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

2020
ANNUAL REPORT

THE FUTURE
of new retail



(a joint stock limited company incorporated in the People's Republic of China with limited liability)
Stock Code : 06188

Contents

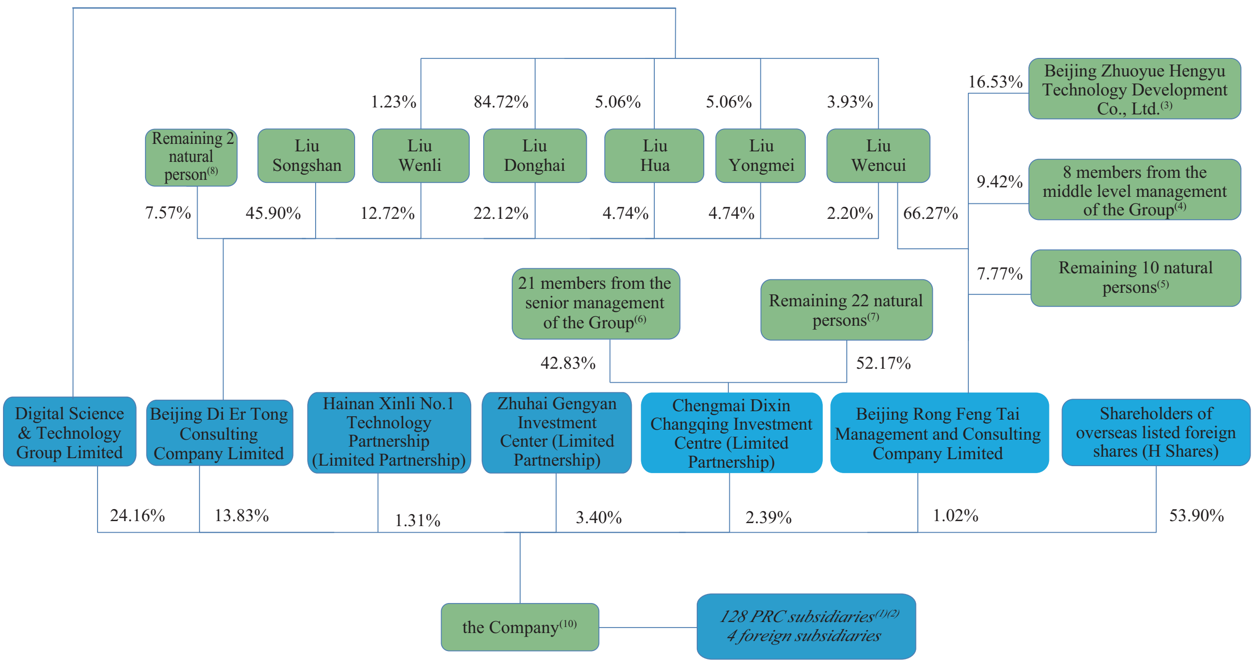
COMPANY PROFILE

Beijing Digital Telecom Co., Ltd. (the "**Company**" or "**Beijing Digital**") was founded in 2001 and its shares were listed in Hong Kong (stock code: 06188.HK) since 2014.

As at 31 December 2020, the Company had over 100 subsidiaries (collectively referred to as the "**Group**" or "**we**") and had opened more than 1,100 independently operated outlets and franchised outlets in 22 provinces and 4 municipalities over China. Since its establishment, the Company has been focusing on the sales of mobile telecommunication devices and the provision of related services. With its extensive offline sales channels and online sales platform, the Company provides comprehensive services to 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 Company persists in creating excellent experience and true value for the consumers through its quality products, convenient shopping environment and attentive one-stop services.

The corporate structure of our Group as at 31 December 2020 is set out as follows:



(1) *As of the latest practicable date, 93 PRC subsidiaries and 2 foreign subsidiaries are wholly-owned by our Company while 35 other PRC subsidiaries and 2 foreign subsidiaries are not wholly-owned by our Company. The shareholdings of these 35 non-wholly-owned PRC subsidiaries are set out below:*

(i) *60% of the equity interests of Henan Digital Trading Company Limited (河南迪信通商貿有限公司) is held by us and the remaining 40% is held by Mr. Tang Cheng (唐成), who is an independent third party. The wholly-owned subsidiaries of Henan Digital Trading Company Limited are: Gansu Digital Trading Company Limited (甘肅迪信通商貿有限公司), Jiangxi Chuangfa Trading Company Limited (江西創發商貿有限責任公司), Henan Time Space Electronic Technology Company Limited (河南時間空間電子科技有限公司), Henan Difeng Culture Communication Company Limited (河南迪鋒文化傳播有限公司), Henan Digital Business Management Company Limited (河南迪信通商業管理有限公司) and Digital (Sanmenxia) Business Management Company Limited (迪信通 (三門峽) 商業管理有限公司).*

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(ii) *75% of equity interests of Shanghai Dixin Electronic Communication Technology Co., Ltd. (上海迪信電子通信技術有限公司), Shanghai Chuanda Communication Technology Co., Ltd. (上海川達通信技術有限公司) and Shanghai Dixin South Communication Technology Co., Ltd. (上海迪信南方通信技術有限公司) are held by us and the remaining 25% is held by Zhou Qing (周清), Li Kai (李凱), Zhou Yujing (周玉靜), Yang Zhiyong (楊志勇), Chen Xiujun (陳秀俊), Jiao Liping (焦立平) and Li Yonggang (李勇剛). As at the date of this annual report, Zhou Qing and Li Kai respectively hold 9.71% and 1.94% equity interests in Chengmai Dixin Changqing Investment Centre (Limited Partnership) (澄邁迪信長青投資中心(有限合夥)). Among them, the wholly-owned subsidiary of Shanghai Dixin Electronic Communication Technology Co., Ltd. is Jiangsu Difeng Communication Technology Co., Ltd. (江蘇迪豐通信技術有限公司), and the wholly-owned subsidiary of Shanghai Dixin South Communication Technology Co., Ltd. is Fujian Dixin Electronic Communication Technology Co., Ltd. (福建迪信電子通信技術有限公司) and Shanghai Dipin Trading Company Limited (上海迪聘商貿發展有限公司).*

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

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

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

(vi) 80% of the equity interests of Yunnan Difeng Technology Company Limited (雲南迪峰科技有限公司) is held by us and the remaining 20% is held by Sun Wenjia (孫文佳) and Tian Huajun (田華君) respectively, both of whom are independent third parties and 10% is held by each of them.

(vii) 86% of the equity interests of Shenyang Dichuang Enterprise Management Company Limited (瀋陽迪創企業管理有限公司) is held by us and the remaining 14% is jointly held by Mr. Li Jiashun (李嘉順), Ms. Peng Wenqiong (彭文瓊) and the shareholders of Chengmai Dixin Changqing Investment Centre (澄邁迪信長青投資中心), namely Mr. Sun Gang (孫剛) (0.57%) and Mr. Yao Guangyuan (姚廣元) (0.11%), all of whom are independent third parties.

(viii) 75% of the equity interests of Chongqing DIGITONE Intelligent Technology Company Limited (重慶迪信通智能技術有限公司) is held by us and the remaining 25% is held by Chongqing Youtong Equity Investment Fund Partnership (Limited Partnership) (重慶市友潼股權投資基金合夥企業(有限合夥)). Its wholly-owned subsidiaries are Hong Kong Digitone Technology Co., Limited (香港迪信通技術有限公司) and Chongqing Digitone Meizhihui Equipment Research Institute Co., Ltd. (重慶迪信通美智慧裝備研究院有限公司).

(ix) 80% of the equity interests of Beijing Dixin Alliance Technology Co., Ltd. (北京迪信雲聚科技有限公司) is held by us and the remaining 20% is held by Mr. Jin Xin (金鑫). It owns 60% of the equity interests of its subsidiary Beijing Alliance Oriental Technology Co., Ltd. (北京雲聚東方科技有限公司).

(x) 51% of the equity interests of Beijing Digital Technology and Trading Co., Ltd. (北京迪信通科貿有限公司) is held by us and the remaining 49% is held by Beijing Huidi Chuangxin Technology Co., Ltd. (北京惠迪創信科技有限公司).

(xi) 51% of the equity interests of Beijing Dirong Consulting Service Company Limited (北京迪融諮詢服務有限公司) is held by us and the remaining 49% is held by Beijing Ruilei Consulting Service Company Limited (北京銳雷諮詢服務有限公司).

(xii) 51% of the equity interests of Guangan Zhuopin Era Technology Co., Ltd (廣安卓品時代科技有限公司) is held by us and the remaining 49% is held as to 29.4% by Wang Liang (王亮) and 19.6% by Wei Wenfei (衛文斐) respectively. It owns 51% of the equity interests of its subsidiary Yunnan Yingmi Technology Company Limited (雲南英米科技有限責任公司), which owns 70% interests in the subsidiary Shenzhen Mizuan Network Technology Co., Ltd. (深圳米鑽網路科技有限公司).

(xiii) 75% of the equity interests of Shanghai Yushen Technology Company Limited (上海昱申科技有限責任公司) is held by us and the remaining 25% is held as to 10% by Beijing Abujia Management Consulting Company Limited (北京阿卟伽管理諮詢有限公司) and 5% by independent third parties, Li Wenhua (李文華), Wen Yuguang (文宇光) and Du Li (杜莉) respectively. Shanghai Yushen Technology Company Limited owns 100% interests in the subsidiary Beijing Abu Technology Co., Ltd. (北京阿卟科技有限公司) and owns 60% interests in the subsidiary Shanghai Abujia Technology Co., Ltd. (上海阿卟伽科技有限公司), which is owned as to 15% by Shanghai Dixin Electronic Communication Technology Co., Ltd.

(xiv) 80% of the equity interests of Beijing Wangju Dixin Youpin Internet Technology Trading Co., Ltd. (北京網聚迪信優品互聯網科技有限公司) is held by us and the remaining 20% is held by an independent third party, Liu Zhigang (劉志剛).

(xv) 60% of equity interests of Guangzhou Zhongqi Communication Technology Co., Ltd. (廣州中啟通信科技有限公司) is held by us and the remaining 40% is jointly held by Chen Jianbin (陳建斌) (20%), Luo Yan (羅豔) (10%) and Li Xishu (李西蜀) (10%), all of whom are independent third parties.

(xvi) 75% of the equity interests of Shenzhen DIGITONE Technology Company Limited (深圳市迪信通科技有限公司) is held by us and the remaining 25% is held by an independent third party, Yang Ruhe (楊濡赫).

(xvii) 51% of equity interests of Beijing Penglu Network Technology Co., Ltd. (北京鵬路網路科技有限公司) is held by us and the remaining 49% is held by an independent third party, Nan Yufang (南玉芳).

The shareholdings of the 2 non-wholly owned foreign subsidiaries are set out below:

(i) 72% of the equity interests of New Idea Investment Pte Limited (新迪亞投資有限公司) is held by us and the remaining 28% is held as to 20% by ZTE Corporation (中興通訊股份有限公司) and 8% by Shanghai Shengshan Pushang Investment Zhongxing (Limited Partnership) (上海盛山普尚投資中興(有限合夥)) respectively. It owns 65% of the equity interests of its subsidiary Digitone Mobiles Private Limited.

(2) As one of the largest physical retail store networks in the PRC mobile telecommunications sector, we maintain our leading position by conducting our business through 128 subsidiaries in PRC spreading across 22 provinces and 4 municipalities and 4 foreign subsidiaries. These subsidiaries are mainly to operate individual standalone outlets and liaise with local wholesalers.

(3) As at 31 December 2020, the shareholders of Beijing Zhuoyue Hengyu Technology Development Co., Ltd. (北京卓越恒宇科技發展有限公司) are Cui Mingbao (崔明寶) (60%) and Zhang Weiping (張蔚萍) (40%).

(4) As at 31 December 2020, 8 members from the middle level management of the Group include Luo Jianjun (3.33%), Hu Ping (1.33%), Zhao Shuang (1.33%), Hou Qinghong (0.93%), Huang Qiuli (0.82%), Li Xuehua (0.64%), Zhang Shuangping (0.64%) and Dong Shaorong (0.40%).

(5) As at 31 December 2020, the other 10 natural person shareholders of Beijing Rong Feng Tai Management and Consulting Company Limited (北京融豐泰管理諮詢有限公司) (formerly served as the management team of the Group, and currently no longer hold any roles in the management team of the Group) include Zhang Hui (1.33%), Li Jing (0.82%), Li Dong (0.53%), Jiang Shan (0.82%), Tian Hong (0.53%), Li Yunping (0.82%), Jiang Xuefu (0.82%), Cao Qin (1.33%), Qi Qin (0.64%) and Pei Qidi (0.13%).

(6) As at 31 December 2020, 21 members from the senior management of the Group include Zhou Qing (9.71%), Zhang Tianyu (6.86%), Liu Yajun (4.57%), Xu Guliang (2.86%), Li Xuerong (2.00%), Li Kai (1.94%), He Lingli (1.89%), Zhang Ning (1.71%), Chen Lin (1.43%), Li Dongmei (3.71%), Li Wanqing (1.37%), Sun Chengdong (1.31%), Ji Li (0.97%), Sun Gang (0.57%), Qiao Junjie (0.51%), Chen Hong (0.29%), He Junchao (0.29%), Peng Qiyi (0.29%), Yang Jianguo (0.27%), He Zhiwei (0.17%) and Yao Guangyuan (0.11%). Liu Yajun is an executive Director of our Company.

(7) As at 31 December 2020, the other 22 natural person shareholders of Chengmai Dixin Changqing Investment Centre (Limited Partnership) (formerly served as the management team of the Group, and currently no longer hold any roles in the management team of the Group) include Feng Lei (1.14%), Pang Hong (0.57%), Wang Zhifeng (0.86%), Wang Zhenfeng (0.57%), Leng Jianchuang (2.86%),Yang Xiaomei (3.17%), Ding Zhijun (2.69%), Tang Zhiqiang (2.00%), Guo Weijuan (1.94%), Jing Shulin (0.57%), Zhao Bin (0.49%), Cao Wenying (0.27%), Fang Hongbao (0.17%), Pang Hongqiang (0.17%), Huang Jianhui (2.86%), Zhang Jun (1.23%), Pei Qidi (0.57%), Qi Feng (9.15%), Bai Ren (5.83%), Zhong Dalin (1.89%), Jin Xin (17.14%) and Xiao Chunmei (1.03%) respectively.

(8) As at 31 December 2020, 2 natural person shareholders of Beijing Di Er Tong Consulting Company Limited (formerly served as the management team of the Group, and currently no longer hold any roles in the management team of the Group) were Pei Qidi (0.99%) and Du Guohui (6.58%).

(9) The proportion of shares in this chart has been rounded, so the total proportion of shares held by shareholders in the corresponding companies may not equal to 100%.

(10) The Directors, Supervisors and members of the senior management who directly or indirectly having an interest in the shares of the Company are as follows: (a) Liu Donghai, chairman and executive Director; (b) Liu Yajun, vice chairman and executive Director; (c) Liu Wencui, executive Director; and (d) Zhou Qing, vice general manager. Each of the above Directors and members of the senior management undertakes that, upon the Listing, pursuant to the PRC Company Law, he/she will continuously declare to the Company his/her direct or indirect interest in the shares of the Company, and will comply with the following restrictions: (1) he/she shall not transfer his/her respective direct or indirect interests in the Shares within one year after Listing; (2) he/she shall not transfer more than 25% of his/her respective direct or indirect interests in the Shares each year during the tenure; and (3) he/she will not transfer any of his/her respective direct or indirect interests in the Shares within six months after his/her departure from the Company. If the undertaking is breached, each of the above Directors, Supervisors and members of the senior management agrees that since the date of breach, (1) the Company may withhold from paying his/her respective remuneration or other benefits; (2) the Company may withhold from vesting dividends under his/her respective direct or indirect interests in the Shares; and (3) the Company may terminate the employment agreement or service contract, as applicable, with the relevant person unilaterally without any recourse to the Company (save for the benefits already accrued prior to such breach).

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 (Ceased to act on 9 November 2020)
Ms. Lam Yuk Ling

AUTHORIZED REPRESENTATIVES

Mr. Liu Yajun
Ms. Li Dongmei (Ceased to act on 9 November 2020)
Ms. Lam Yuk Ling (Appointed on 9 November 2020)

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

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
23-31/F, South Tower of CP Center
20 Jin He East Avenue
Chaoyang District, 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

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 year ended 31 December				
	2020	2019	2018	2017	2016 (Restated)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Consolidated Statement of Profit or Loss					
Revenue	**13,550,150**	15,350,953	15,054,664	15,974,316	15,177,126
Gross Profit	**1,176,691**	1,768,877	1,927,276	2,000,168	1,855,678
Profit for the year	**114,512**	260,452	322,101	322,947	357,011
Other comprehensive income profit/loss for the year	**(34,537)**	(4,214)	2,588	(1,075)	–
Total comprehensive income for the year	**79,975**	256,238	324,689	321,872	357,011
Attributable to:					
Owners of the parent	**79,776**	253,227	331,792	321,415	356,358
Non-controlling interests	**199**	3,011	(7,103)	457	653
Attributable to ordinary equity holders of the parent Earnings per share – Basic and diluted (RMB/share)	**0.16**	0.39	0.49	0.48	0.53
Consolidated Balance Sheet					
Non-current assets	**833,442**	1,167,898	421,386	377,571	308,809
Current assets	**8,511,574**	9,773,359	7,658,717	7,976,072	7,013,306
Total assets	**9,345,016**	10,941,257	8,080,103	8,353,643	7,322,115
Current liabilities	**4,689,071**	6,440,324	4,246,398	4,245,759	4,152,501
Total assets less current liabilities	**4,655,945**	4,500,933	3,833,705	4,107,884	3,169,614
Non-current liabilities	**208,439**	324,428	–	596,542	–
Net assets	**4,447,506**	4,176,505	3,833,705	3,511,342	3,169,614
Share capital	**732,460**	666,667	666,667	666,667	666,667
Reserves	**3,552,600**	3,347,591	3,093,663	2,764,392	2,442,977
Equity attributable to owners of the parent	**4,285,060**	4,014,258	3,760,330	3,431,059	3,109,644
Non-controlling interests	**162,446**	162,247	73,375	80,283	59,970
Consolidated Statement of Cash Flow					
Net cash flows from/(used in) operating activities	**315,029**	537,068	266,249	69,585	461,744
Net cash flows from investment activities	**78,098**	(367,347)	350,890	(638,591)	(163,668)
Net cash flows from/(used in) financing activities	**(988,621)**	(212,223)	(524,234)	400,278	44,262
Net increase/(decrease) in cash and cash equivalents	**(595,494)**	(42,502)	92,905	(168,728)	342,338
Cash and cash equivalents at beginning of year	**666,245**	708,548	614,879	784,756	441,844
Effect of foreign exchange rate changes on cash flow	**662**	199	764	(1,149)	574
Cash and cash equivalents at end of year	**71,413**	666,245	708,548	614,879	784,756

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to announce the annual results of the Group for the year ended 31 December 2020. The total revenue of the Company amounted to RMB13,550,150,070, representing a decrease of RMB1,800,802,830 or 11.73% from RMB15,350,952,900 for the same period last year. The net profit for the year of 2020 amounted to RMB114,511,750, representing a decrease of RMB145,940,250 or 56.03% from RMB260,452,000 for the same period last year. The Group sold 7,954,910 mobile handsets, representing a decrease of 1,778,830 sets or 18.27% from 9,733,740 sets for the same period last year. For detailed analysis on the financial data, please refer to the annual results announcement of the Company for the year 2020.

