678	(247)	(538)	3,897,128	62,398	3,959,526

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax:		
From continuing operations	81,208	153,413
From a discontinued operation	–	–
Adjustments for:		
Finance costs	94,973	120,247
Interest income from loan receivables and others	–	(592)
Share of profits and losses of joint ventures and associates	13,136	2,527
Gain on disposal of a subsidiary	–	(2,580)
Loss on disposal of an associate	–	2,785
Gain on acquisition of subsidiaries	–	(1,929)
Impairment of trade receivables	12,759	13,629
Impairment of financial assets at fair value through other comprehensive income	(182)	1,527
Impairment of other receivables	4,037	888
Write-down of inventories to net realisable value	23,148	18,144
Impairment of other intangible assets	–	2,356
Impairment of goodwill	6,681	4,527
Impairment of loan receivables	–	16,499
Fair value gain on financial assets at fair value through profit or loss	(3,687)	–
Depreciation of property, plant and equipment	22,556	26,871
Depreciation of right-of-use assets	107,351	112,438
Rent concession	(10,539)	–
Amortisation of intangible assets	753	767
Loss on disposal of items of property, plant and equipment	649	928
Foreign exchange loss/(gain), net	530	(512)
Increase in trade and bills receivables	(184,670)	(441,136)
Decrease/(increase) in prepayments, other receivables and other assets	20,009	(448,031)
Decrease/(increase) in inventories	88,387	(13,807)
(Decrease)/increase in trade and bills payables	(19,821)	235,596
Decrease in other payables and accruals	(10,818)	(48,455)
Decrease in amounts due from related parties	11,203	85,411
Increase in amounts due to related parties	25,342	7,506
Cash generated from/(used in) operations	283,005	(150,983)
Income tax paid	(8,473)	(11,188)
<b>NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>274,532</b>	<b>(162,171)</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of subsidiaries	–	786
Disposal of a subsidiary	–	35,000
Disposal of an interest in an associate	–	6,000
Purchases of items of property, plant and equipment	(8,127)	(21,808)
Purchases of items of other intangible assets	(105)	(789)
Proceeds from disposal of items of property, plant and equipment	229	3,612
Acquisition of interests in an associate and a joint venture	(5,000)	(6,731)
Repayment of loans to third parties	–	40,640
Interest received	–	4,364
Purchase of a debt instrument	–	(500)
Prepayment arising from investments	–	(6,800)
Purchase of financial assets at fair value through profit or loss	(100,000)	–
<b>NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES</b>	<b>(113,003)</b>	<b>53,774</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New bank loans	2,721,535	3,685,030
Loan from a related party	25,270	18,315
Capital contribution from a non-controlling shareholder	191,026	–
Acquisition of non-controlling interests	(3,920)	–
Decrease/(increase) in pledged deposits	218,071	(389,217)
Repayment of bank loans and other borrowings	(3,584,692)	(3,156,046)
Principal portion of lease payments	(89,572)	(97,616)
Interest paid	(111,775)	(142,210)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(634,057)</b>	<b>(81,744)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(472,528)</b>	<b>(190,141)</b>
Cash and cash equivalents at beginning of period	666,245	708,548
Effect of foreign exchange rate changes, net	392	32
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>194,109</b>	<b>518,439</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards ("IFRS") for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9 IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>COVID-19-Related Rent Concessions (early adopted)</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

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## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office buildings and retail stores have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB10,539,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

- (d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

## 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has one reportable operating segment which is the sale of mobile telecommunications devices and accessories.

Management monitors the Group's operating results of its business as a whole for the purpose of making decisions about resource allocation and performance assessment.

### Information about major customers

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

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**3. OPERATING SEGMENT INFORMATION (Continued)****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 early October are mainly attributable to the increased demand for mobile telecommunications devices and accessories during the holiday season, as well as in November and December, due to the 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.