In 2020, in order to cushion the impact of Novel Coronavirus Pandemic, we continued to optimize the structure of offline retail store networks, make appropriate adjustment to the scale of self-owned stores and provide outlet warehouse service through major online e-commerce platforms, aiming at establishing an omni-channel performance system. We are also operating multiple channels and providing diversified services in different countries, thereby continuously expanding our market competitiveness and brand influence.

With regard to adjustments on offline network, we optimized the outlet layout by reducing the number of stores appropriately. At the same time, we constantly strengthened the cooperation with three major carriers and our own brand UP+ has become the preferred partner of China Mobile and China Unicom for self-operated retail upgrade and renovation. With regard to the omni-channel marketing and performance system, we built comprehensive partnerships with near-field e-commerce (JD), micro-range e-commerce (Meituan and Eleme) and live streaming e-commerce (Douyin and Kuaishou) and provided the largest cooperation channel for those e-commerce platforms in terms of 3C categories in the society by leveraging on real-time order acquisition and contract performance capability of more than a thousand outlet warehouses. Currently the number of those new orders has accounted for 20% to 30% of the total orders. With regard to the category expansion, 2020 is the beginning for the kick-off of 5G products. The sales volume of 5G mobile phones has accounted for more than 70% of our sales, while the convergence products and intelligent products related to 5G have also been introduced into Beijing Digital on a large scale, which constitute an important part of our sales structure. With regard to overseas market, under the dual impact of the pandemic and economy, we did not suffer any cut back in our operation scale in Nigeria, Spain and Thailand. Instead, we have achieved a certain growth in profits, which marked a milestone in the global business of Beijing Digital.

In 2021, 5G communication products have been launched in the market, preparing for the boom of smart home, convergence products and IoT (物聯網) products, which will bring enormous market opportunity for Beijing Digital. Meanwhile, the established omni-channel marketing and contract performance capability have contributed remarkable performance with new business added for Beijing Digital. With the acceleration of vaccines injection worldwide, it brings expansion opportunity in Western Europe. We will enhance the Company's performance of 2021 through the following approaches:

1. Engaging full-scale cooperation with three major carries by providing the entrusted operation service for their self-operated stores so as to offer total solutions for new retailing and realize rapid improvement in outlet size based on asset-light model;

2. Capturing carriers' opportunity of developing smart home, convergence products and IoT products to transform the self-operated stores of Beijing Digital into a pioneer and benchmark of the same type of business of the carriers, with an aim to realize the diversification of our own product portfolio;

3. Capturing carriers' opportunity of adjusting customer operation concepts to export new customer expansion and old customer marketing system and operation services to carriers in other provinces based on the "Molink (領客)" system created by Beijing Digital and Tencent as well as the previous experience in serving Guangdong Mobile;

4. Against the backdrop of ever-changing mobile phone brand landscape, carrying out the full-scale cooperation with potential brands to match the manufacturers' strategy on retail distribution and gain benefit from it;

5. Strengthening cooperation with near-field e-commerce (JD), micro-range e-commerce (Eleme and Meituan) and live streaming e-commerce (Douyin and Kuaishou). By launching a full-scale "drop shipping" service with local top-tier brands, Beijing Digital's outlet warehouses can directly provide order fulfillment services to e-commerce; and

6. Tapping into the Western Europe market with the domestic mainstream mobile phone brands (such as HONOR (榮耀) and OPPO) in order to fill the market gap in the Eastern Europe for Xiaomi (小米) by multiline promotion scheme of European business.

MANAGEMENT DISCUSSION & ANALYSIS

MANAGEMENT DISCUSSION & ANALYSIS

I. BUSINESS REVIEW

For the year ended 31 December 2020, the Group sold 7,954,910 mobile handsets, representing a decrease of 1,778,830 sets or 18.27% from 9,733,740 sets for the same period last year. Operating revenue for the year of 2020 amounted to RMB13,550,150,070, representing a decrease of RMB1,800,802,830 or 11.73% from RMB15,350,952,900 for the same period last year. Net profit for the year of 2020 amounted to RMB114,511,750, representing a decrease of RMB145,940,250 or 56.03% from RMB260,452,000 for the same period last year.

II. FINANCIAL POSITION AND OPERATING RESULTS

(I) Overview

For the year ended 31 December 2020, the Group recognized net profit of RMB114,511,750, representing a decrease of RMB145,940,250 or 56.03% from RMB260,452,000 for the same period in 2019, among which, net profit attributable to the owners of the parent of the Company amounted to RMB114,062,240, representing a decrease of RMB143,377,050 or 55.69% from RMB257,439,290 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.

Items	2020 RMB'000	2019 RMB'000	Change RMB'000	Percentage of change
Operating revenue	**13,550,150.07**	15,350,952.90	(1,800,802.83)	(11.73%)
Cost of sales	**(12,373,458.78)**	(13,582,075.85)	1,208,617.07	(8.90%)
Gross profit	**1,176,691.29**	1,768,877.05	(592,185.76)	(33.48%)
Other income and gains	**56,060.43**	67,576.29	(11,515.86)	(17.04%)
Selling and distribution expenses	**(618,265.43)**	(858,016.30)	239,750.87	(27.94%)
Administrative expenses	**(269,583.20)**	(324,563.41)	54,980.21	(16.94%)
Other expenses	**(72,860.64)**	(86,751.42)	13,890.78	(16.01%)
Finance costs	**(162,091.06)**	(232,711.71)	70,620.65	(30.35%)
Investment gains	**(3,544.23)**	(2,265.00)	(1,279.23)	56.48%
Profit before tax	**106,407.16**	332,145.50	(225,738.34)	(67.96%)
Income tax expense	**8,104.59**	(71,693.50)	79,798.09	(111.30%)
Total net profit for the year after taxation	**114,511.75**	260,452.00	(145,940.25)	(56.03%)
Net profit attributable to the parent	**114,062.24**	257,439.29	(143,377.05)	(55.69%)
Attributable to minority interests	**449.51**	3,012.71	(2,563.20)	(85.08%)

1. *Operating revenue*

For the year ended 31 December 2020, operating revenue of the Group amounted to RMB13,550,150,070, representing a decrease of RMB1,800,802,830 or 11.73% from the operating revenue of RMB15,350,952,900 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 stores; 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 including our independently operated outlets and online channels; (ii) sales in our franchise business; and (iii) sales in our wholesale business. Revenue from our retail business includes revenue from sales of mobile telecommunications devices and accessories in our independent stores and store-in-store outlets, stores in cooperation with the mobile carriers, and online sales platforms. Revenue from our franchise business includes revenue from sales of mobile telecommunications devices and accessories to our franchisees. Revenue from our wholesale business includes revenue from sales of mobile telecommunications devices and accessories we distribute to mobile carriers and other third-party retailers. Our service income from mobile carriers primarily represents call services subscriptions from the mobile carriers. Other service fee income includes (i) management and service fees received from suppliers of products; (ii) income from value-added services; (iii) the rental fees we earn by renting counter space to third parties who provide repair services; (iv) repair and maintenance fees; and (v) income from franchisees' services.

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

Items	For the year ended 31 December					Percentage of change
	2020		2019		Change	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	
(1) Sales of mobile telecommunications devices and accessories	**13,246,323.80**	**97.76%**	14,877,308.21	96.91%	(1,630,984.41)	(10.96%)
Including: Sales from retail of mobile telecommunications devices and accessories	**4,956,716.96**	**36.58%**	6,744,884.11	43.94%	(1,788,167.15)	(26.51%)
Sales of telecommunications devices and accessories to franchisees	**1,017,517.31**	**7.51%**	2,726,783.54	17.76%	(1,709,266.23)	(62.68%)
Wholesale of mobile telecommunications devices and accessories	**7,272,089.53**	**53.67%**	5,405,640.56	35.21%	1,866,448.97	34.53%
(2) Service income from mobile carriers	**138,630.53**	**1.02%**	312,420.80	2.04%	(173,790.27)	(55.63%)
(3) Other service fee income	**165,195.74**	**1.22%**	161,223.89	1.05%	3,971.85	2.46%
Total	**13,550,150.07**	**100.00%**	15,350,952.90	100.00%	(1,800,802.83)	(11.73%)

The Group's service income from mobile carriers amounted to RMB138,630,530 for the year ended 31 December 2020, representing a decrease of RMB173,790,270 or 55.63% compared with the service income from mobile carriers of RMB312,420,800 for the same period in 2019. Decrease in the service income from mobile carriers was attributable to a decrease in subsidies granted to sales of terminals from carriers, which was affected by the revenue of retail stores due to COVID-19 pandemic (the "**Pandemic**") in 2020.

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

Items	For the year ended 31 December					Percentage of change
	2020		2019		Change	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	
China Mobile	**86,629.64**	**62.49%**	140,362.55	44.93%	(53,732.91)	(38.28%)
China Unicom	**8,113.21**	**5.85%**	32,037.73	10.25%	(23,924.52)	(74.68%)
China Telecom	**43,887.68**	**31.66%**	139,843.28	44.76%	(95,955.60)	(68.62%)
Virtual Network Operators	–	**0.00%**	177.24	0.06%	(177.24)	(100.00%)
Total	**138,630.53**	**100.00%**	312,420.80	100.00%	(173,790.27)	(55.63%)

2. *Cost of sales*

The Group's cost of sales for the year ended 31 December 2020 amounted to RMB12,373,458,780, representing a decrease of RMB1,208,617,070 or 8.90% from RMB13,582,075,850 for the same period in 2019, which was mainly due to the decrease in cost of sales in tandem with the decrease in our operating revenue.

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

Items	For the year ended 31 December					
	2020		2019		Change	Percentage of change
	RMB'000	% of total costs	RMB'000	% of total costs	RMB'000	
(1) Sales of mobile telecommunications devices and accessories	**12,340,664.85**	**99.74%**	13,556,165.26	99.81%	(1,215,500.41)	(8.97%)
Including: Sales from retail of mobile telecommunications devices and accessories	**4,213,012.05**	**34.05%**	5,601,756.93	41.24%	(1,388,744.88)	(24.79%)
Sales of telecommunications devices and accessories to franchisees	**997,266.05**	**8.06%**	2,667,095.22	19.64%	(1,669,829.17)	(62.61%)
Wholesale of mobile telecommunications devices and accessories	**7,130,386.75**	**57.63%**	5,287,313.11	38.93%	1,843,073.64	34.86%
(2) Service costs from mobile carriers	**23,583.52**	**0.19%**	22,007.76	0.16%	1,575.76	7.16%
(3) Other service fee costs	**9,210.41**	**0.07%**	3,902.83	0.03%	5,307.58	135.99%
Total	**12,373,458.78**	**100.00%**	13,582,075.85	100.00%	(1,208,617.07)	(8.90%)

3. *Gross profit and gross profit margin*

Gross profit represents operating revenue net of cost of sales. For the years ended 31 December 2020, gross profit of the Group amounted to RMB1,176,691,290, representing a decrease of RMB592,185,760 or 33.48% from the gross profit of RMB1,768,877,050 for the same period in 2019. Our overall gross profit margins for the years ended 31 December 2019 and 2020 were 11.52% and 8.68%, respectively.

Decrease in our overall gross profit margin as compared to that of 2019 was primarily due to the higher proportion of wholesale revenue and the lower proportion of retail revenue in our primary operating revenue in 2020.

Items	For the year ended 31 December							
	2020			2019			Change	Percentage of change
	RMB'000	% of total gross profit	Gross profit margin	RMB'000	% of total gross profit	Gross profit margin	RMB'000	
Revenue from continuing operations								
(1) Sales of mobile telecommunications devices and accessories	**905,658.95**	**76.96%**	**6.84%**	1,321,142.95	74.69%	8.88%	(415,484.00)	(31.45%)
Including: Sales from retail of mobile telecommunications devices and accessories	**743,704.91**	**63.20%**	**15.00%**	1,143,127.18	64.63%	16.95%	(399,422.27)	(34.94%)
Sales of telecommunications devices and accessories to franchisees	**20,251.26**	**1.72%**	**1.99%**	59,688.32	3.37%	2.19%	(39,437.06)	(66.07%)
Wholesale of mobile telecommunications devices and accessories	**141,702.78**	**12.04%**	**1.95%**	118,327.45	6.69%	2.19%	23,375.33	19.75%
(2) Service income from mobile carriers	**115,047.01**	**9.78%**	**82.99%**	290,413.04	16.42%	92.96%	(175,366.03)	(60.39%)
(3) Other service fee income	**155,985.33**	**13.26%**	**94.42%**	157,321.06	8.89%	97.58%	(1,335.73)	(0.85%)
Total	**1,176,691.29**	**100.00%**	**8.68%**	1,768,877.05	100.00%	11.52%	(592,185.76)	(33.48%)

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:

	For the year ended 31 December			
Items	**2020**	2019	**Change**	**Percentage of change**
Sales of mobile handsets (in RMB thousands)	**12,903,752.93**	14,473,660.38	(1,569,907.45)	(10.85%)
Sales volume of mobile handsets (in sets)	**7,954,913.00**	9,733,743.00	(1,778,830.00)	(18.27%)
Average selling price (RMB/per set)	**1,622.11**	1,486.96	135.15	9.09%

5. Other income and gains

Other income and gains include: (i) interest income; (ii) government grants; (iii) gain on disposal of items of property, plant and equipment; (iv) gain on foreign exchange; and (v) others. The Group's other income and gains for the year ended 31 December 2020 amounted to RMB56,060,430, representing a decrease of RMB11,515,860 or 17.04% from RMB67,576,290 for the same period in 2019, which was primarily attributable to the decrease in interest income and a decrease in tax refund in 2020.

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

	For the year ended 31 December			
Items	**2020 RMB'000**	2019 RMB'000	**Change** RMB'000	**Percentage of change**
Interest income	**24,133.38**	9,142.78	14,990.60	163.96%
Government grants	**26,034.67**	46,090.76	(20,056.09)	(43.51%)
Gain on disposal of items of property, plant and equipment	**154.11**	281.11	(127.00)	(45.18%)
Gain on foreign exchange	–	256.81	(256.81)	(100.00%)
Others	**5,738.27**	11,804.83	(6,066.56)	(51.39%)
Total	**56,060.43**	67,576.29	(11,515.86)	(17.04%)

6. *Selling and distribution expenses*

Items	For the year ended 31 December					
	Selling and distribution expenses		% of total expenses			
	2020 **RMB'000**	2019 RMB'000	**2020**	2019	**Change** RMB'000	**Percentage of change**
Staff salaries	**271,395.29**	395,550.99	**43.90%**	46.10%	(124,155.70)	(31.39%)
Office expenses	**10,500.12**	14,112.58	**1.70%**	1.64%	(3,612.46)	(25.60%)
Travelling expenses	**2,289.28**	3,389.20	**0.37%**	0.41%	(1,099.92)	(32.45%)
Transportation expenses	**10,912.76**	13,901.24	**1.77%**	1.62%	(2,988.48)	(21.50%)
Business entertainment expenses	**1,818.33**	2,260.20	**0.29%**	0.26%	(441.87)	(19.55%)
Communication expenses	**3,036.03**	3,891.71	**0.49%**	0.45%	(855.68)	(21.99%)
Rentals and property management expenses	**209,670.86**	283,259.98	**33.91%**	33.01%	(73,589.12)	(25.98%)
Repair expenses	**4,350.97**	5,096.98	**0.70%**	0.59%	(746.01)	(14.64%)
Advertising and promotion expenses	**29,717.33**	42,621.47	**4.81%**	4.97%	(12,904.14)	(30.28%)
Depreciation expenses	**6,237.69**	6,442.82	**1.01%**	0.75%	(205.13)	(3.18%)
Amortisation of long-term deferred expenses	**29,224.14**	35,119.17	**4.73%**	4.09%	(5,895.03)	(16.79%)
Amortisation of low-cost consumables	**3,609.12**	5,139.17	**0.58%**	0.60%	(1,530.05)	(29.77%)
Market management fees	**8,458.18**	10,943.46	**1.37%**	1.28%	(2,485.28)	(22.71%)
Utilities	**15,436.69**	23,235.17	**2.50%**	2.71%	(7,798.48)	(33.56%)
Others	**11,608.64**	13,052.16	**1.87%**	1.52%	(1,443.52)	(11.06%)
Total	**618,265.43**	858,016.30	**100.00%**	100.00%	(239,750.87)	(27.94%)

Total selling and distribution expenses of the Group for the year ended 31 December 2020 amounted to RMB618,265,430, representing a decrease of RMB239,750,870 or 27.94% from RMB858,016,300 for the same period in 2019, which was mainly due to comprehensive impact of the decreases in staff number and total amount of staff salaries as well as the decreases in rentals and property management expenses, advertising and promotion expenses and utilities.

Total staff salaries for the year ended 31 December 2020 amounted to RMB271,395,290, representing a decrease of RMB124,155,700 or 31.39% from RMB395,550,990 for the same period in 2019. Such decrease was mainly due to the decrease in the number of staff during the year resulting from streamlining of the staffing structure.

Total rentals and property management expenses for the year ended 31 December 2020 amounted to RMB209,670,860, representing a decrease of RMB73,589,120 or 25.98% from RMB283,259,980 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.

Total advertising and promotion expenses for the year ended 31 December 2020 amounted to RMB29,717,330, representing a decrease of RMB12,904,140 or 30.28% from RMB42,621,470 for the same period in 2019. Such decrease was mainly attributable to the decrease in the Company's inputs to various soft and hard advertisements.

Total utilities for the year ended 31 December 2020 amounted to RMB15,436,690, representing a decrease of RMB7,798,480 or 33.56% from total utilities of RMB23,235,170 for the same period in 2019. Such decrease was mainly attributable to the decrease in the number of stores as compared with the same period, and the decrease in stores' daily expenses in 2020.

7. *Administrative expenses*

Items	For the year ended 31 December Administrative expenses 2020 RMB'000	Administrative expenses 2019 RMB'000	% of total expenses 2020	% of total expenses 2019	Change RMB'000	Percentage of change
Staff salaries	**121,974.01**	146,203.65	**45.24%**	45.05%	(24,229.64)	(16.57%)
Tax expenses	**–**	257.62	**0.00%**	0.08%	(257.62)	(100.00%)
Office expenses	**13,338.34**	17,803.64	**4.95%**	5.49%	(4,465.30)	(25.08%)
Depreciation expenses	**8,358.60**	8,779.95	**3.10%**	2.70%	(421.35)	(4.80%)
Amortisation of intangible assets	**376.89**	220.79	**0.14%**	0.07%	156.10	70.70%
Amortisation of long-term deferred expenses	**991.20**	1,229.67	**0.37%**	0.38%	(238.47)	(19.39%)
Amortisation of low-cost consumables	**3,657.16**	4,386.37	**1.36%**	1.35%	(729.21)	(16.62%)
Travelling expenses	**3,977.21**	7,877.16	**1.48%**	2.43%	(3,899.95)	(49.51%)
Rental and property management fees	**11,010.81**	13,583.54	**4.08%**	4.19%	(2,572.73)	(18.94%)
Business entertainment expenses	**7,172.52**	9,723.14	**2.66%**	2.99%	(2,550.62)	(26.23%)
Communication expenses	**1,930.98**	3,449.40	**0.72%**	1.06%	(1,518.42)	(44.02%)
Agency fees	**15,480.70**	16,654.21	**5.74%**	5.13%	(1,173.51)	(7.05%)
Transportation expenses	**8,359.01**	9,544.53	**3.10%**	2.94%	(1,185.52)	(12.42%)
Financial institution charges	**55,659.36**	69,606.25	**20.65%**	21.45%	(13,946.89)	(20.04%)
Others	**17,296.41**	15,243.49	**6.41%**	4.69%	2,052.92	13.47%
Total	**269,583.20**	324,563.41	**100.00%**	100.00%	(54,980.21)	(16.94%)

The Group's total administrative expenses for the year ended 31 December 2020 amounted to RMB269,583,200, representing a decrease of RMB54,980,210 or 16.94% from RMB324,563,410 for the same period in 2019. Such decrease in administrative expenses was primarily attributable to the decrease in compensation of key management personnel, financial institution charges and travelling expenses.

Total staff salaries for the year ended 31 December 2020 amounted to RMB121,974,010, representing a decrease of RMB24,229,640 or 16.57% from total staff salaries of RMB146,203,650 for the same period in 2019. Such decrease was mainly attributable to the decrease in the number of executives due to streamlining of the staffing structure of the Group in 2020.

Total financial institution charges for the year ended 31 December 2020 amounted to RMB55,659,360, representing a decrease of RMB13,946,890 or 20.04% from RMB69,606,250 for the same period in 2019. Such decrease was primarily attributable to the decrease in installment business and handling fees of that business.

Total travelling expenses for the year ended 31 December 2020 amounted to RMB3,977,210, representing a decrease of RMB3,899,950 or 49.51% from total travelling expenses of RMB7,877,160 for the same period in 2019. Such decrease was primarily attributable to less travelling due to the impact of the Pandemic.

8. *Other expenses*

Our other expenses include impairment losses on assets, non-operating expenses, loss from disposal of subsidiaries and exchange loss. For the years ended 31 December 2019 and 2020, our other expenses amounted to RMB86,751,420 and RMB72,860,640, respectively.

	For the year ended 31 December			
Items	**2020** **RMB'000**	2019 RMB'000	**Change** RMB'000	**Percentage of change**
Impairment losses on assets	**63,362.42**	81,135.79	(17,773.37)	(21.91%)
Non-operating expenses	**8,541.66**	2,751.88	5,789.78	210.39%
Loss from disposal of subsidiaries	**–**	2,863.75	(2,863.75)	(100%)
Exchange loss	**956.56**	–	956.56	–
Total	**72,860.64**	86,751.42	(13,890.78)	(16.01%)

The Group's total other expenses for the year ended 31 December 2020 amounted to RMB72,860,640, representing a decrease of RMB13,890,780 from RMB86,751,420 for the same period in 2019. The decrease was mainly attributable to the decrease in impairment losses on assets of the Group for the year resulting from the decrease in impairment loss of goodwill of subsidiaries.

9. *Finance costs*

	For the year ended 31 December			
Item	**2020** **RMB'000**	2019 RMB'000	**Change** RMB'000	**Percentage of change**
Finance costs – interest expenses	**162,091.06**	232,711.71	(70,620.65)	(30.35%)

The Group's total finance costs for the year ended 31 December 2020 amounted to RMB162,091,060, representing a decrease of RMB70,620,650 or 30.35% from RMB232,711,710 for the same period in 2019. Such decrease in finance costs was primarily attributable to the significant decrease in interest expenses during the year as compared with the same period of last year, resulting from the decrease in the bank borrowings of the Group in 2020.

10. *Income tax expenses*

Our income tax expenses for the stated periods included PRC Corporate Income Tax ("**CIT**") and deferred income tax. In accordance with the Corporate Income Tax Implementation Regulations, our PRC subsidiaries have been required to pay tax at an income tax rate of 25% as from January 2008. For the year ended 31 December 2020, the income tax rate of 25% was applicable to all of the Group's PRC subsidiaries except Sichuan Yijialong Communication Technology Chain Co., Ltd. (四川億佳隆通訊連鎖有限公司) and Dixin Simaier Technology (Guangdong) Co., Ltd (迪信斯麥爾科技(廣東)有限公司). Sichuan Yijialong Communication Technology Chain Co., Ltd. has been entitled to an income tax rate of 15% since 2012 as a company which is principally engaged in an industry encouraged by the State. Dixin Simaier Technology (Guangdong) Co., Ltd has been entitled to the "two-year exemption and three-year reduction" policy i.e. full exemption of CIT for the first two years and 50% reduction of CIT for the following three years from June 2018 as a software company encouraged by the State Taxation Administration. For the years ended 31 December 2019 and 2020, our effective tax rates were 21.70% and -7.60%, respectively. During the year ended 31 December 2020, we have settled the payment of all relevant taxes, and we have not been engaged in any disputes or unresolved tax matters with the taxation authorities.

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

Items	For the year ended 31 December 2020 RMB'000	 2019 RMB'000	 Change RMB'000	Percentage of change
Income tax in the PRC for the year	**(17,034.98)**	94,410.44	(111,445.42)	(118.04%)
Deferred tax	**8,930.39**	(22,716.94)	31,647.33	(139.31%)
Total	**(8,104.59)**	71,693.50	(79,798.09)	(111.30%)

The Group's total income tax expense for the year ended 31 December 2020 amounted to RMB-8,104,590, representing a decrease of RMB79,798,090 or 111.30% compared with the total income tax expense of RMB71,693,500 for the same period in 2019. Such decrease was primarily attributable to a reverse of provision in the amount of RMB77,742,000 for potential tax liability in respect of transactions between subsidiaries in prior periods. We are of the view that the tax provision was no longer necessary as the transaction price for these transactions were comparable to prices we transact with independent third parties at arm's length.

* *For identification purpose only*

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

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

Items	For the year ended 31 December **2020** **RMB'000**	 2019 RMB'000
Net cash generated from operating activities	**315,029.30**	537,067.90
Net cash generated from/(used in) investing activities	**78,098.15**	(367,347.33)
Net cash used in financing activities	**(988,621.40)**	(212,222.36)
Net (decrease) in cash and cash equivalents	**(595,493.95)**	(42,501.79)
Cash and cash equivalents at the beginning of the year	**666,245.04**	708,548.10
Effect of changes of foreign exchange rate on cash flow	**661.58**	198.73
Cash and cash equivalents at end of the year	**71,412.67**	666,245.04

1. *Net cash generated from operating activities*

Our cash generated from operating activities is primarily from sales of mobile telecommunication devices and accessories. Our cash used in operating activities is primarily for purchase of telecommunication devices and accessories from suppliers, rental expenses and staff salary and compensation. Our net cash flow used in operating activities reflects our profit before income tax, as adjusted for non-cash items, such as finance costs and depreciation of property, plant and equipment, and the effects of changes in working capital, such as increases or decreases in inventories, receivables, prepayments, trade and other payables and accruals. We had net operating cash inflow of RMB315,029,300 for the year ended 31 December 2020.

For the year ended 31 December 2020, we had net cash inflow from operating activities of RMB315,029,300, primarily due to (i) increase in operating cash flow resulting from the decrease in inventories during the year; (ii) an increase of receivables from operating activities owing to more favorable credit terms offered to the wholesale customers which offset the effect of cash inflow from the net profits.

2. *Net cash generated from investing activities*

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

For the year ended 31 December 2020, we had net cash inflow generated from investing activities of RMB78,098,150, which was primarily attributable to redemption of bank financial products of RMB100,000,000.

3. Net cash used in financing activities

Our net cash used in financing activities reflects the results of our financing activities for the year, such as bank loans, proceeds from the issuance of a corporate bond, repayment of bank loans, payment of interests and other financing activities.

For the year ended 31 December 2020, we had net cash flow used in financing activities of RMB988,621,400, primarily due to (i) IFRS16 – expenses on the principal portion of RMB160,618,390; (ii) bank interest payment of RMB172,578,750; (iii) repayment on debts of RMB5,674,244,230.

(IV) Balance Sheet Items

1. Trade and bills receivables

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

Items	As at 31 December 2020 RMB'000	 2019 RMB'000	 Change RMB'000	Percentage of change
Trade receivables	**3,070,586.55**	2,667,683.59	402,902.96	15.10%
Bills receivable	**57,370.05**	148,057.26	(90,687.21)	(61.25%)
	3,127,956.60	2,815,740.85	312,215.75	11.09%
Less: Impairment for trade receivables	**(141,317.59)**	(126,102.63)	(15,214.96)	12.07%
	2,986,639.01	2,689,638.22	297,000.79	11.04%

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

Items	As at 31 December 2020 RMB'000	 2019 RMB'000	 Change RMB'000	Percentage of change
Franchisees	**1,199,248.95**	1,192,542.23	6,706.72	0.56%
Supermarket customers	**70,870.86**	84,030.99	(13,160.13)	(15.66%)
Mobile carriers	**822,071.99**	550,866.61	271,205.38	49.23%
External wholesale customers	**978,394.75**	840,243.76	138,150.99	16.44%
	3,070,586.55	2,667,683.59	402,902.96	15.10%

To enhance sales of our handsets and enlarge our market share, we granted credit periods of 30-180 days to certain customers in 2020. Credit periods are offered to customers with the largest volume sales of telecommunication devices and accessories. We closely monitor and maintain strict control over our outstanding receivables to minimize credit risk. Overdue balances are also reviewed regularly by the management. As our trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. We do not hold any collateral or other credit enhancements over our trade receivable balances. Our trade and bills receivables are non-interest-bearing. Our trade receivables net of impairment as of 31 December 2020 amounted to RMB2,929,268,960, representing an increase of RMB387,688,000 or 15.25% from RMB2,541,580,960 as of 31 December 2019. Our trade receivables before deducting impairment as of 31 December 2020 amounted to RMB3,070,586,550, representing an increase of RMB402,902,960 or 15.10% from RMB2,667,683,590 as of 31 December 2019.

Trade receivables from franchisees as of 31 December 2020 amounted to RMB1,199,248,950, representing an increase of RMB6,706,720 or 0.56% from RMB1,192,542,230 as of 31 December 2019. Such increase was primarily attributable to extension of turnover days of franchisees due to Pandemic.

Trade receivables from supermarket customers as of 31 December 2020 amounted to RMB70,870,860, representing a decrease of RMB13,160,130 or 15.66% from RMB84,030,990 as of 31 December 2019. Such decrease was primarily attributable to the decrease in the number of supermarket stores.

Trade receivables from mobile carriers as of 31 December 2020 amounted to RMB822,071,990, representing an increase of RMB271,205,380 or 49.23% from RMB550,866,610 as of 31 December 2019. Such increase was primarily attributable to the appropriate extension of credit periods granted to the carriers.

Trade receivables from external wholesale customers as of 31 December 2020 amounted to RMB978,394,750, representing an increase of RMB138,150,990 or 16.44% from RMB840,243,760 as of 31 December 2019. Such increase was primarily due to the fact that the Group granted credit periods to large-scale government agencies in order to explore the market, as well as the increase in revenue from external wholesale customers.

As of the date of this report, an amount of approximately RMB2,330,238,750 in our trade receivables as of 31 December 2020 was subsequently settled.

Our management regularly monitors our overdue balances of trade receivables and provides for impairment of these trade receivables. Our provisions for impairment of trade receivables as of 31 December 2020 amounted to RMB141,317,590, representing an increase of RMB15,214,960 or 12.07% from RMB126,102,630 as of 31 December 2019, primarily owing to the increased risk from bad debt resulting from the increase of the balance of trade receivables. Our Directors believe that our provisions for impairment on trade receivables are adequate.

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

Items	As of 31 December 2020 RMB'000	As of 31 December 2019 RMB'000
Within 90 days	**2,720,257.99**	2,347,021.06
91 to 180 days	**100,281.87**	184,139.87
181 to 365 days	**117,086.29**	109,487.49
Over 1 year	**49,012.86**	48,989.80
Total	**2,986,639.01**	2,689,638.22

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

Item	For the year ended 31 December 2020 Number of days	2019 Number of days	Change in number of days	Percentage of change
Average trade receivables turnover days	**74**	59	15	25.42%

For the year ended 31 December 2020, our average trade receivables turnover days were 74 days, which increased 15 days as compared with 2019. Such increase was primarily attributable to the increase of the balance of trade receivables and the increase of extension of credit age by some of creditworthy customers.

2. *Prepayments and other receivables*

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

Items	As at 31 December			Percentage of change
	2020	2019	**Change**	
	RMB'000	RMB'000	RMB'000	
Prepayments	**1,457,079.13**	1,459,864.37	(2,785.24)	(0.19%)
Other receivables	**251,824.66**	295,197.95	(43,373.29)	(14.69%)
Total	**1,708,903.79**	1,755,062.32	(46,158.53)	(2.63%)
Less: Impairment for other receivables	**(43,572.63)**	(37,204.94)	(6,367.69)	17.12%
	1,665,331.16	1,717,857.38	(52,526.22)	(3.06%)

Our prepayments represent our prepayments to suppliers of mobile telecommunication devices and accessories and prepaid rental payments to our lessors. Our prepayments as of 31 December 2020 amounted to RMB1,457,079,130, representing a decrease of RMB2,785,240 or 0.19% from RMB1,459,864,370 as of 31 December 2019.

3. *Impairment of trade and other receivables*

We use a provision matrix to calculate expected credit losses ("ECLs") for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix of the Group is initially based on our historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Our historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

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

4. *Inventories*

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

	As at 31 December			
Items	**2020** **RMB'000**	2019 RMB'000	**Change** RMB'000	**Percentage of change**
Merchandise for sale	**2,584,547.16**	2,958,923.87	(374,376.71)	(12.65%)
Consumables	**1,757.54**	649.92	1,107.62	170.42%
Total	**2,586,304.70**	2,959,573.79	(373,269.09)	(12.61%)
Less: Provision against inventories	**(23,812.66)**	(22,398.13)	(1,414.53)	6.32%
Total	**2,562,492.04**	2,937,175.66	(374,683.62)	(12.76%)

Our inventories as of 31 December 2020 amounted to RMB2,562,492,040, representing a decrease of RMB374,683,620 or 12.76% from RMB2,937,175,660 as of 31 December 2019, which was mainly due to the reduction in goods procurement so as to alleviate the pressure of inventories of the Group during the Pandemic and the active move to reduce the current inventory.

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

	As at 31 December			
Period	**2020** **RMB'000**	2019 RMB'000	**Change** RMB'000	**Percentage of change**
Within 30 days	**2,384,911.86**	2,760,395.62	(375,483.76)	(13.60%)
31 to 60 days	**92,320.59**	95,215.33	(2,894.74)	(3.04%)
61 to 90 days	**51,005.92**	48,030.82	2,975.10	6.19%
Over 91 days	**58,066.33**	55,932.02	2,134.31	3.82%
Total	**2,586,304.70**	2,959,573.79	(373,269.09)	(12.61%)

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

Item	For the year ended 31 December **2020** **Number of days**	2019 Number of days	**Change in number of days**	**Percentage of change**
Average inventory turnover days	**81**	73	8	10.96%

Average inventory turnover days for the year ended 31 December 2020 were 81 days, which increased 8 days as compared with 2019. Such increase was mainly due to the fact that (i) the Group increased the inventories of the best sellers of mobile handsets in the market at the end of the year; (ii) the unit cost of the same brand of mobile handset increased as compared to 2019 with the generalisation of 5G mobile handsets; (iii) the slowdown in the turnover of high-priced mobile handsets also lowered the overall inventory turnover rate; and (iv) as the overseas company business has shaped, the inventory turnover days increased due to longer time of international logistics.

5. *Trade and bills payables*

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

Items	As at 31 December **2020** **RMB'000**	2019 RMB'000	**Change** RMB'000	**Percentage of change**
Trade payables	**294,572.73**	323,625.40	(29,052.67)	(8.98%)
Bills payables	**490,000.00**	773,900.00	(283,900.00)	(36.68%)
Total	**784,572.73**	1,097,525.40	(312,952.67)	(28.51%)

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

Period	As at 31 December 2020 RMB'000	2019 RMB'000	Change RMB'000	Percentage of change
Within 90 days	**344,770.37**	644,120.98	(299,350.61)	(46.47%)
91 to 180 days	**214,383.17**	84,413.32	129,969.85	153.97%
181 to 365 days	**221,900.51**	365,360.87	(143,460.36)	(39.27%)
Over 1 year	**3,518.68**	3,630.23	(111.55)	(3.07%)
Total	**784,572.73**	1,097,525.40	(312,952.67)	(28.51%)

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

Item	As at 31 December 2020 Number of days	2019 Number of days	Change in number of days	Percentage of change
Average trade and bills payables turnover days	**27**	21	6	28.57%

Our trade payables are non-interest bearing and are normally settled within 30-45 days. Our trade and bills payables as at 31 December 2020 amounted to RMB784,572,730, representing a decrease of RMB312,952,670 or 28.51% from RMB1,097,525,400 as at 31 December 2019. The decrease in trade and bills payables for this year was mainly due to the decrease of bills payables, which was attributable to the lower level of procurement of the Group during the year.

6. *Other payables and accruals*

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

Items	As at 31 December 2020 RMB'000	2019 RMB'000	Change RMB'000	Percentage of change
Contract liabilities	**70,113.77**	117,666.29	(47,552.52)	(40.41%)
Payroll and welfare payables	**33,299.70**	29,486.17	3,813.53	12.93%
Accrued expenses	**5,869.47**	6,425.54	(556.07)	(8.65%)
Other payables	**124,559.80**	124,219.21	340.59	0.27%
Bond interest payables	–	32,456.25	(32,456.25)	(100.00%)
Total	**233,842.74**	310,253.46	(76,410.72)	(24.63%)

Our contract liabilities represent advance payments by customers for their procurements. Our contract liabilities as of 31 December 2020 amounted to RMB70,113,770, representing a decrease of RMB47,552,520 or 40.41% from RMB117,666,290 as of 31 December 2019. The decrease was mainly due to the decrease in advanced payment from clients of the Group.