**4. REVENUE, OTHER INCOME AND GAINS****(a) Revenue**

An analysis of revenue is as follows:

*Segments*

	For the six months ended 30 June	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000
<b>Types of goods or services</b>		
Sales of mobile telecommunications devices and accessories	<b>6,007,489</b>	7,036,106
Including:		
Retail of mobile telecommunications devices and accessories	<b>2,629,016</b>	3,623,864
Sales of telecommunications devices and accessories to franchisees	<b>454,198</b>	1,382,631
Wholesales of mobile telecommunications devices and accessories	<b>2,924,275</b>	2,029,611
Service income from mobile carriers	<b>58,459</b>	181,478
Other service fee income	<b>59,245</b>	47,836
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>6,125,193</b>	7,265,420
<b>Geographical markets</b>		
Mainland China	<b>5,840,441</b>	7,186,435
India	<b>115</b>	4,433
Spain	<b>283,765</b>	73,059
Bangladesh	<b>872</b>	1,493
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>6,125,193</b>	7,265,420

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2020

4. REVENUE, OTHER INCOME AND GAINS (Continued)

(a) Revenue (Continued)

An analysis of revenue is as follows: (Continued)

Segments (Continued)

	For the six months ended 30 June	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	6,007,489	7,036,106
Services transferred over time	117,704	229,314
	<hr/>	<hr/>
Total revenue from contracts with customers	6,125,193	7,265,420

(b) Other income and gains

	For the six months ended 30 June	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000
<b>Other income</b>		
Interest income	9,677	8,095
Government grants (note (a))	18,539	23,226
Others	6,188	4,918
	<hr/>	<hr/>
	34,404	36,239
<b>Gains</b>		
Gain on acquisition of subsidiaries	–	1,929
Gain on disposal of a subsidiary	–	2,580
	<hr/>	<hr/>
	–	4,509
	<hr/>	<hr/>
	34,404	40,748

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



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2020

### 5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000
Cost of inventories sold and services provided	5,479,408	6,421,841
Depreciation of property, plant and equipment	22,556	26,871
Amortisation of intangible assets	753	767
Depreciation of right-of-use assets	107,351	112,438
Interest on lease liabilities	16,278	13,363
Impairment of financial assets:		
Impairment of trade receivables	12,759	13,629
Impairment of other receivables	4,037	888
Impairment of loan receivables	–	16,499
Impairment of financial assets at fair value through other comprehensive income	(182)	1,527
Fair value gain on financial assets at fair value through profit or loss	(3,687)	–
Write-down of inventories to net realisable value	23,148	18,144
Impairment of goodwill	6,681	4,527
Impairment of other intangible assets	–	2,356
Loss on disposal of property, plant and equipment	649	928

### 6. INCOME TAX

The provision for 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 except for Sichuan Yijialong Communication Technology Chain Co., Ltd. and Dixin Simaier Technology (Guangdong) Co., Ltd., two subsidiaries of the Company, which were subject to tax at preferential rates of 15% and 12.5%, respectively, for the period ended 30 June 2020. The major components of income tax expense are as follows:

	For the six months ended 30 June	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000
Current:		
Charge for the period	7,823	35,068
Deferred tax	8,588	(6,512)
Total tax charge for the period	16,411	28,556

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## 7. 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	
	2020	2019
	Unaudited RMB'000	Unaudited RMB'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation:	<b>63,466</b>	137,814
<b>Shares</b>		
Weighted average number of ordinary shares	<b>729,568,382</b>	666,667,000

## 8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment with a cost of RMB8,127,000 (for the six months ended 30 June 2019: RMB21,808,000).

Property, plant and equipment with a net book value of RMB878,000 were disposed of by the Group during the six months ended 30 June 2020 (for six months ended 30 June 2019: RMB4,549,000), resulting in a net loss on disposal of RMB649,000 (for the six months ended 30 June 2019: a net loss of RMB928,000).

## 9. INVENTORIES

	30 June 2020	31 December 2019
	Unaudited RMB'000	Audited RMB'000
Merchandise for resale	<b>2,848,047</b>	2,958,924
Consumable supplies	<b>742</b>	650
Less: Provision against inventories	<b>(23,148)</b>	(22,398)
	<b>2,825,641</b>	2,937,176

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**10. TRADE AND BILLS RECEIVABLES**

	<b>30 June 2020 Unaudited RMB'000</b>	31 December 2019 Audited RMB'000
Trade receivables	<b>2,852,904</b>	2,667,684
Bills receivable	<b>148,628</b>	148,057
Less: Impairment of trade receivables	<b>(138,862)</b>	(126,103)
	<b>2,862,670</b>	2,689,638

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 and bills receivables are unsecured and non-interest-bearing.