Our payroll and welfare payables represent accrued payroll and welfare expenses to our employees. Our payroll and welfare payables as of 31 December 2020 amounted to RMB33,299,700, representing an increase of RMB3,813,530 or 12.93% from RMB29,486,170 as of 31 December 2019. Such increase was primarily due to the delay in the salary paid so as to meet the demand for inventories first.

Our accrued expenses represent other current liabilities. Our accrued expenses as of 31 December 2020 amounted to RMB5,869,470, representing a decrease of RMB556,070 or 8.65% from RMB6,425,540 as of 31 December 2019. Such decrease was primarily due to the decrease in the overall number of stores of the Group in 2020, resulting in a decrease in related operating expenses.

Our other payables as of 31 December 2020 amounted to RMB124,559,800, representing an increase of RMB340,590 or 0.27% from RMB124,219,210 as of 31 December 2019.

7. *Net current assets position*

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

Items	As at 31 December 2020 RMB'000	2019 RMB'000	Change RMB'000	Percentage of change
Current assets				
Inventories	**2,562,492.04**	2,937,175.66	(374,683.62)	(12.76%)
Trade and bills receivables	**2,986,639.01**	2,689,638.22	297,000.79	11.04%
Prepayments, other receivables and other assets	**1,665,331.16**	1,717,857.38	(52,526.22)	(3.06%)
Financial assets at fair value through profit or loss	**102,171.40**	201,204.73	(99,033.33)	(49.22%)
Due from related parties	**60,187.25**	76,162.51	(15,975.26)	(20.98%)
Pledged deposits	**1,063,340.96**	1,485,075.31	(421,734.35)	(28.40%)
Cash and cash equivalents	**71,412.67**	666,245.04	(594,832.37)	(89.28%)
Total current assets	**8,511,574.49**	9,773,358.85	(1,261,784.36)	(12.91%)
Current liabilities				
Interest-bearing bank loans and other loans	**2,719,334.14**	3,968,773.00	(1,249,438.86)	(31.48%)
Trade and bills payables	**784,572.73**	1,097,525.40	(312,952.67)	(28.51%)
Other payables and accruals	**233,842.74**	310,253.46	(76,410.72)	(24.63%)
Tax payable	**392,878.92**	426,187.90	(33,308.98)	(7.82%)
Lease liabilities	**133,524.26**	205,276.00	(71,751.74)	(34.95%)
Due to related parties	**424,918.44**	432,308.50	(7,390.06)	(1.71%)
Total current liabilities	**4,689,071.23**	6,440,324.26	(1,751,253.03)	(27.19%)
Net current assets	**3,822,503.26**	3,333,034.59	489,468.67	14.69%

Our net current assets as of 31 December 2020 amounted to RMB3,822,503,260, representing an increase of RMB489,468,670 or 14.69% from RMB3,333,034,590 as of 31 December 2019. Such increase was primarily due to the decrease in short-term borrowings and lease liabilities in 2020.

8. *Capital expenditure*

For the year ended 31 December 2020, the Group's capital expenditure amounted to RMB17,649,220, 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.

9. *Related party transactions*

(a) The following table sets forth the total amounts of transactions that have been entered into with related parties during the years ended 31 December 2020 and 31 December 2019 and the balance with the related parties as of 31 December 2020 and 31 December 2019:

	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
Associates:						
Shenzhen Dixin Nuclear	2020	–	–	–	996.67	–
Communications Co., Ltd.[1]	2019	–	–	–	707.25	–
Shenzhen Aizuji Technology						
Co., Ltd.[1]	2020	10,619.47	–	–	–	–
	2019	11,058.17	–	–	–	–
Yangzhou D-phone Science and	2020	–	–	–	–	–
Technology Information						
Co., Ltd.[1]	2019	771.25	–	–	–	–
Shanghai Diju Information	2020	–	13,228.20	–	–	17,073.10
Technology Co., Ltd.[3]	2019	–	33,571.04	–	–	2,095.27
Comservice Commercial						
Factoring Co., Ltd.[4]	2020	–	–	(29,716.36)	–	44,470.00
	2019	–	–	74,186.36	–	74,213.36
Beijing Jingdixin Technology						
Co., Ltd.[5]	2020	–	1,454,657.44	–	–	342,939.03
	2019	–	619,618.90	–	–	349,081.74
Dimi Technology (Thailand)						
Co. Ltd.[2]	2020	78,843.10	–	–	1,575.90	–
	2019	–	–	–	–	–
Joint ventures:						
Hollard-D.Phone (Beijing)	2020	1,046.10	6,361.98	–	–	4,034.66
Technology Development						
Co., Ltd.[5]	2019	–	13,002.92	–	–	6,717.53
Guangzhou Zhongqi Energy	2020	66,269.05	31,238.40	–	38,502.63	–
Technology Co., Ltd.[5]	2019	48,308.06	28,226.38	–	52,497.31	–
Yunnan Dphone Investment						
Co., Ltd.[6]	2020	–	–	–	–	–
	2019	186.19	–	–	–	–

	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
A subsidiary of joint venture:						
Yunfu Zhongqi Communication Technology Co., Ltd.[7]	2020	2,136.61	206.61	–	2,488.73	–
	2019	292.55	–	–	464.85	–
Fellow subsidiaries:						
Beijing Dphone Communication Services Co., Ltd.[8]	2020	5.47	–	–	4,649.11	16,297.43
	2019	–	26.55	–	11,227.04	112.54
Guang'an Dixin Cloud Communication Technology Co., Ltd.[8]	2020	4,942.65	4,926.63	–	1,179.86	–
	2019	231.51	–	–	459.80	–
Companies significantly influenced by the controlling shareholders:						
Beijing Tianxingyuanjing Technology Development Co., Ltd.[9]	2020	1.06	–	–	–	104.33
	2019	–	–	–	–	88.06
Luzhou Digital Science and Technology Co., Ltd.[10]	2020	–	–	–	–	–
	2019	10.99	–	–	–	–
A subsidiary of non-controlling shareholder:						
Beijing Digital China Limited[11]	2020	–	–	–	–	–
	2019	–	6.28	–	–	–

1 *The investment in the associates, Shenzhen Dixin Nuclear Communications Co., Ltd., Shenzhen Aizuji Technology Co., Ltd. and Yangzhou D-phone Science and Technology Information Technology Co., Ltd. are directly held by the Company.*

2 *The investment in the associate, Dimi Technology (Thailand) Co., Ltd. is directly held by the Company.*

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

4 *The 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 7.65% to 12.00% and are secured by trade receivables amounting to RMB58,706,180.*

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

6 *The investment in the joint venture, Yunnan Dphone Investment Co., Ltd. is indirectly held by the Company.*

7 *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.*

8 *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.*

9 *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 19.51% equity interests in aggregate and have significant influence over the entity.*

10 *40% of equity interests in Luzhou Digital Science and Technology Co., Ltd. are held by the controlling shareholders of the Company.*

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

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

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Salaries, allowances, bonuses and other expenses	**3,701.00**	3,994.00
Equity-settled share-based payments	–	25,295.00
Total compensation paid to key management personnel	**3,701.00**	29,289.00

10. Interest-bearing bank and other borrowings

For the year ended 31 December 2020, our bank borrowings were primarily short term in nature, long term in nature and other borrowings. The following table sets forth our outstanding borrowings as of the dates indicated:

	2020		2019	
	Maturity	**RMB'000**	Maturity	RMB'000
Current				
Bank loans:				
Unsecured, repayable within one year	**2021**	**833,773.42**	2020	710,984.69
Secured, repayable within one year	**2021**	**1,726,135.15**	2020	2,615,621.00
Corporate bond:				
Current portion	**2020**	**–**	2020	576,660.46
Other loans:				
Unsecured, repayable within one year	**2021**	**66,105.57**	2020	–
Secured, repayable within one year	**2021**	**93,320.00**	2020	65,506.80
		2,719,334.14		3,968,772.95
Long term				
Unsecured, repayable over one year	**2022-2025**	**21,498.03**		–

(V) Key financial ratios

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

Items	As at 31 December 2020	2019	Change	Percentage of change
Current ratio	**1.82**	1.52	0.30	19.74%
Gearing ratio	**37.51%**	39.49%	(1.98%)	(5.02%)
Net debt-to-equity ratio	**60.02%**	65.27%	(5.25%)	(8.04%)

Current ratio is our current assets divided by our current liabilities at the end of each financial period. Our current ratio remained relatively stable during the year ended 31 December 2020.

Gearing ratio is net debt divided by the sum of net debt and total equity at the end of each financial period and multiplied by 100%. Net debt includes interest-bearing bank loans plus bonds payable, less cash and cash equivalents. Our gearing ratio decreased from 39.49% as of 31 December 2019 to 37.51% as of 31 December 2020. Such decrease was primarily due to the decrease in cash of the Company for 2020. Total equity as of 31 December 2020 amounted to RMB4,447,506,420, representing an increase of RMB271,001,810 or 6.49% from RMB4,176,504,610 as of 31 December 2019, and growth in total equity was primarily due to the increase in shareholders' equity capital for 2020. The Group's total retained profit as of 31 December 2020 amounted to RMB2,626,215,470, representing an increase of RMB102,656,900 or 4.07% from the total retained profit of RMB2,523,558,570 for the same period in 2019. Surplus reserves as of 31 December 2020 amounted to RMB313,765,230, representing an increase of RMB11,406,330 or 3.77% from RMB302,358,900 as of 31 December 2019. Net debt as of 31 December 2020 amounted to RMB2,669,419,500, representing a decrease of RMB56,448,940 or 2.07% from RMB2,725,868,440 as of 31 December 2019.

Net debt-to-equity ratio equals net debt divided by total equity as the end of the financial period and multiplied by 100%. Our net debt-to-equity ratio as of 31 December 2020 was 60.02%, which was 5.25% lower than 65.27% as of 31 December 2019, representing a decrease ratio of 8.04%. This was primarily due to the Company's slight increase in net debt for 2020. Net debt as of 31 December 2020 amounted to RMB2,669,419,500, representing a decrease of RMB56,448,940 or 2.07% from RMB2,725,868,440 as of 31 December 2019. Decrease in our net debt was primarily due to the decrease in short-term borrowings of the Group for 2020.

(VI) Material acquisitions and disposals

Details of the Group's material acquisitions during the year ended 31 December 2020 are set out in the section headed "Material investments".

(VII) Contingent liabilities

As of 31 December 2020, the Group had no material contingent liabilities.

(VIII) 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.

The following table sets forth details of the proceeds in the special account as of 31 December 2020:

Account holder	**Banker**	**Account number**	**Amount** HK$'000
Beijing Digital Telecom Co., Ltd.	Standard Chartered Bank (Hong Kong) Limited	44717867377	61.37

As of 31 December 2020, HK$1,097,102,280 out of the net proceeds had been utilized cumulatively. The Proceeds from the Initial Public Offering have been fully utilized. As of 31 December 2020, the balance of the proceeds in the special account amounted to HK$61,370 (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 31 December 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%
Total	**883,335.10**	100.00%

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 31 December 2020 is set out below:

Item	**Amount paid** HK$'000	**Account Balance** HK$'000
Issuance expenses	**2,368.57**	
Goods procurement and daily operations	**211,398.61**	
		61.37

(IX) 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 and HKD. The Group has not hedged its foreign exchange rate risk.

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

2020

	Increase/ (decrease) in foreign currency rate %	**Increase/ (decrease) in profit after tax and equity RMB'000**
If RMB weakens against USD	**5.00**	**1,940.00**
If RMB strengthens against USD	**(5.00)**	**(1,940.00)**
If RMB weakens against HKD	**5.00**	**(1.00)**
If RMB strengthens against HKD	**(5.00)**	**1.00**
If RMB weakens against EUR	**5.00**	**2,997.00**
If RMB strengthens against EUR	**(5.00)**	**(2,997.00)**

2019

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit after tax and equity RMB'000
If RMB weakens against USD	5.00	1,237.00
If RMB strengthens against USD	(5.00)	(1,237.00)
If RMB weakens against HKD	5.00	5.00
If RMB strengthens against HKD	(5.00)	(5.00)
If RMB weakens against EUR	5.00	2,284.00
If RMB strengthens against EUR	(5.00)	(2,284.00)

(X) Restricted assets

As of 31 December 2020, except for the pledged deposits amounting to RMB1,063,340,960, pledged trade receivables amounting to RMB58,706,180 and wealth management product amounting to RMB102,071,500, there was property held as collateral amounting to RMB25,500,650.

(XI) Material investments

The Group does not have any material investment during the year ended 31 December 2020.

(XII) Equity arrangements

For the year ended 31 December 2020, no equity subscription was conducted by the Group. As of the date of this report, no equity scheme was made by the Group.

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

For the year ended 31 December 2020, the Group had 4,669 employees. Salary costs and employees' benefit expenses amounted to approximately RMB393,369,300 for the 12 months ended 31 December 2020. Remunerations for the Group's existing employees include salaries, performance-based bonus, social insurance, housing provident fund and other benefits.

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

(XIV) Capital

No material change occurred in the capital structure of the Company during the year ended 31 December 2020.

(XV) Future material investment

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

(XVI) Possible Mandatory Conditional Cash Offer

On 29 January 2021 (after trading hours), 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**"), together with Mr. Liu Donghai, Mr. Liu Songshan, Ms. Liu Wencui, Ms. Liu Hua, Ms. Liu Yongmei and Ms. Liu Wenli (collectively, the "**Liu Family**") entered into a share purchase agreement (the "**Share Purchase Agreement**") with Zhuhai Huafa Industrial Investment Holding Co., Ltd.* (珠海華發實體產業投資控股有限公司, "**Zhuhai Huafa Industrial**"), pursuant to which, (1) Di Er Tong has conditionally agreed to sell, and Zhuhai Huafa Industrial has conditionally agreed to purchase, an aggregate of 101,300,000 domestic shares of the Company (representing approximately 13.83% of the entire issued share capital of the Company and all domestic shares held by Di Er Tong) for an aggregate consideration of RMB324,454,127 (equivalent to approximately HK$389,267,099); and (2) Digital Science & Technology has conditionally agreed to sell, and Zhuhai Huafa Industrial has conditionally agreed to purchase, an aggregate of 8,569,060 domestic shares of the Company (representing approximately 1.17% of the entire issued share capital of the Company) for an aggregate consideration of RMB27,445,873 (equivalent to approximately HK$32,928,462). Moreover, on the same date of entering into the Share Purchase Agreement, Di Er Tong, Digital Science & Technology, the Liu Family and Zhuhai Huafa Industrial also entered into a concert party agreement, pursuant to which, following the completion of transactions under the Share Purchase Agreement and for a certain period, Di Er Tong, Digital Science & Technology and the Liu Family shall take concerted action with and shall act in accordance with the will of Zhuhai Huafa Industrial in relation to any shares of the Company that Di Er Tong, Digital Science & Technology and/or the Liu Family hold directly or indirectly (and in relation to any shares of the Company that Di Er Tong, Digital Science & Technology and/or the Liu Family hold indirectly, Di Er Tong, Digital Science & Technology and the Liu Family shall procure the direct holder of such shares to act in accordance with the will of Zhuhai Huafa Industrial). Upon completion of transactions under the Share Purchase Agreement and according to the abovementioned concert party agreement, Zhuhai Huafa Industrial will hold or control approximately 37.99% of the voting rights of the Company. Pursuant to Rule 26.1 of the Code on Takeovers and Mergers, Zhuhai Huafa Industrial will be required to make a mandatory conditional general offer in cash for all the outstanding domestic shares and H shares of the Company other than those already owned or agreed to be acquired by Zhuhai Huafa Industrial or parties acting in concert with it.

For details, please refer to the joint announcement dated 1 February 2021 published by the Company, Zhuhai Huafa Industrial and Hong Kong Huafa Investment Holdings Limited.

III. BUSINESS OUTLOOK FOR 2021

2020 has been a year that the retail industry suffered severe hit. However, as China has led the economic recovery across the world and the market of 5G intelligent products have been scaled up rapidly by the fast-developing of commercialized 5G, it poses an explicit opportunity for Beijing Digital to grow. In 2021, we will enhance the Company's performance through the following approaches in order to capture the market opportunities:

1. Bonding with carriers, securing considerable carrier resources in the 5G era by way of new retail store operation, diversified categories expansion, and establishment and operation of existing customer marketing system.

Firstly, we will cooperate with the three major carriers in full scale, providing the entrusted operation service for their over 8,000 self-owned stores. The comprehensive all-round solutions for new retailing including design, goods offering, staff training and marketing guideline, will be provided for carriers. It will realize the fast-growing of the scale of Beijing Digital outlets towards an asset-light model of operation in the post-pandemic period;

Secondly, by capturing the opportunities where carriers are taking initiative to develop smart home, fusion and IoT products, we will transform Beijing Digital's self-owned stores into a front position and benchmark for 5G non-mobile smart terminal hardware business and value-added service of carriers, during which the diversification of our own categories structure and systematization of our business proficiency would also be realized effectively;

Thirdly, by capturing the opportunities where carriers have adjusted the customer operation concept and based on the "Molink" system created by Beijing Digital and Tencent, and the early experience and effect in serving China Mobile (Guangdong), we will deliver new customer expansion and existing customer marketing system and operation service for carriers in other provinces, making this soft power as another revenue source of Beijing Digital.

2. Actively responding to changes in brand structure, engaging full range of cooperation with potential brands and matching up with retail foothold of manufacturers strategically in order to acquire development benefit.

Under the background where China's mobile phone brands were boycotted by the U.S, change in the competitive landscape among the brands has taken place, which brought about the biggest market opportunities for mobile phones during the last three years. Based on the development strategy of the brand, Beijing Digital will make an arrangement in advance for capturing the growth of the potential brands and conduct an active layout in all channels, including physical stores and e-commerce, in order to maximize the revenue.

3. Strengthening omni-channel contract fulfillment capabilities to help Beijing Digital better serve major e-commerce companies' thousands of front-end warehouses and standardized fulfillment systems.

Based on the existing Modify (摩機) System, we continue to strengthen the on-going partnerships with leaders in the near field e-commerce such as JD (京東), micro range e-commerce such as Ele.me (餓了麼) and Meituan (美團) and live broadcast e-commerce such as Douyin (抖音) and Kuaishou (快手), aiming to become their preferred strategic partner in the 3C digital sector and achieve significant growth in performance. At the same time, we quickly build partnerships with major but not leading players in the above fields to balance business risks. Furthermore, we launched a full-scale "drop shipping" service with leading supermarkets nationwide, using front-end warehouse of Beijing Digital's stores to provide order fulfillment services directly to e-commerce companies.

4. Taking advantage of the domestic mainstream mobile phone brands such as HONOR and OPPO to tap into the Western Europe market in order to occupy the gap market in Eastern European for Xiaomi, promoting European business with multi-lines.

In the post-pandemic era, the economic recovery space in Europe and the US is higher than that in China, while Western Europe is still a high ground for Chinese mainstream mobile phone brands to occupy. Against this background, Beijing Digital will actively seek new expansion opportunities. On the one hand, we will strengthen our cooperation with Xiaomi and help exploring the gap market in Eastern Europe; on the other hand, we will provide a full set of retail and distribution solutions for potential brands who intend to enter Western Europe market and to share their brand growth earnings.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Liu Donghai (劉東海), aged 54, joined the Company in June 2001 and has been the chairman of the Board since December 2013. Mr. Liu joined the Group in December 1997 and held various positions in the Group, including the vice chairman of the Board from July 2010 to December 2013, the general manager of the Company from March 2011 to December 2013 and the internal risk control officer of the Company from June 2001 to March 2011. He is primarily responsible for formulating the overall business strategies of the Company and overseeing the execution of the business strategies and the operation of the Company.

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

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

Mr. Liu Yajun (劉雅君), aged 63, joined the Company in August 2010 as an executive Director and has been elected as the vice chairman of the Board since March 2014, primarily responsible for formulating investment plans and leading investment negotiations of the Company. Prior to joining our Group, he held various positions, including a director and the vice president of Shenzhen Development Bank Tianjin Branch (深圳發展銀行天津分行), which provided various financial service including corporate business, retailing business, interbank business, etc. from May 2003 to July 2008. He was mainly responsible for the credit business in the abovementioned bank.

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

Ms. Liu Wencui (劉文萃), aged 46, joined the Group since February 1998 and has been an executive Director since June 2007 and the deputy director of the procurement center of the Company since April 2004. She is primarily responsible for organizing and implementing annual business and investment plans of our Group, implementing annual procurement plans of our Group and tracing delivery status of the procured products, establishing database for suppliers and facilitating communication with them, executing contracts on behalf of our Group under the authorization of the chairman of the Board as well as handling other matters under authorization of the chairman of the Board.

Non-executive Directors

Mr. Li Wenzhi (李文智), aged 46, joined the Company in May 2020 and has been a non-executive Director since then, mainly responsible for attending the meetings of the Board, voting on the resolutions considered at the meetings of the Board, and overseeing the management of the Company. From July 1997 to April 2015, Mr. Li Wenzhi held various positions in Huawei Technologies Co., Ltd. (華為技術有限公司), including domestic regional representative (Xinjiang/Liaoning), general manager of key account department (China Netcom), president of overseas region (Northwest Africa), CEO of Indonesia branch, minister of global human resource HRBP management department and global recruitment and deployment department in headquarters. From April 2015 to March 2016, he was the co-founder of Dmall E-commerce Co., Ltd. (多點生鮮電子商務公司). From April 2016 to August 2017, he was the cofounder of Zeusis Technology Co., Ltd (眾思科技有限公司) and the executive vice president of Coolpad Software Tech (Shenzhen) Co., Ltd (酷派軟件技術(深圳)有限公司). From June 2018 to October 2019, he acted as the group vice president of 360 Technology Group Co., Ltd. (三六零科技集團有限公司), and the president of Intelligent Life Group (智慧生活集團), fully responsible for IoT business. From October 2019 and up to this date, he served as the group vice president of 360 Technology Group Co., Ltd., sharing responsibility for management of human resource center.

Mr. Li obtained his bachelor of engineering in detection technology and instrument from the University of Electronic Science and Technology in July 1997, and obtained EMBA from Cheung Kong Graduate School of Business in March 2017.

Mr. Yao Yanzhong (姚彥中), aged 40, joined the Company in May 2020 and has been a non-executive Director since then, mainly responsible for attending the meetings of the Board, voting on the resolutions considered at the meetings of the Board, and overseeing the management of the Company. He joined Beijing Jingdong Century Trade Co., Ltd. (北京京東世紀貿易有限公司) since December 2004. He was the head of the IT digital-computer accessories procurement department and general manager of the computer office business department in 360buy (京東商城) from August 2012 to December 2017 and vice president of JD Group and president of the computer and digital division from January 2018 to March 2019. He has served as vice president of JD Group and president of the telecommunication division since March 2019.

Mr. Yao obtained a bachelor's degree in Business Administration from Jiangxi University of Technology in December 2016. He has joined in the HKU-PKU Executive Master of Business Administration Programme (香港大學 – 北京大學高級管理人員工商管理學碩士課程) since March 2018.

Mr. Lv Jing (呂敬), aged 46, joined the Company in May 2020 and has been a non-executive Director since then, mainly responsible for attending the meetings of the Board, voting on the resolutions considered at the meetings of the Board, and overseeing the management of the Company. He held various positions including sales manager of IT distribution peripheral division, regional director, deputy general manager of the dell division and general manager in Digital China Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 861), from 2000 to March 2016. He served in positions including assistant president of Digital China Group Co., Ltd. ("**Digital China Group**", which is listed on the Shenzhen Stock Exchange, stock code: 000034) from March 2016 to April 2018. He has been vice president of Digital China Group since April 2018.

Mr. Lv obtained a bachelor's degree in Engineering from Chongqing Architectural University (重慶建築大學) in July 1997, and an EMBA from China Europe International Business School in November 2016.

Independent Non-executive Directors

Mr. Lv Tingjie (呂廷杰), aged 65, has been an independent non-executive Director since November 2009, mainly responsible for attending the meetings of the Board, voting on the resolutions considered at the meetings of the Board, and overseeing the management of the Company. He has served as a professor, a doctoral tutor and the executive dean of School of Economics Management of Beijing University of Posts and Telecommunications (北京郵電大學) since May 1997, June 1999 and September 2007, respectively, the standing director of the International Telecommunication Society (國際電信協會) since June 2007, mainly responsible for coordinating the economic cooperation and academic exchanges in Asia and Greater China region, a member of the Telecommunications Experts Committee, Ministry of Industry and Information Technology (工業和信息化部電信專家委員會) since 2004, mainly responsible for policy consultation, examination and appraisal work, and the vice chairman of the Electronic Commerce Teaching Steering Committee, Ministry of Education (教育部電子商務教學指導委員會) since 2008, mainly responsible for revising education plans for e-commerce. Mr. Lv is currently an independent non-executive director of GOHIGH Data Networks Technology Co., Ltd. (大唐高鴻數據網絡技術股份有限公司), which is listed on the Shenzhen Stock Exchange (Stock Code: 000851) and dedicates itself to the provision of telecommunications devices, business and overall solution with respect to industry informatization. Mr. Lv was conferred the teaching qualification certificate of senior high education by the PRC Ministry of Education in July 1997.

Mr. Lv obtained his engineering doctor degree in Systematic Engineering from Kyoto University (日本京都大學) in November 1997, his master degree in Management Engineering and his bachelor degree in radio engineering from Beijing University of Posts and Telecommunications in April 1985 and July 1982, respectively.

Mr. Lv Pingbo (呂平波), whose pseudonym is Shui Pi, aged 56, is a well-known financial columnist and has been an independent non-executive Directors since June 2019, mainly responsible for attending the meetings of the Board, voting on the resolutions considered at the meetings of the Board, and overseeing the management of the Company. He was the director of the editorial department and deputy editor-in-chief of the China Business Times from July 1989 to March 2007. Since April 2007, Mr. Lv Pingbo has served as a director of Beijing Huaxia Shibao Media Ad Co., Ltd.

Mr. Lv obtained his bachelor's degree in journalism from Fudan University in July 1982 and a master's degree in journalism from the Graduate School of Chinese Academy of Social Sciences in June 1989.

Mr. Zhang Senquan (張森泉), formerly known as Zhang Min (張敏), aged 44, has been an independent non-executive Director since June 2018, mainly responsible for attending meetings of the Board, voting on the resolutions considered at the meetings of the Board, and overseeing the management of the Company. He is a member of Hong Kong Institute of Certified Public Accountants, China Institute of Certified Public Accountants and American Institute of Certified Public Accountants, and has more than 10 years of experience in accounting and auditing. Mr. Zhang Senquan worked at Ernst & Young, KPMG and Deloitte Touche Tohmatsu serving several positions from audit staff to audit partner from October 1999 to October 2012. Mr. Zhang currently is an independent non-executive director of Jiande International Holdings Limited, a company listed on the Stock Exchange (stock code: 865); an independent non-executive director of Natural Food International Holding Limited, a company listed on the Stock Exchange (stock code: 1837); an independent director of Jiangsu Aidea Pharmaceutical Co., Ltd. (江蘇艾迪藥業股份有限公司), a company listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange (stock code: 688488); an independent non-executive director of Sang Hing Holdings (International) Ltd. (生興控股(國際)有限公司), a company listed on the Stock Exchange (stock code: 1472); and an independent non-executive director of Strawbear Entertainment Group (稻草熊娛樂集團), a company listed on the Stock Exchange (stock code: 2125). Currently, Mr. Zhang is also the chief executive officer of Zhong Rui Capital (Hong Kong) Limited, a consultancy company.

Mr. Zhang was the head of the Strategic Development Department of Goodbaby International Holdings Limited, a company listed on the Stock Exchange (stock code: 1086), from March 2013 to April 2014; the chief financial officer and joint company secretary of Huazhong In-Vehicle Holdings Company Limited, a company listed on the Stock Exchange (stock code: 6830), from May 2014 to July 2015; an independent director of Topchoice Medical Investment Co. Inc., a company listed on the Shanghai Stock Exchange (stock code: 600763), from December 2014 to March 2017, an independent non-executive director of Casablanca Group Limited, a company listed on the Stock Exchange (stock code: 2223), from April 2015 to April 2018; the managing director of Southwest Securities International Securities Limited, a company listed on the Stock Exchange (stock code: 812), from February 2016 to March 2020; and an independent non-executive director of Bonny International Holding Limited, a company listed on the Stock Exchange (stock code: 1906), from March 2019 to June 2020.

Mr. Zhang received his bachelor's degree in economics from Fudan University in July 1999.

BOARD OF SUPERVISORS

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

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

Name	Age	Position	Date of Appointment	Date of Joining the Group
Liu Zhenlong (劉振龍)	29	Chairman of Board of Supervisors and employee representative Supervisor	22 May 2020	July 2016
Li Wanlin (李萬林)	58	Supervisor	20 May 2014	May 2014
Hu Yuzhong (胡玉忠)	62	Supervisor	20 May 2014	May 2014

SUPERVISORS

Mr. Liu Zhenlong (劉振龍先生), aged 29, joined the Group in July 2016 and has been an employee representative Supervisor and chairman of Board of Supervisors since May 2020. He joined Beijing Digital in July 2016 and had served successively as assistant to the Chairman of the Company, the general manager of new retail business segment and other positions. He is currently the deputy general manager of operation center of the Group and is mainly responsible for sales management, store management and new retail operation.

Mr. Liu graduated from Tsinghua University Electronic Engineering Department and obtained his master degree in Electronic Information and Communication Engineering in July 2016.

Mr. Li Wanlin (李萬林), aged 58, joined the Group in May 2014 and has been a Supervisor since then. Before joining our Group, he served as a professor leading the major national mobile telecommunications laboratory at Southeast University (東南大學) from 2010 to 2012. Mr. Li also has served as general manager of Beijing EVERSINO Technology Ltd. (北京華恒銘聖科技發展有限責任公司) since 2007 and up to this date. From 1998 to 2007, Mr. Li held various positions within Siemens Ltd., China, including the senior vice president and the chief technology officer of the group. Mr. Li is primarily responsible for reviewing and providing written comments on the regular reports of the Company, reviewing financial statements of the Company and supervising behaviors of Directors and senior management members in performance of their duties for the Company.

Mr. Li obtained his Ph.D. degree in Information Science from Karlsruhe Institute of Technology in Germany in 1991.

Mr. Hu Yuzhong (胡玉忠), aged 62, joined the Group in May 2014 and has been a Supervisor of the Company since then. Since 2003 and up to this date, Mr. Hu has served as chairman of the board of Beijing Times Hongxun Investment Company Limited (北京時代宏訊投資有限公司). From 1992 to 2002, he served as the executive vice president of China Post Putai Mobile Telecom Equipments Company Limited (中郵普泰移動通訊設備股份有限公司). Mr. Hu is primarily responsible for reviewing and providing written comments on the regular reports of the Company, reviewing financial statements of the Company and supervising behaviors of Directors and senior management members in performance of their duties for the Company.

Mr. Hu obtained his MBA degree in Asia International Open University (Macau) in 2004.

SENIOR MANAGEMENT

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

Name	Age	Position	Date of Appointment	Date of Joining the Group
Liu Donghai (劉東海)	54	General manager	2 September 2020	June 2001
Zhou Qing (周清)	52	Vice general manager	24 November 2009	May 2002
Su Fengjuan (蘇鳳娟)	37	Chief financial officer	7 November 2016	February 2009

Mr. Liu Donghai (劉東海), aged 54, joined the Company in June 2001 and has been the chairman of the Board since December 2013 and the general manager since September 2020. As the general manager, he is primarily responsible for formulating the overall business strategies and the operational management of the Group. For the biography of Mr. Liu Donghai, please refer to "Directors, Supervisors and Senior Management – Directors – Executive Directors" in this section.

Mr. Zhou Qing (周清), aged 52, joined the Company in May 2002 and has been the vice general manager of the Company since November 2009. Mr. Zhou joined the Group in May 2002 and has served as the general manager of Shanghai Dixin Electronic Communication Technology Co., Ltd. (上海迪信電子通信技術有限公司) since May 2002. Mr. Zhou is primarily responsible for the operation and management of Shanghai Dixin Electronic Communication Technology Co., Ltd.

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

Mr. Zhou obtained his master degree in Business Administration from China Europe International Business School in September 2009.

Ms. Su Fengjuan (蘇鳳娟), aged 37, joined the Company in February 2009, has served as ORACLE financial function consultant, head of financial management department, assistant to chief financial officer and trainee chief financial officer of the Company. Ms. Su Fengjuan is primarily responsible for accounting, establishment of internal budget system and internal control, coordination of financial resources and business operations, and formulation of the Company's management, profitability and investment plans.

Ms. Su obtained her master degree in Business Administration (accounting) from North China University of Technology (北方工業大學) in June 2009 and obtained Certificate for Passing the National Uniform CPA Examination of the PRC.

BOARD OF DIRECTORS' REPORT

The board of directors of the Company (the "**Board**") is pleased to present the Group's report together with the audited financial statements for the year ended 31 December 2020.

CORPORATE INFORMATION AND GLOBAL OFFERING

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are to engage in the retail sales of mobile telecommunications devices and accessories and the provision of related services. Analysis of the principal activities of the Group is set out in note 1 to the financial statements from pages 132 to 136.

RESULTS

The results of the Group for the year ended 31 December 2020 are set out from pages 124 to 125 of the financial statements.

BUSINESS REVIEW

Operating Results and Financial Position

For the year ended 31 December 2020, the Group sold 7,954,910 mobile handsets, representing a decrease of 1,778,830 sets or 18.27% compared with 9,733,740 sets for the same period last year. Operating revenue for the year of 2020 amounted to RMB13,550,150,070, representing a decrease of 1,800,802,830 or 11.73% from RMB15,350,952,900 for the same period last year. Net profit for the year of 2020 amounted to RMB114,511,750, representing a decrease of RMB145,940,250 or 56.03% from RMB260,452,000 for the same period last year.

For a detailed analysis on the Group's operating results and financial position, please refer to the section headed "Management Discussion & Analysis" set out from pages 13 to 42 of this annual report.

MAJOR RISK FACTORS AND UNCERTAINTY

Risk of Failure to Renew the Leases for Our Leased Properties before the Expiry of the Leases and Increase in Rental

Most of the Group's retail stores are leased properties and the Group may face the risks of failure to renew the leases before the expiry of the leases or increase in rental, which may affect the overall operating results of the Group.

Solutions: On the one hand, we may build long-term relationships with the lessors of the properties by word-of-mouth brand recognition and sound reputation. On the other hand, the Company keeps implementing its operation strategy of more visible presence in business districts, finding suitable shop premises to open stores in various locations in prime business districts and at the same time identifying any other suitable properties in surrounding areas so that we are able to find a replacement property in time in case of failure in renewal of the lease of a store or increase in rental to avoid affecting the overall operating results of the Group.

Risk for Overstocking Inventory

The Group is primarily engaged in retail and wholesale of communication devices. In order to ensure the Company's continuous and stable operation, it is necessary for us to maintain a certain level of product inventory. However, as the product life cycle becomes shorter, the Group also faces a potential operating risk brought from inventory overstocking.

Solutions: Our Procurement Department, Finance Department and Sales Department work together for our daily inventory management to maintain healthy inventory turnover days. The process begins from the reporting of their procurement plans by each of our subsidiaries. The Procurement Department at the headquarters will then combine those procurement plans and prepare a payment plan. The Finance Department will determine the priority for the procurement of various brand products based on their current inventory turnover days. Funds will first be allocated to the products with better inventory turnover days and the procurement volume for the products with poor inventory turnover days will be reduced. Meanwhile, the Procurement Department and the Sales Department will be notified to put more efforts on promoting the sales of such products. The risk of inventory overstocking will be mitigated through various measures such as promotional campaigns or return and exchange of goods.

Risk of Liquidity

Although the inventory and trade receivable help the Company maintain continuous and stable operation, they reduce part of the Company's daily working capital, which brings considerable pressures on the Group's cash flow.

Solution: The Group implemented a management system for the Group's capital pool many years ago. The revenues of the Group's subsidiaries will be collected on real-time basis and the fund's flow is strictly controlled by the Group. In order to further rationalize the use of capital, the Company issued RMB600 million corporate bonds in April 2017 to replace part of the existing short-term liquidity loans to improve the efficiency of the use of capital required for daily operations.

FUTURE PROSPECT

For the Group's future development and business outlook, please refer to the section headed "Management Discussion & Analysis" set out from pages 43 to 44 of this annual report.

EMPLOYEES, ENVIRONMENTAL POLICIES AND PERFORMANCE AND RELEVANT LAWS AND REGULATIONS

For the analysis on the Group's environmental policies and performances, its relationship with its employees, and relevant laws and regulations, please refer to the section headed "Environmental, Social and Governance Report" set out from pages 90 to 118 of this annual report.

FINAL DIVIDENDS

The Board does not recommend any final dividend for the year ended 31 December 2020.

During the year, the Company has adopted a dividend policy as follows:

1. Ways of dividend distribution:

   The Company may use cash, shares or a combination of both to distribute dividend.

2. Currency denominated for dividend:

   Ordinary dividend shall be denominated and declared in RMB. Dividend of domestic shares shall be made in RMB. Dividend or other distributions of overseas listed foreign shares shall be made in the currency of the listing place of such foreign shares (in case of having more than one listing place, it will be made in the currency of the primary listing place determined by the Board). Dividend of non-listed foreign shares shall be made in HK$.