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

	<b>30 June 2020 Unaudited RMB'000</b>	31 December 2019 Audited RMB'000
Within 90 days	<b>2,551,282</b>	2,347,021
91 to 180 days	<b>92,918</b>	184,140
181 to 365 days	<b>169,213</b>	109,487
Over 1 year	<b>49,257</b>	48,990
	<b>2,862,670</b>	2,689,638

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2020

### 11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

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

	<b>30 June 2020 Unaudited RMB'000</b>	31 December 2019 Audited RMB'000
Cash and bank balances	<b>194,109</b>	666,245
Time deposits	<b>1,261,233</b>	1,485,075
	<b>1,455,342</b>	2,151,320
Less: Pledged time deposits		
Pledged for bank borrowings	<b>862,454</b>	1,077,835
Pledged for bank acceptance notes	<b>398,150</b>	400,840
Other pledged deposits	<b>629</b>	6,400
	<b>1,261,233</b>	1,485,075
Cash and cash equivalents, denominated in RMB	<b>194,109</b>	666,245

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**12. INTEREST-BEARING BANK AND OTHER BORROWINGS**

		<b>30 June 2020</b>	31 December 2019
	<i>Notes</i>	<b>Unaudited RMB'000</b>	Audited RMB'000
<b>Current</b>			
<b>Bank loans:</b>			
Unsecured, repayable within one year	<i>(a)</i>	<b>980,817</b>	710,985
Secured, repayable within one year	<i>(b)</i>	<b>2,140,070</b>	2,615,621
<b>Corporate bond:</b>			
Current portion	<i>(c)</i>	–	576,660
<b>Other loans:</b>			
Unsecured, repayable within one year	<i>(d)</i>	<b>25,363</b>	65,507
		<b>3,146,250</b>	3,968,773
<b>Non-current</b>			
Unsecured, repayable after one year	<i>(e)</i>	<b>15,922</b>	–
		<b>3,162,172</b>	3,968,773

Note (a): The bank loans bear interest at rates ranging from 2.20% to 10.80% (2019: 2.20% to 6.50%) per annum.

Note (b): The Group's bank loans are secured by pledged deposits, which had an aggregate carrying value of RMB862,454,000 (2019: RMB1,077,835,000), and financial assets at fair value through profit or loss with a carrying amount of RMB304,892,000 (2019: RMB201,105,000) at the end of the reporting period.

Note (c): 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 bore interest at 7.50% per annum. The interest was payable annually in arrears and the maturity date was 5 April 2020. The interest was all paid and the bond was redeemed in the period ended 30 June 2020.

Note (d): The unsecured other loans bear interest at 12.24% (2019: 12.24%) per annum.

Note (e): The bank loans bear interest at rates ranging from 1.75% to 3.00% (2019: nil) per annum.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2020

### 13. TRADE AND BILLS PAYABLES

	<b>30 June 2020 Unaudited RMB'000</b>	31 December 2019 Audited RMB'000
Trade payables	366,754	323,625
Bills payable	710,950	773,900
	<b>1,077,704</b>	<b>1,097,525</b>

	<b>30 June 2020 Unaudited RMB'000</b>	31 December 2019 Audited RMB'000
Within 90 days	641,426	644,121
91 to 180 days	293,182	84,413
181 to 365 days	139,562	365,361
Over 1 year	3,534	3,630
	<b>1,077,704</b>	<b>1,097,525</b>

### 14. ISSUED CAPITAL

	<b>30 June 2020 Unaudited RMB'000</b>	31 December 2019 Audited RMB'000
Registered, issued and fully paid: 732,460,400 ordinary shares of RMB1 each (2019: 666,667,000)	<b>732,460</b>	666,667

On 8 January 2020, the Company issued 65,793,400 subscription shares in aggregate at the subscription price of HK\$3.25 per subscription share to Nelson Innovation Limited (the "Subscriber"). The total number of 65,793,400 subscription shares issued represented 16.67% and 8.98% of the total number of issued H shares and the total number of issued shares of the Company as enlarged by the issue of the subscription shares, respectively. The gross proceeds from the subscription were HK\$213,828,550.