   For the dividend made in foreign currency, the applicable exchange rate would be the medium price of average RMB exchange rate with regard to foreign exchange quoted by the People's Bank of China five trading days preceding the declaration of dividend and other distribution.

3. Ratification procedures for the dividend distribution plan:

   The dividend distribution plan of the Company is formulated by the Board and subject to the consideration and approval by the general meeting.

   After the Board's consideration of the financial position of the Company and in accordance with the relevant requirements of laws and regulations, an ordinary resolution may be proposed by the Board at the general meeting to authorize the Board to distribute and pay dividend.

4. The Company pays dividends out of distributable profits, which are equal to the balance of profit after tax after withdrawal of the below items by sequence:

   1) loss recovery;

   2) withdrawal of statutory reserve funds;

   3) any withdrawal of reserve funds after the approval by the general meeting.

5. The Board will review the dividend policy of the Company from time to time based on several factors below to determine whether to declare and pay dividend. Those factors include: operating results, cash flow, financial position, shareholders' interests, overall business conditions and strategies, capital requirement, cash dividend paid to the Company by the subsidiaries, and other factors as the Board may deem relevant.

FINANCIAL SUMMARY

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

USE OF PROCEEDS FROM LISTING

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

Details of the use of those proceeds from Listing during the year ended 31 December 2020 are set out in the section headed "Management Discussion & Analysis – Use of proceeds" of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year 2020, the Company's transaction volume with its five largest customers accounted for 16.36% of the Company's operating revenue for the year ended 31 December 2020. The Company's transaction volume with its single largest customer accounted for 3.88% of the Company's operating revenue for the year 2020.

Major Suppliers

For the year 2020, the Company's transaction volume with its five largest suppliers accounted for 39.92% of the Company's operating costs for the year ended 31 December 2020. The Company's transaction volume with its single largest supplier accounted for 13.61% of the Company's operating costs for the year 2020.

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group for the year are set out in note 15 to the financial statements from pages 174 to 175.

SHARE CAPITAL

For the year ended 31 December 2020, the total share capital of the Company was 732,460,400 shares.

The Company actively seeks ways to strengthen its capital base and facilitate its strategic business development from time to time. 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 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 is 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 section headed "Management Discussion & Analysis – Use of proceeds" in this annual report. For details of the issue of H Shares as described above, please refer to the announcements of the Company dated 26 July 2019, 19 November 2019 and 8 January 2020.

Details of movements in the share capital of the Company are set out in note 34 to the financial statements from pages 195 to 196.

RESERVES

Details of changes in the reserves of the Company and the Group for the year are set out in the consolidated statement of changes in equity from pages 128 to 129 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's reserves available for distribution, calculated in accordance with the provisions of the PRC Company Law, amounted to approximately RMB2,626,215,000 (as at 31 December 2019: approximately RMB2,523,559,000).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and its subsidiaries as at 31 December 2020 are set out in note 33 to the financial statements from pages 194 to 195.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year ended 31 December 2020 and up to the date of this report are as follows:

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)

BIOGRAPHIES OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and senior management are set out from pages 45 to 50 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has made a confirmation on independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company considers all of the independent non-executive Directors to be independent during the year ended 31 December 2020 in accordance with Rule 3.13 of the Listing Rules.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

The members of the third session of the Board of the Company, namely Mr. Liu Donghai, Mr. Liu Yajun, Mr. Liu Songshan, Ms. Liu Wencui, Mr. Qi Xiangdong and Mr. Lv Tingjie entered into service agreements with the Company respectively on 6 June 2017 with a fixed term of three years, effective from 6 June 2017 until the expiry of the third session of the Board of the Company. Ms. Xin Xin and Mr. Zhang Senquan were appointed respectively as a non-executive Director and an independent non-executive Director on 7 June 2018. They entered into service agreements with the Company respectively on 7 June 2018, effective from 7 June 2018 until the expiry of the third session of the Board of the Company. Mr. Lv Pingbo was appointed as an independent non-executive Director on 5 June 2019. He entered into a service agreement with the Company on 5 June 2019, effective from 5 June 2019 until the expiry of the third session of the Board of the Company.

As a result of the general election of the Board during the year, Mr. Liu Donghai, Mr. Liu Yajun, Ms. Liu Wencui, Mr. Li Wenzhi, Mr. Yao Yanzhong, Mr. Lv Jing, Mr. Lv Tingjie, Mr. Lv Pingbo and Mr. Zhang Senquan, members of the fourth session of the Board of the Company, entered into service agreements with the Company on 22 May 2020 with a fixed term of three years effective from 22 May 2020 until the expiry of the fourth session of the Board of the Company. The service agreements entered into between the Company and each of the Directors are subject to renewal in accordance with the Articles of Association of the Company and applicable laws, rules and regulations or early termination in accordance with their respective terms.

The members of the third session of the Board of Supervisors of the Company, namely, Ms. Wei Shuhui, Mr. Li Wanlin and Mr. Hu Yuzhong, entered into service agreements with the Company respectively on 6 June 2017 with a fixed term of three years commencing from 6 June 2017 and ending at the expiry of the third session of the Board of Supervisors of the Company.

As a result of the general election of the Board of Supervisors during the year, Mr. Li Wanlin, Mr. Hu Yuzhong and Mr. Liu Zhenlong, members of the fourth session of the Board of Supervisors of the Company, entered into service agreements with the Company respectively on 22 May 2020 with a fixed term of three years commencing from 22 May 2020 and ending at the expiry of the fourth session of the Board of Supervisors of the Company. The service agreements entered into between the Company and respective Supervisors are subject to renewal in accordance with the Articles of Association of the Company and applicable laws, rules and regulations or early termination in accordance with their respective terms.

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

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

Save for the connected transaction as disclosed in the "Connected Transaction" under the section headed "Directors' Report" of this annual report, during the year ended 31 December 2020, no other Directors, Supervisors or connected entities with such Directors or Supervisors directly or indirectly had any material interests in any material transactions, arrangements or contracts of significance in relation to the Group's business, to which the Company, its subsidiaries or fellow subsidiaries was a party.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year ended 31 December 2020.

EMOLUMENT POLICY

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

REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors, Supervisors and five highest paid individuals are set out in notes 10 and 11 to the financial statements on from pages 168 to 171.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 8 to the financial statements on page 167.

The Company contributes to basic pension insurance at a percentage based on the total salary of its staff as regulated by the state in accordance with the law and other regulatory documents, with such contribution included in the unified fund for basic pension insurance. The staff shall contribute to basic pension insurance at a percentage of their respective salary, with the amount included in their individual accounts. When reaching the statutory retirement age, a staff member will be entitled to the treatment of basic pension insurance in accordance with relevant requirements of national laws and administrative regulations. Should a staff member resign before reaching the statutory retirement age, the Company will cease to pay the basic pension insurance from the date of such resignation and shall assist such staff in transferring procedures of the basic pension insurance relationship.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

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

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

Ms. Li Dongmei has tendered her resignation as a joint company secretary and an authorized representative of the Company under the Listing Rules due to personal development reason with effect from 9 November 2020. Please refer to the announcement of the Company dated 9 November 2020.

In addition, Mr. Du Guohui has tendered his resignation as a general manager of the Company due to personal development reason with effect from 2 September 2020. On the same day, Mr. Liu Donghai was appointed as the general manager of the Company

Save as disclosed in this annual report, there was no change in any information relating to any Directors, Supervisors and senior management members which were required to be disclosed in accordance with paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the reporting period.

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

As at 31 December 2020, the interests and short positions of the directors of the Company (the "**Directors**"), the supervisors of the Company (the "**Supervisors**") and chief executives of the Company (the "**Chief Executives**") 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 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	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	278,231,158 (long position)	82.39	37.99
Liu Wencui *(Note 2)*	Domestic shares	Interest of controlled corporation	278,231,158 (long position)	82.39	37.99

Notes:

1. *The percentage is calculated with the number of the relevant class of shares of the Company issued as at date of this annual report divided by the total number of shares.*

2. *Di Er Tong and Digital Science & Technology, directly hold 101,300,000 domestic shares and 176,931,158 domestic shares of the Company respectively, and Liu Donghai, Liu Hua, Liu Songshan, Liu Wencui, Liu Yongmei and Liu Wenli respectively holds 22.12%, 4.74%, 45.90%, 8.78%, 4.74% and 12.72% equity interests in Di Er Tong; Liu Donghai, Liu Hua, Liu Wencui, Liu Yongmei and Liu Wenli respectively holds 84.72%, 5.06%, 3.93%, 5.06% and 1.23% equity interests in Digital Science & Technology. Accordingly, pursuant to the SFO, Liu Donghai, Liu Wencui, Liu Yongmei, Liu Hua and Liu Wenli are deemed to be interested in 101,300,000 domestic shares and 176,931,158 domestic shares held by Di Er Tong and Digital Science & Technology respectively, and Liu Songshan is deemed to be interested in 101,300,000 domestic shares held by Di Er Tong.*

Save as disclosed above, as at 31 December 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.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the reporting period was the Company or its subsidiaries a party to any arrangement that would enable the Directors or the Supervisors to acquire benefits by means of acquisition of any shares or debentures in the Company or any other body corporate, 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 any other body corporate or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 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 fell to be noticed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and were recorded in the register 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	278,231,158 (long position)	82.39	37.99
Liu Hua *(Note 2)*	Domestic shares	Interest of controlled corporation	278,231,158 (long position)	82.39	37.99
Liu Wenli *(Note 2)*	Domestic shares	Interest of controlled corporation	278,231,158 (long position)	82.39	37.99
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	176,931,158 (long position)	52.39	24.16
Chengmai Dixin Changqing Investment Centre (Limited Partnership)	Domestic shares	Beneficial owner	17,500,000 (long position)	5.18	2.39
Zhuhai Gengyan Investment Centre (Limited Partnership)	Domestic shares	Beneficial owner	24,868,842 (long position)	7.36	3.40
Lenovo Group Limited	H shares	Beneficial owner	32,435,500 (long position)	8.22	4.43

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 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
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:

1. *The percentage is calculated with the number of the relevant class of shares of the Company issued as at date of this annual report divided by the total number of shares.*

2. *Di Er Tong and Digital Science & Technology directly hold 101,300,000 domestic shares and 176,931,158 domestic shares of the Company respectively, and Liu Donghai, Liu Hua, Liu Songshan, Liu Wencui, Liu Yongmei and Liu Wenli respectively holds 22.12%, 4.74%, 45.90%, 8.78%, 4.74% and 12.72% equity interests in Di Er Tong; Liu Donghai, Liu Hua, Liu Wencui, Liu Yongmei and Liu Wenli respectively holds 84.72%, 5.06%, 3.93%, 5.06% and 1.23% equity interests in Digital Science & Technology. Accordingly, pursuant to the SFO, Liu Donghai, Liu Wencui, Liu Yongmei, Liu Hua and Liu Wenli are deemed to be interested in 101,300,000 domestic shares and 176,931,158 domestic shares held by Di Er Tong and Digital Science & Technology respectively, and Liu Songshan is deemed to be interested in 101,300,000 domestic shares held by Di Er Tong.*

3. *Digital China directly holds 158,350,000 H shares of the Company, and Digital China Group holds 100% equity interests in Digital China through Digital China (China), its wholly-owned company. Accordingly, pursuant to the SFO, Digital China Group and Digital China (China) are deemed to be interested in 158,350,000 H shares held by Digital China.*

4. *Nelson Innovation Limited directly holds 65,793,400 H shares of the Company, and Liu Qiangdong holds 72.90% equity interests in JD.com, Inc. through Max Smart Limited, his wholly-owned company, and JD.com, Inc. holds 100% equity interests in Nelson Innovation Limited through JD.com Investment Limited, its wholly-owned company. Accordingly, pursuant to the 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.*

Save as disclosed above, as at 31 December 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 fell to be noticed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or which have been recorded in the register to be kept by the Company pursuant to Section 336 of the SFO.

PLEDGE 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. On 28 January 2021, Di Er Tong released all the abovementioned pledges of the domestic shares of the Company.

On 28 January 2021, Digital Science & Technology, the controlling shareholder of the Company, pledged 63,270,000 domestic shares of the Company (representing approximately 8.6% of the total issued shares of the Company as at 31 December 2020) to 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.

On 18 September 2020 and 31 December 2020, Digital Science & Technology, the controlling shareholder of the Company, pledged 109,869,060 domestic shares (representing approximately 15% of the total issued shares of the Company as at 31 December 2020) and 67,062,098 domestic shares of the Company (representing approximately 9.16% of the total issued shares of the Company as at 31 December 2020) to Bank of Tangshan Co., Ltd. (the "**Bank of Tangshan**"), as guarantees for the RMB800 million loan provided by Bank of Tangshan to the Company. On 14 January 2021, all the abovementioned 109,869,060 domestic shares of the Company pledged on 18 September 2020 have been released the pledge by Digital Science & Technology.

EQUITY-LINKED AGREEMENT

During the year ended 31 December 2020, the Company and its subsidiaries neither entered into any agreements in relation to equity-linked products nor participated in any arrangement to purchase equity-linked wealth management products.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

During the year ended 31 December 2020, shareholders of the Company had no pre-emptive rights or any share option arrangements in accordance with applicable PRC laws and the Articles of Association.

NON-COMPETITION UNDERTAKING

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

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

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

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

The independent non-executive Directors have reviewed and assessed if the controlling shareholders have complied with the Non-competition Undertaking. The independent non-executive Directors have confirmed that the controlling shareholders have not been in breach of the Non-competition Undertaking during the year ended 31 December 2020.

DIRECTORS' AND SUPERVISORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, during the year of 2020, none of the Directors, the Supervisors and their associates had any competing interest in any business which competes or may compete directly or indirectly with the businesses of the Company.

CONTINUING CONNECTED TRANSACTION

The Group had entered into agreements for the following continuing connected transaction during the year of 2020:

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

Due to the fact that the MVNO Strategic Cooperation Agreement and its corresponding annual cap were expired on 31 December 2016, and that the Company intended to continue the transactions contemplated thereunder after 31 December 2016, the Company renewed the MVNO Strategic Cooperation Agreement with the MVNO Licensee on 10 November 2016 for a term of three years effective from 1 January 2017 to 31 December 2019 (the "**New MVNO Strategic Cooperation Agreement**"). If the cooperation period expires and both parties have no objection, the validity period of the agreement will be automatically extended for three years, that is, from 1 January 2020 to 31 December 2022. The New MVNO Strategic Cooperation Agreement was entered into on normal commercial terms. The applicable percentage ratios under Chapter 14A of the Listing Rules for the transactions in the respective years were below 0.1%. Pursuant to Rule 14A.76(1)(a) of the Listing Rules, the above continuing connected transactions were not subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

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

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

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

The auditor of the Company has performed certain pre-determined audit procedures regarding those continuing connected transactions entered into by the Group during the year ended 31 December 2020 as set out above and stated that:

(1) the transactions have been approved by the Board;

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

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

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

The related party transactions of the Company are set out in note 39 to the financial statements of this annual report from pages 200 to 203.

Save as disclosed in this annual report, during the year ended 31 December 2020, no related party transactions set out in note 39 to the financial statements of this annual report constituted connected transactions or continuing connected transactions which fell to be disclosed in accordance with the provisions for the disclosure of connected transactions under Chapter 14A of the Listing Rules. The Company confirmed that it has complied with the requirements under Chapter 14A of the Listing Rules.

CHARITY DONATIONS

During the reporting period, the Group made no charitable and other donations.

SIGNIFICANT LEGAL PROCEEDINGS

As of 31 December 2020, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

PERMITTED INDEMNITY PROVISION

The Company purchased an insurance covering the liability of the Directors and the senior management with a validity period of 12 months with effect from 31 March 2020, and was renewed in March 2021. Except for such insurance, the Company has no valid permitted indemnity provisions (as defined in Companies (Directors' Report) Regulation of the Chapter 622D of Hong Kong Laws) during the year ended 31 December 2020 and as of the date of this annual report.

EVENTS AFTER THE FINANCIAL YEAR END DATE

Details of the major events occurring after the financial year end date are set out in note 44 to the financial statements on page 213.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Company's annual results for 2020 and the financial statements prepared in accordance with IFRSs for the year ended 31 December 2020.

CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Given 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 such arrangement will not affect the balance of power and authorization between the Board and the management of the Company. The Company will continue to review and enhance its corporate governance codes to ensure compliance with the CG Code. During the year ended 31 December 2020, save as disclosed in this annual report, the Company has complied with the other code provisions set out in the CG Code and adopted most of the other recommended best practices.

PUBLIC FLOAT

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

AUDITOR

Ernst & Young was appointed as the auditor for the financial statements prepared in accordance with IFRSs for the year ended 31 December 2020. The accompanying financial statements prepared in accordance with IFRSs have been audited by Ernst & Young.

A resolution for the re-appointment of Ernst & Young as auditor of the Company will be proposed at the forthcoming annual general meeting.

The Company's auditor has not been changed for the past three years.

By order of the Board
Liu Donghai
Chairman

Beijing, 31 March 2021

BOARD OF SUPERVISORS' REPORT

In 2020, the business conditions of the Company were affected by the Pandemic, and in order to cope with the crisis, the leadership of the Company actively took various measures to promote the development of the Company. The year of 2020 was a difficult but still orderly and compliant year for the development of the Company, and all operations were carried out as planned. The Board of Supervisors of the Company continued to supervise the Company's legal compliance of its operation and the acts of the Directors, managers and other senior management in performing their duties in strict compliance with the relevant requirements of the Company Law, the Articles of Association and Rules of Procedures for the Board of Supervisors Meeting with the authority granted by relevant laws and regulations to facilitated a healthy and standardized development of the Company and effectively safeguard the legitimate rights and interests of the Company and the Shareholders. The main duties of the Board of Supervisors in 2020 are reported as follows:

I. IN 2020, A TOTAL OF FOUR MEETINGS OF THE BOARD OF SUPERVISORS WERE HELD DURING THE YEAR, PARTICULARS OF WHICH ARE AS FOLLOWS:

1. On 30 March 2020, the Company held the seventh meeting of the third session of the Board of Supervisors in Beijing. The meeting was held by way of conference call, and all of three supervisors of the Company attended the meeting which met the quorum as required under the Articles of Association and thus was lawful and effective. The meeting was chaired by Ms. Wei Shuhui, the chairwoman. Upon voting, the resolutions on "the announcement of the unaudited consolidated financial results of the Company for the year 2019", "the report of the Board of Supervisors of the Company for the year 2019", "the re-appointment of accounting firm of the Company for the year 2020", "the General Election of the Board of Supervisors of the Company", and "the proposal to the general meeting to authorize the Board of Supervisors to fix the remuneration of the new session of the Board of Supervisors" were approved.