### 15. COMMITMENTS

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

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**16. RELATED PARTY TRANSACTIONS**

- (a) The following table illustrates the total amounts of transactions that have been entered into with related parties during the six months ended 30 June 2020 and 2019, as well as balances with related parties as at 30 June 2020 and 31 December 2019:

		Sales to related parties <sup>(i)</sup> RMB'000	Purchases from related parties <sup>(i)</sup> RMB'000	Other transactions with related parties RMB'000	Amounts owed by related parties RMB'000	Amounts owed to related parties RMB'000
<b>Associates:</b>						
Shenzhen Dixin Nuclear Communications Co., Ltd.	<b>2020</b>	–	–	–	<b>1,007</b>	–
	2019	–	–	–	707	–
Shanghai Diju Information Technology Co., Ltd.	<b>2020</b>	–	<b>8,019</b>	–	–	<b>2,156</b>
	2019	–	20,893	–	–	2,095
Comservice Commercial Factoring Co., Ltd. <sup>5</sup>	<b>2020</b>	–	–	<b>(32,879)</b>	–	<b>43,240</b>
	2019	–	–	57,652	–	74,213
Shenzhen Aizuji Technology Co., Ltd.	<b>2020</b>	<b>2,018</b>	–	–	–	<b>9,719</b>
	2019	–	–	–	–	–
Beijing Jingdixin Technology Co., Ltd.	<b>2020</b>	–	<b>758,761</b>	–	<b>100</b>	<b>364,245</b>
	2019	–	–	–	–	349,082
<b>Joint ventures:</b>						
Hollard-D.Phone (Beijing) Technology Development Co., Ltd.	<b>2020</b>	<b>1,018</b>	<b>3,289</b>	–	–	<b>7,142</b>
	2019	–	8,975	–	–	6,718
Guangzhou Zhongqi Energy Technology Co., Ltd.	<b>2020</b>	<b>40,887</b>	<b>16,347</b>	–	<b>41,362</b>	–
	2019	26,228	8,549	–	52,497	–
Yunnan Dphone Investment Co., Ltd.	<b>2020</b>	–	–	–	–	–
	2019	214	–	–	–	–



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**16. RELATED PARTY TRANSACTIONS (Continued)**

- (a) The following table illustrates the total amounts of transactions that have been entered into with related parties during the six months ended 30 June 2020 and 2019, as well as balances with related parties as at 30 June 2020 and 31 December 2019: (Continued)

		Sales to related parties <sup>(i)</sup> RMB'000	Purchases from related parties <sup>(i)</sup> RMB'000	Other transactions with related parties RMB'000	Amounts owed by related parties RMB'000	Amounts owed to related parties RMB'000
<b>Fellow subsidiaries:</b>						
Beijing Dphone	<b>2020</b>	<b>5</b>	–	–	<b>9,958</b>	<b>71</b>
Communication Services Co., Ltd. <sup>1</sup>	2019	–	30	–	11,227	113
Guang'an Dixin Cloud Communication Technology Co., Ltd. <sup>1</sup>	<b>2020</b>	<b>73</b>	–	–	<b>488</b>	–
	2019	251	–	–	460	–
<b>Companies significantly influenced by the shareholders</b>						
Beijing Tianxingyuanjing Technology Development Co., Ltd. <sup>2</sup>	<b>2020</b>	–	–	–	–	<b>104</b>
	2019	–	–	–	–	88
Luzhou Digital Science & Technology Co., Ltd. <sup>3</sup>	<b>2020</b>	–	–	–	–	–
	2019	13	–	–	–	–
<b>A subsidiary of non- controlling shareholder</b>						
Beijing Digital China Limited <sup>4</sup>	<b>2020</b>	–	–	–	–	–
	2019	–	7	–	–	–
<b>A subsidiary of a joint venture</b>						
Yunfu Zhongqi Communication Technology Co., Ltd. <sup>6</sup>	<b>2020</b>	<b>1,742</b>	<b>5</b>	–	<b>1,896</b>	–
	2019	–	–	–	465	–