2. On 20 April 2020, the Company held the eighth meeting of the third session of the Board of Supervisors in Beijing. The meeting was held by way of conference call, and all of three supervisors of the Company attended the meeting which met the quorum as required under the Articles of Association and thus was lawful and effective. The meeting was chaired by Ms. Wei Shuhui, the chairwoman. Upon voting, the resolutions on "the annual results announcement of the Company for the year 2019" and "the annual report of the Company for the year 2019" were approved.

3. On 22 May 2020, the Company held the first meeting of the fourth session of the Board of Supervisors in Beijing. The meeting was held by way of conference call, and all of three supervisors of the Company attended the meeting which met the quorum as required under the Articles of Association and thus was lawful and effective. The meeting was chaired by Mr. Liu Zhenlong, the chairman. Upon voting, the resolutions on "the election of the chairman of the fourth session of the Board of Supervisors" and "the fixing of the remuneration of the supervisors of the fourth session of the Board of Supervisors" were approved.

4. On 28 August 2020, the Company held the second meeting of the fourth session of the Board of Supervisors in Beijing. The meeting was held by way of conference call, and all of three supervisors of the Company attended the meeting which met the quorum as required under the Articles of Association and thus was lawful and effective. The meeting was chaired by Mr. Liu Zhenlong, the chairman. Upon voting, the resolution on "the interim report and the interim results announcement of the Company for the year 2020" was approved.

II. OPINION OF THE BOARD OF SUPERVISORS ON RELEVANT MATTERS FOR THE YEAR 2020

1. Lawful operation of the Company

The Board of Supervisors earnestly performed its duties, actively attended the general meeting and Board meetings or reviewed the documents of Board meeting, and supervised the Company's legal compliance of its operations during 2020.

The Board of Supervisors considered that: during the reporting period, the convening and holding of general meeting and Board meetings were conducted in accordance with relevant laws and regulations and the procedures stipulated in the Company's Articles of Association, and the contents of the relevant resolutions were legal and valid. The Company operated in accordance with the law and its decision-making procedures are in compliance with the provisions of the Company Law, the Listing Rules and the Articles of Association and other relevant systems. The Company has a sound internal control system and no action in violation of laws and regulations was found. The Board of Directors fully implemented the resolutions of the general meeting and the senior management conscientiously carried out the resolutions of the Board of Directors. During the reporting period, the Directors and senior management of the Company were able to perform their duties diligently and faithfully, and there was no violation of laws and regulations and damage to the interests of the Company and its Shareholders by using their authority.

2. Internal control of the Company

Since its listing, the Company has been improving its internal governance structure and has a sound and complete internal management system, such as articles of association, rules of procedure of general meetings, Board meetings and meetings of the board of supervisors, financial management system, contract management system, external investment management system, administrative management system, etc. Meanwhile, the Company has set up an independent internal audit department and legal department, which effectively protects the Company in business development, operation management, capital use, investment operation and other aspects.

The Board of Supervisors considered that: the internal control management system of the Company has played a good role in supervising and controlling the standardized operation of the Company during the reporting period.

3. Financial work position of the Company

In 2020, the operating condition of the Company was affected by the Pandemic to a certain extent, but the management of the Company actively studied various measures, and with the concerted efforts of all the employees of the Company, the financial conditions of the Company were eased to a certain extent. During the reporting period, the Board of Supervisors examined and reviewed carefully and meticulously the accounting statements, financial system and other relevant materials of the Company. The financial report of the Company for the year of 2020 reflected a true view of the financial position and operating results of the Company. The Board of Supervisors considered that: during the reporting period, the Company had a sound financial system and standardized financial operations. There was no material omission or false statement in the account. The laws and regulations, including the Accounting Law and the Accounting Standards for Business Enterprises were strictly implemented, and no non-compliance incident was identified. The auditor's opinion issued by Ernst & Young for the financial report of the Company in the year 2020 is objective, authentic and accurate.

4. Related party transactions of the Company

For details of the Company's related party transactions, please see II. Financial Position and Operating Results under the section headed Management Discussion & Analysis in the 2020 annual report.

The Board of Supervisors is of the opinion that the related party transactions of the Company during the reporting period were entered into by consensus between both parties on the basis of open, fair and equitable pricing in accordance with the actual business development needs of the Company. The transactions are in compliance with the provisions of the Company Law, the Securities Law, the Articles of Association and other relevant laws and regulations and there are no transactions that are detrimental to the interests of the listed company and its shareholders, especially the minority shareholders.

5. Capital raising of the Company

For details of the Company's capital raising, please see II. Financial Position and Operating Results under the section headed Management Discussion & Analysis in the 2020 annual report.

The Board of Supervisors supervised the use of the proceeds raised by the Company. The Board of Supervisors is of the opinion that the Company has carefully managed and used the proceeds, the proceeds raised were used strictly in accordance with the planned investment purposes and the allocated amounts, and the Company did not change any actual investment projects.

6. The Board of Supervisors' opinion on acquisition and disposal of assets by the Company

The Board of Supervisors examined the acquisition and disposal of assets made by the Company and is of the opinion that the transaction prices for the Company's acquisition of equity and disposal of assets were fair and reasonable, and no insider trading, prejudice to shareholders' interests or loss of assets of the Company was found. The decision-making process of the transaction was in compliance with the Articles of Association.

7. The Board of Supervisors' opinion on the management of persons with knowledge of the Company's inside information

The Board of Supervisors supervised the management of persons with knowledge of the Company's inside information and is of the opinion that the Company and its subsidiaries have earnestly and effectively implemented the relevant systems of inside information management, strictly prevented the leakage of inside information and disclosed major events in a timely manner. During the period of periodic report disclosure, the Company conducted self-examination over Directors, Supervisors, senior management and other persons with knowledge of the Company's inside information in respect of dealing with the Shares of the Company during sensitive periods such as within 60 days before the announcement of results reports and the period when other major events were disclosed. No related persons were found to use inside information to engage in insider trading, and no violation of the Company's inside information management occurred.

III. THE WORK PLAN OF THE BOARD OF SUPERVISORS FOR THE YEAR 2021

The Board of Supervisors will continue to faithfully perform its duties in accordance with relevant laws, regulations and policies of the State such as the Company Law, the Listing Rules, the Articles of Association, Rules of Procedures for the Board of Supervisors Meeting strictly, and supervise and inspect the decision-making and operating conduct of the Board of Directors and management in accordance with the laws, further promote the standardized operation of the Company, and effectively protect the interests of the Company and its shareholders from infringement.

1. The Board of Supervisors will implement its supervisory functions and work closely with the Board of Directors, attend the meetings of Board of Directors in accordance with the laws, supervise the legality and compliance of the procedures for consideration and discussion of the matters put to the Board meeting, supervise the implementation of the resolutions of the Board of Directors, and diligently perform its duties of supervision conferred at the general meeting.

2. The Board of Supervisors will hold regular working meetings, take more efforts to supervise and review the Company's financial position, regularly review the Company's financial statements, and other documents such as vouchers, and maintain effective communication with the internal audit department of the Company and external auditors, etc.

3. The members of the Board of Supervisors should enhance their internal learning of laws and regulations, keep abreast of industry policies and participate in the Company's business training to provide more effective services to the Company.

4. The Board of Supervisors will actively supervise the construction and effective operation of the internal control system and establish a communication mechanism with employees and shareholders so as to better safeguard the interests of the Company and its shareholders.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report in the annual report of the Company for the year ended 31 December 2020.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code contained in Appendix 14 to the Listing Rules. Save for those disclosed in this annual report, the Directors are of the opinion that, during the year ended 31 December 2020, the Company has complied with the code provisions set out in the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities

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

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

The primary authorities exercisable by the Board include: convening shareholders' meetings to report their work and carry out the resolutions approved thereat; determining the Company's business plans and investment proposals; developing annual financial budget plans, profit distribution plans and loss recovery plans of the Company; devising plans to increase or reduce the registered capital of the Company and issue corporate bonds; putting forward plans for merger, spin-off and dissolution of the Company; determining the establishment of the Company's internal management; appointing or dismissing the Company's general manager and, according to the nomination of the general manager, appointing or dismissing the Company's deputy general managers and other senior management members, as well as determining their remunerations; establishing the Company's fundamental management system; and proposing amendments to the Articles of Association.

The Board is well-functioning, and the forms, contents, procedures and implementation of the meetings are in compliance with the Articles of Association and relevant laws and regulations. Specifically, the Board shall convene at least four regular meetings each year and other extraordinary meetings as and when necessary. The notice of a regular meeting shall be given to all Directors at least fourteen days prior to the date of the meeting to ensure their attendance. The notice of an extraordinary meeting shall be given to Directors within a reasonable time with sufficient information such as relevant background information of the matters in the agenda to be considered, as well as data and statistics of the Company's business development for their easier understanding. As adopted by the Board, two or more external Directors who consider the information insufficient or insubstantial may request the Board in writing to postpone the Board meeting or the consideration of the matters in the agenda.

The minutes of the Board meetings shall be complete and true. The attended Directors, the secretary to the Board and the minutes taker shall sign on the minutes which shall then be maintained by dedicated personnel as important evidence in clarifying the responsibilities of the Directors.

The Board may delegate certain authorities to the chairman during the recess of the Board, as defined and specified in the Articles of Association.

In the event that a Director has a connected relationship with an enterprise involved in a resolution considered at a Board meeting, he/she shall not exercise his/her voting right over the resolution, nor shall he/she exercise other Directors' voting rights on behalf of them. The Board meeting shall be held only when more than half of the unconnected Directors attend the meeting. The resolution of the Board meeting must be passed by more than half of the unconnected Directors. If there are less than three unconnected Directors attending the Board meeting, such matter shall be considered by the Shareholders at a general meeting.

The Company's management are primarily responsible for implementing the resolutions of the Board, the Company's business plans and investment plans, and the Company's key management systems, and supervising their implementation. They also manage the Company's revenues and expenditures and supervise fund flow and determine the changes in key positions.

The Company purchased an insurance policy covering the liability of the Directors and senior management with a valid period of 12 months effective from 31 March 2020 to 30 March 2021 in March 2020. In March 2021, the Company renewed the insurance with a valid period from 31 March 2021 to 30 March 2022.

Board Composition

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

Executive Directors:

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

Non-executive Directors:

Mr. Li Wenzhi
Mr. Yao Yanzhong
Mr. Lv Jing

Independent Non-executive Directors:

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

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

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

Mr. Liu Donghai and Ms. Liu Wencui are siblings. Save as disclosed above, none of the Directors, Supervisors and senior management has any personal relationship (including financial, business, family or other material or relevant relationship) with other Directors, Supervisors and senior management.

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

As the code provision in the CG Code requires Directors to disclose the number and nature of offices held in listed companies or organizations and other significant commitments as well as their identities and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company when appropriate.

Board Diversity Policy

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

Policy Statement

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

Measurable Objectives

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

Monitoring and Reporting

The Nomination Committee of the Company will review the structure, size and composition of the Board and make recommendations or advice to the Board on the appointment of new Directors of the Company. The above review and recommendations or advice all take the benefits of board diversity into full consideration.

Review of the Policy

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

During the reporting period, the implementation of the board diversity policy was as follows:

1. The Board is composed of nine Directors, of which three are independent non-executive Directors. The arrangement is in compliance with Rules 3.10(1) and 3.10A of the Listing Rules in relation to "at least one-third of the members of the Board shall be independent non-executive Directors".

2. At least one of the independent non-executive Directors has obtained financial professional qualifications. Other Directors have professional experience in law, finance, business management and public services, and also meet the requirements of Rule 3.10(2) of the Listing Rules.

3. The Directors have different educational backgrounds, including master's degree in law, bachelor's degree in accounting, doctorate in management, and doctorate in economics. Their ages range from 40 to 65 and one is a female member. The Nomination Committee has reviewed the board diversity policy to ensure its effectiveness and believes that the members of the Board has achieved diversity.

Induction and Continuous Professional Development

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

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

Director	Type of training
Lv Tingjie, Lv Pingbo and Zhang Senquan	A/B/C
Lv Jing, Li Wenzhi and Yao Yanzhong	A/C
Liu Donghai, Liu Wencui and Liu Yajun	A/C

Notes:

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

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

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

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Given 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 such arrangement will not affect the balance of power and authorization between the Board and management of the Company. The Company will continue to review and enhance its corporate governance codes to ensure compliance with the CG Code.

Appointment and Re-Election of Directors

Due to the general election held by the Board during the year, the members of the fourth session of the Board of the Company, namely Mr. Liu Donghai, Mr. Liu Yajun, Ms. Liu Wencui, Mr. Li Wenzhi, Mr. Yao Yanzhong, Mr. Lv Jing, Mr. Lv Tingjie, Mr. Lv Pingbo and Mr. Zhang Senquan entered into service agreements with the Company respectively on 22 May 2020 with a fixed term of three years commencing from 22 May 2020 until the expiry of the fourth session of the Board of the Company.

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

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

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

Board Meetings

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

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

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

During the reporting period, seventeen Board meetings and two general meetings were held and the attendance of individual Directors at these Board meetings and the general meetings is set out in the table below:

Name of Director	Attended Board Meetings/Eligible to Attend Board Meetings	Attended General Meetings/ Eligible to Attend General Meetings
Mr. Liu Donghai	17/17	2/2
Mr. Liu Yajun	17/17	2/2
Ms. Liu Wencui	17/17	2/2
Mr. Li Wenzhi (Appointed on 22 May 2020)	8/10	1/1
Mr. Yao Yanzhong (Appointed on 22 May 2020)	4/10	1/1
Mr. Lv Jing (Appointed on 22 May 2020)	9/10	1/1
Mr. Lv Tingjie	17/17	2/2
Mr. Lv Pingbo	17/17	2/2
Mr. Zhang Senquan	17/17	2/2
Mr. Liu Songshan (Retired on 22 May 2020)	7/7	2/2
Mr. Qi Xiangdong (Retired on 22 May 2020)	6/7	2/2
Ms. Xin Xin (Retired on 22 May 2020)	7/7	2/2

A total of 40 Board's resolutions were passed at seventeen Board meetings held during the reporting period, details of which are as follows:

1. The first extraordinary meeting (in written form) of the third session of the Board for the year 2020 was held on 10 February 2020 at which one resolution was considered and approved.

2. The twentieth meeting of the third session of the Board for the year 2020 was held by telephone on 27 February 2020 at which four resolutions were considered and approved.

3. The twenty-first meeting of the third session of the Board for the year 2020 was held in written form on 28 February 2020 at which one resolution was considered and approved.

4. The twenty-second meeting of the third session of the Board for the year 2020 was held by telephone on 30 March 2020 at which eight resolutions were considered and approved.

5. The twenty-third meeting of the third session of the Board for the year 2020 was held by telephone on 20 April 2020 at which eight resolutions were considered and approved.

6. The twenty-fourth meeting of the third session of the Board for the year 2020 was held in written form on 19 May 2020 at which two resolutions were considered and approved.

7. The twenty-fifth meeting of the third session of the Board for the year 2020 was held by telephone on 20 May 2020 at which one resolution was considered and approved.

8. The first meeting of the fourth session of the Board for the year 2020 was held by a combination of ways of physical meeting and meeting by telephone on 22 May 2020 at which four resolutions were considered and approved.

9. The second meeting of the fourth session of the Board for the year 2020 was held in written form on 15 June 2020 at which one resolution was considered and approved.

10. The third meeting of the fourth session of the Board for the year 2020 was held in written form on 15 August 2020 at which one resolution was considered and approved.

11. The fourth meeting of the fourth session of the Board for the year 2020 was held in written form on 17 August 2020 at which one resolution was considered and approved.

12. The fifth meeting of the fourth session of the Board for the year 2020 was held by telephone on 28 August 2020 at which three resolutions were considered and approved.

13. The sixth meeting of the fourth session of the Board for the year 2020 was held in written form on 1 September 2020 at which one resolution was considered and approved.

14. The seventh meeting of the fourth session of the Board for the year 2020 was held in written form on 9 November 2020 at which one resolution was considered and approved.

15. The eighth meeting of the fourth session of the Board for the year 2020 was held in written form on 11 November 2020 at which one resolution was considered and approved.

16. The ninth meeting of the fourth session of the Board for the year 2020 was held in written form on 20 November 2020 at which one resolution was considered but disapproved.

17. The tenth meeting of the fourth session of the Board for the year 2020 was held in written form on 24 December 2020 at which one resolution was considered and approved.

Shareholders' General Meeting

Details of the shareholders' general meetings of the Company held during the reporting period are as follows:

On 15 April 2020, the Company held the first extraordinary general meeting for the year 2020 in Beijing. Six shareholders or their proxies holding 561,843,400 shares of the Company, representing approximately 76.706318% of the total number of the shares of the Company, attended the meeting. The meeting was chaired by our Chairman, Mr. Liu Donghai. Certain Directors, Supervisors, senior management members also attended the meeting. Two ordinary resolutions and one special resolution were approved by open voting at the meeting.

On 22 May 2020, the Company held the annual general meeting for the year 2019 in Beijing. Five shareholders or their proxies holding 561,843,900 shares of the Company, representing 76.706386% of the total number of the shares of the Company, attended the meeting. The meeting was chaired by our Vice Chairman, Mr. Liu Yajun. Certain Directors, Supervisors, senior management members of the Company also attended the meeting. Eleven ordinary resolutions and two special resolutions were approved by open voting at the meeting.

Model Code for Securities Transactions

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

During the year ended 31 December 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.

Delegation by the Board

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

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

Corporate Governance Function

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

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

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

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

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

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

BOARD COMMITTEES

Nomination Committee

The Nomination Committee is currently comprised of three members, including two independent non-executive Directors, namely Mr. Lv Tingjie (Chairman) and Mr. Lv Pingbo; and one non-executive Director, namely Mr. Yao Yanzhong.

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

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

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

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

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

5. to review the board diversity policy.

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

During the year ended 31 December 2020, the Nomination Committee has held two committee meetings and the attendance of each member of the Nomination Committee at the meetings is set out in the table below:

Name of Director	Attended/ Eligible to attend
Mr. Lv Tingjie	2/2
Mr. Lv Pingbo	2/2
Mr. Yao Yanzhong (Appointed on 22 May 2020)	1/1
Mr. Liu Songshan (Ceased to act on 22 May 2020)	1/1

Details of the meeting are as follows:

1. At the sixth meeting of the Nomination Committee of the third session of the Board held by telephone on 30 March 2020, the Resolution on the Nomination of Mr. Liu Donghai, Mr. Liu Yajun and Ms. Liu Wencui as executive Directors of the Fourth Session of the Board, the Resolution on the Nomination of Mr. Li Wenzhi as a non-executive Director of the Fourth Session of the Board, the Resolution on the Nomination of Mr. Yao Yanzhong as a non-executive Director of the Fourth Session of the Board, the Resolution on the Nomination of Mr. Lv Jing as a non-executive Director of the Fourth Session of the Board, and the Resolution on the Nomination of Mr. Zhang Senquan, Mr. Lv Tingjie and Mr. Lv Pingbo as independent non-executive Directors of the Fourth Session of the Board were considered and approved.