30 June 2020

## 16. RELATED PARTY TRANSACTIONS (Continued)

- (a) The following table illustrates the total amounts of transactions that have been entered into with related parties during the six months ended 30 June 2020 and 2019, as well as balances with related parties as at 30 June 2020 and 31 December 2019: (Continued)

- <sup>1</sup> 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 shareholder of the Company.
- <sup>2</sup> The investment in Beijing Tianxingyuanjing Technology Development Co., Ltd. is held by Mr. Liu Donghai, the controlling shareholder of the Company, and Mr. Jinxin, who was the CEO of the Group before 13 July 2018. They directly and indirectly hold 20.53% equity interests in aggregate and have significant influence over the entity.
- <sup>3</sup> 40% of equity interest in Luzhou Digital Science & Technology Co., Ltd. is held by the controlling shareholder of the Company.
- <sup>4</sup> Beijing Digital China Limited is the fellow subsidiary of Digital China (HK) Limited, which is a non-controlling shareholder of the Company and holds 21.62% equity interest of the Company. Beijing Digital China Limited and Digital China (HK) Limited are all controlled by Digital China Group Co., Ltd.
- <sup>5</sup> The Group entered into trade receivable factoring arrangements with and transferred certain trade receivables to Comservice Commercial Factoring Co., Ltd. The secured other loans bear interest at rates ranging from 6.65% to 10.80% and are secured by trade receivables amounting to RMB61,494,000.
- <sup>6</sup> The investment in Yunfu Zhongqi Communication Technology Co., Ltd. is directly held by Guangzhou Zhongqi Energy Technology Co., Ltd., a joint venture of the Group.

Note:

- (i) The transaction prices were determined based on prices at which the Group transacted with independent third party customers and suppliers.

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

	For the six months ended	
	30 June	
	2020	2019
	Unaudited	Unaudited
	RMB'000	RMB'000
Salaries, allowances, bonuses and other expenses	<b>1,401</b>	2,047

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## 17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents, pledged deposits, financial assets at fair value through profit or loss, trade receivables, financial assets included in prepayments, other receivables and other assets, amounts due from related parties, the current portion of interest-bearing bank and other borrowings, trade and bills payables, financial liabilities included in other payables and accruals, and amounts due to related parties approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the non-current portion of lease liabilities and interest-bearing loans and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2020 were assessed to be insignificant.

The fair values of unlisted equity investments which had recent history of share transactions are based on observable market transaction prices. The fair values of other unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to sales ("EV/Sales") multiple and price to book value ("P/B") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

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## 17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2020:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average EV/Sales multiple of peers or average P/B multiple of peers	1.06 to 3.27 (31 December 2019: 0.63 to 2.97)	5% (31 December 2019: 5%) increase in multiple would result in increase in fair value by RMB850,000 (31 December 2019: RMB1,863,000)
		Discount for lack of marketability	21% to 26% (31 December 2019: 17% to 25%)	5% (31 December 2019: 5%) increase in discount would result in decrease in fair value by RMB257,000 (31 December 2019: RMB555,000)

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investments designated at fair value through other comprehensive income	–	–	16,213	16,213
Financial assets at fair value through profit or loss	–	304,892	–	304,892
Bills receivable	–	148,628	–	148,628
	–	453,520	16,213	469,733

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## 17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

As at 31 December 2019

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investments designated at fair value through other comprehensive income	–	–	35,623	35,623
Financial assets at fair value through profit or loss	–	201,205	–	201,205
Bills receivable	–	148,057	–	148,057
	–	349,262	35,623	384,885

## 18. DIVIDENDS

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

## 19. EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting period that have not been reflected in the financial statements for the period.

## 20. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 28 August 2020.