2. On 22 May 2020, the first meeting of the Nomination Committee of the fourth session of the Board was held by way of a physical meeting at which the Resolution on the Election of Mr. Lv Tingjie as Chairman of the Nomination Committee was considered and approved.

The Nomination Committee's responsibilities are to study and formulate the criteria and procedures pertaining to selecting and recommending candidates, and to examine and verify candidates for directorship, and make advice or recommendations to the Board thereon. Also, to review the structure, size and composition (including the skills, knowledge, experience, gender, age, cultural and educational background, and the term of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, and to the largest extent possible to ensure membership diversity in the composition of the Board. Summary of the diversity policy for board members of the Company, please refer to the "Board Diversity Policy" under the section headed "Corporate Governance Report" in this annual report.

The Nomination Committee shall seek for the right candidates for the position of Directors in the Company itself, holding (joint stock) company of the Company and the talent market, and collect information about the candidates including their occupation, academic background, title, working experience in detail and all the part-time jobs to produce written materials. After obtaining the consent of the nominees, the Nomination Committee shall convene its meeting, reviewing the candidates according to the qualification required by the Company. After the Nomination Committee forms a majority of votes, the Nomination Committee will conduct other follow-up work after decisions and feedback of the Board.

Remuneration and Assessment Committee

The Remuneration and Assessment Committee is comprised of three members, namely Mr. Lv Pingbo (Chairman), Mr. Lv Jing and Mr. Zhang Senquan. Apart from Mr. Lv Jing who is a non-executive Director, both of the other members are independent non-executive Directors.

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2020, the Remuneration and Assessment Committee has held one committee meeting and the attendance of each member of the Remuneration and Assessment Committee at the meeting is set out in the table below:

Name of Director	Attended/ Eligible to attend
Mr. Lv Pingbo	1/1
Mr. Zhang Senquan	1/1
Mr. Lv Jing (Appointed on 22 May 2020)	1/1
Ms. Xin Xin (Ceased to act on 22 May 2020)	0/0

Details of the meeting is as follows:

At the first meeting of the fourth session of the Remuneration and Assessment Committee held by way of a physical meeting on 22 May 2020, the Resolution on the Election of Mr. Lv Pingbo as Chairman of the Remuneration and Assessment Committee and the Resolution on the Remuneration of the Directors of the Fourth Session of the Board and the Remuneration of the Supervisors of the Fourth Session of the Board of Supervisors were considered and approved.

The Remuneration and Assessment Committee has reviewed the remuneration of Directors and senior management members for the year 2020, as well as the Company's policy and structure for the remuneration of all Directors and senior management. Based on the review, the Remuneration and Assessment Committee has made recommendations to the Board on the remuneration packages of individual executive Directors and senior management members.

Remuneration of Directors, Supervisors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on the remuneration of Directors, Supervisors and senior management of the Group. Details of the remuneration of each of the Directors and Supervisors for the year ended 31 December 2020 are set out in note 10 to the financial statements of this annual report on pages 168 to 170.

The biographies of the senior management are disclosed in the section headed "Directors, Supervisors and Senior Management" in this annual report. The remuneration by band of non-Director members of the senior management for the year ended 31 December 2020 is as follows:

Remuneration band (RMB)	Number of individuals
Below 300,000	8
300,000 to 500,000	4
Over 500,000	0

Audit Committee

The Audit Committee is comprised of three members, namely Mr. Zhang Senquan (Chairman), Mr. Lv Tingjie and Mr. Lv Pingbo, and all of them are independent non-executive Directors.

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

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

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

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

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

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

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

7. to develop and implement policy on engaging the External Auditor to provide non-audit services;

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

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

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

During the year ended 31 December 2020, the Audit Committee has held four committee meetings and the attendance of each member of the Audit Committee at the meetings is set out in the table below:

Name of Director	Attended/ Eligible to attend
Mr. Zhang Senquan	4/4
Mr. Lv Tingjie	4/4
Mr. Lv Pingbo	4/4

Details of the meetings are as follows:

1. At the sixteenth meeting of the Audit Committee of the third session of the Board held by telephone on 30 March 2020, the Resolution on the Announcement of the Unaudited Consolidated Financial Results of the Company for the year 2019, the Resolution on the Report of the Audit Progress and Relevant Communication of the Company for the year 2019, the Resolution on the Appointment of Accounting Firm for 2020, and the Resolution on the Report of Internal Control of the Company for the year 2019 were considered and approved.

2. At the seventeenth meeting of the Audit Committee of the third session of the Board held by telephone on 20 April 2020, the Resolution on the Announcement of the Audited Consolidated Financial Results for the year 2019 and the Annual Report of the Company for the year 2019 and the Resolution on the Report of Communication on Audit Results of the Company for the year 2019 were considered and approved.

3. The first meeting of the Audit Committee of the fourth session of the Board was held by way of a physical meeting on 22 May 2020 at which the Resolution on the Election of Mr. Zhang Senquan as Chairman of the Audit Committee was considered and approved.

4. The second meeting of the Audit Committee of the fourth session of the Board was held by telephone on 28 August 2020 at which the Resolution on the Interim Review Results Report and Annual Audit Plan of the Company for the year 2020 and the Resolution on the Interim Report and Interim Results Announcement of the Company for the year 2020 were considered and approved.

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

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

Strategy Committee

The Strategy Committee is currently comprised of five members, including two executive Directors, namely Mr. Liu Donghai (Chairman) and Mr. Liu Yajun; one independent non-executive Director, namely Mr. Lv Tingjie; and two non-executive Directors, namely Mr. Li Wenzhi and Mr. Yao Yanzhong.

The principal duties of the Strategy Committee include the following:

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

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

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

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

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

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

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

During the year ended 31 December 2020, the Strategy Committee has held one committee meeting and the attendance of each member of the Strategy Committee at the meeting is set out in the table below:

Name of Director	Attended/ Eligible to attend
Mr. Liu Donghai	1/1
Mr. Liu Yajun	1/1
Mr. Lv Tingjie	1/1
Mr. Li Wenzhi (Appointed on 22 May 2020)	1/1
Mr. Yao Yanzhong (Appointed on 22 May 2020)	1/1
Mr. Liu Songshan (Ceased to act on 22 May 2020)	0/0
Mr. Qi Xiangdong (Ceased to act on 22 May 2020)	0/0

Details of the meeting are as follows:

The first meeting of the Audit Committee of the fourth session of the Board was held by way of a physical meeting on 22 May 2020 at which the the Resolution on the Election of Mr. Lv Tingjie as Chairman of the Strategy Committee was considered and approved.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2020, which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

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

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

The statement by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 119 to 123 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board confirms its responsibility to ensure that the Company has established and maintained a sound risk management and internal control system within the Group and is responsible for reviewing its effectiveness. The system is designed to manage and reduce the risks associated with its business operation to an acceptable level, rather than to eliminate the risk of failure to meet its business objectives, and will only be able to provide reasonable, but not absolute, guarantee that no material misrepresentation, loss or fraud exists.

The Board has authorized the Audit Committee to monitor the Group's risk management and internal control system and to conduct an annual review of the effectiveness of the system. The review covers the monitoring on all major aspects, including financial monitoring, operational monitoring and compliance monitoring.

Under the Company's risk management and internal control system, the management is responsible for the design, implementation and maintenance of the risk management and internal control system to ensure that, in particular, (i) proper policies and procedures have been designed and established to safeguard the assets of the Group from not being misappropriated or improperly disposed of; (ii) relevant laws, rules or regulations have been observed and complied with; and (iii) reliable financial and accounting records are maintained in accordance with relevant audit standards and regulatory reporting requirements.

The Company's risk management and internal control system has the following key features: (i) the responsible persons of the key operating units or departments to manage and reduce the identified risks in accordance with the internal guidelines approved by the Board and the Audit Committee; (ii) the responsibility of the management to ensure that proper measures have been taken to address material risks arising from the Group's business and operation; and (iii) provision of independent confirmation from the IA People to the Board, the Audit Committee and the management on the effectiveness of the risk management and internal control system.

The key tasks under the Company's risk management and internal control system for the reporting period are as follows:

- Each key operating unit or department is responsible for day-to-day risk management activities, including identifying significant risks that may affect the performance of the Group; assessing and evaluating the identified significant risks based on its impact and possibility of occurrence; planning and implementing certain measures, control and contingency plans to manage and mitigate such risks;

- The management and the finance department monitor and review the risk management and internal control system on an on-going basis and report to the Audit Committee on the operation of the system;

- The management regularly follows up and reviews the measures, control and the contingency plans for the identified significant risks to ensure that adequate attention, control and response are in place for the identified significant risks;

- The management regularly reviews the risk management and internal control system to detect if there are any defects in the program and the monitoring, and will design and implement remedy actions to address such defects;

- The management has to ensure the normal operation of the appropriate program and measures, such as preventing of the assets from being misappropriated or disposed of without authorization, controlling the capital expenditures, maintaining proper accounting records, and ensuring the reliability of the financial data used in the business operation and publication.

The Company's internal audit function plays a role in monitoring the internal governance of the Company and the provision of independent confirmation on the adequacy and effectiveness of the Company's risk management and internal control system. The senior executives in charge of internal audit functions report directly to the Audit Committee and submit an internal audit report to the Audit Committee in accordance with the audit plan agreed by the Board. The results on the internal audit have to be reported to all Directors. During the reporting period, the internal audit function has analyzed and evaluated the adequacy and effectiveness of the Company's risk management and internal control system, in particular the inspection of the documents related to risks prepared by the operating units and the management, and conducted face to face interviews with staff at various levels. The senior executives in charge of the internal audit function attended the meetings of the Audit Committee and explained the results of the internal audit and answered the questions raised by the Audit Committee.

The Company has formulated a policy to ensure that the inside information is disclosed to the public in a fair and timely manner in accordance with applicable laws and regulations. The senior executives appointed by the Group to be in charge of investor relations, corporate affairs and financial control functions are responsible for controlling and monitoring that proper procedures for disclosure of inside information are followed. Relevant senior executives may access to the inside information at any time on the "as needed" basis. The relevant personnel and other professionals involved will be reminded of keeping the inside information confidential until it is disclosed to the public. The Company has other procedures in place to avoid the possibility of erroneous handling of inside information in the Group, such as prior approval for dealing in the Company's securities by the Directors and the management members, notices of the fixed lock-up period, restrictions on dealings in securities by Directors and employees, as well as codes for identification of projects.

The Company has accepted relevant arrangements to assist employees and other stakeholders in raising their concerns in confidence on the possible irregularities in financial reporting, internal control or other aspects. The Audit Committee reviews such arrangements on a regular basis and ensures that appropriate arrangements are in place for carrying out a fair and independent investigation and taking appropriate action on such matters.

During the reporting period, the Audit Committee reviewed the effectiveness of the Company's risk management and internal control system. The annual review covered the following aspects: (i) reviewing the reports submitted from time to time by the operating units or departments and the management on the implementation of the risk management and internal control system; (ii) discussing on a regular basis with the senior executives at management level the effectiveness of the risk management and internal control and the work of the internal audit function; (iii) assessing the scopes and quality of the work done by the management for ongoing monitoring the risk management and internal control system; (iv) reviewing the effectiveness of the internal audit function to ensure the smooth cooperation between the internal units within the Group and between the internal units and the external auditors, and also ensure that the internal audit function is allocated sufficient resources for operation within the Group and has appropriate status; and (v) making recommendation to the Board on the scope and quality of the work done by the management for ongoing monitoring the risk management and internal control system.

Based on the above, the Audit Committee has not identified any significant issues that adversely affect the effectiveness and adequacy of the Company's risk management and internal control system.

AUDITOR'S REMUNERATION

For the year ended 31 December 2020, Ernst & Young, as engaged by the Company, provided audit-related services only, and did not provide any non-audit services. The total remuneration paid or payable to Ernst & Young and auditors of the statutory financial statements of other subsidiaries by the Company amounted to RMB3,450,000 for 2020.

JOINT COMPANY SECRETARIES

After the resignation of the Company's joint company secretary Ms. Li Dongmei ("**Ms. Li**") on 9 November 2020, Ms. Lam Yuk Ling ("**Ms. Lam**") remains in office as the sole company secretary of the Company. Ms. Lam, a manager of the Listing Services Department of TMF Hong Kong Limited (a company secretarial service provider), is responsible for advising the Board on corporate governance matters and ensuring compliance with the policies and procedures of the Board, as well as applicable laws, rules and regulations. Ms. Li Dongmei is the primary contact person of Ms. Lam at the Company.

Ms. Lam has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules during the year ended 31 December 2020.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

SHAREHOLDERS' RIGHTS

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

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

Convening of Extraordinary General Meetings and Putting Forward Proposals

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

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

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

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

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

With the mandate granted from the annual general meeting for 2018, and by the special resolutions passed at the extraordinary general meeting and the class meeting held on 15 April 2020 and at the annual general meeting held on 22 May 2020, the Company has amended the Articles of Association, the amendments to which were effective from 8 January 2020, 15 April 2020 and 22 May 2020, respectively. For details of the amendments to the Articles of Association, please refer to the announcements of the Company dated 26 July 2019, 8 January 2020, 27 February 2020, 15 April 2020, 20 April 2020 and 22 May 2020, the circulars of the Company dated 28 February 2020 and 28 April 2020, and the latest Articles of Association.

Save as disclosed above, there was no material change to the Articles of Association during the year ended 31 December 2020.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

In order to review and summarize the Company's efforts in environmental, social and governance ("**ESG**"), the Board is pleased to present the Company's ESG Report for the year ended 31 December 2020.

Scope of the Report

If not otherwise stated, the scope of the report is consistent with the annual report. This report should be read in conjunction with the Annual Report 2020 of Beijing Digital Telecom Co., Ltd.

REPORTING STANDARDS

This report has been prepared in compliance with the relevant provisions of the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules of the Hong Kong Stock Exchange.

Reporting Principles

Following the principle of "materiality", Beijing Digital has used materiality analysis to identify important ESG issues and define the content and order of reporting; following the principle of "quantitative" and "consistency", the environmental and social key performance indicators disclosed in this report maintain the same reporting scope and calculation method as the previous year, unless otherwise stated.

I. ESG CORE PHILOSOPHY AND MANAGEMENT FRAMEWORK

ESG philosophy

The Group has been committed to achieving a high level of performance on ESG issues in order to protect the interests of the shareholders and investors, fulfilling corporate social responsibility, and enhancing the sustainable development capabilities of the enterprise.

Our ESG core philosophy focuses on shouldering our environmental and social responsibility in the course of the enterprise's development. We proactively identify and strictly abide by national and local laws and regulations in promoting sustainability on below fronts:

- advocate green packaging to reduce environmental impact while pursuing business goals;
- care for employees and support their development;
- reach a trusted partnership with suppliers to create corporate social value;

- serve with heart and protect consumers' rights;

- take the initiative to understand the needs of the community and practice the spirit of charity and dedication.

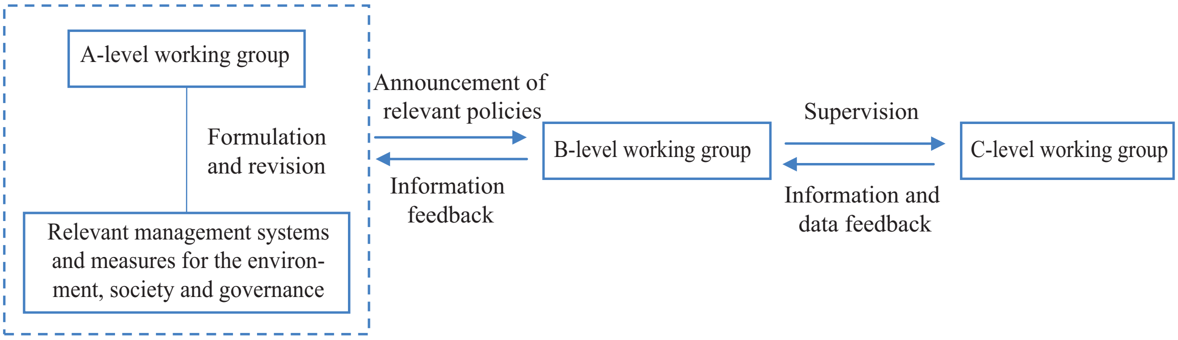
ESG Governance Structure

The Board takes charge of the Group's ESG issues. We have set up a multi-level and cross-departmental ESG working group covering all of our subsidiaries, which is responsible for the coordination and fulfilment of ESG work to effectively ensure the implementation and improvement of related policies and systems on ESG-related issues of the Company. The system includes A/B/C-level working groups as follows:

- A-level working group: the A-level working group is responsible for formulating relevant management systems and specific measures on ESG-related issues, evaluating the results of the implementation, processing data and improving or updating the system, and reporting their work to the Board or its committees. The A-level working group was formed by the managers in the headquarters, namely human resource center, operation center, procurement center, legal affairs center and financial center. Among which, the manager of the human resource center is responsible for the management of labors, the managers of operation, procurement and legal affairs centers are responsible for the management of the supply chain, products and environmental resources, and the human resource center and financial center are responsible for the management of community investment.

- B-level working group: the B-level working group is responsible for supervising and guiding the work of C-level working group and collecting relevant environmental and social data periodically. B-level working group was formed by 24 general managers of different regional subsidiaries.

- C-level working group: the C-level working group is responsible for the implementation of specific work and timely feedback on the work situation, the general manager of each subsidiary company designates 1-3 responsible persons to form a C-level working group.



ESG Tasks and United Nations Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) aim to provide a global guideline for solutions to development issues in the three dimensions including society, economy and environment so that it can turn to the path of sustainable development, and encourage all sectors of society to actively contribute their own strength. The Company advocates the concept of responsible development. We take environmental, social and economic benefits into consideration during our operation and investment and actively explore ways of operation that allow us to efficiently make use of natural resources, improve the well-being of employees and communities, and promote sustainable supply chains. Based on communication and feedback with stakeholders, while considering our business development, we have identified the following key work directions that allow us to actively contribute to global sustainable development.

United Nations SDGs	Our acts
8 DECENT WORK AND ECONOMIC GROWTH	Actively expand business development and provide more high-quality jobs for the society; Protect the legal rights and interests of employees and provide reasonable salary and welfare protection; Committed to creating a working environment that makes employees healthy, happy, and efficient; Provide quality resources for employees' development and vocational education.
11 SUSTAINABLE CITIES AND COMMUNITIES	Build a good interactive relationship with the community through the network of stores across the country, participate in community construction, and serve the public.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Carry out responsible sales and operations, establish product quality supervision system, and strive to ensure the quality, health and safety of sold products; Serve with heart and actively respond to consumers' demands and protect their rights; Establish a supplier management mechanism, focus on the environmental, social and governance risks of the supply chain.
13 CLIMATE ACTION	Reduce greenhouse gas emissions during operations by improving efficiency of the use of resource and encouraging public transportation.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Create a clean and honest corporate culture, and adhere to compliance management and integrity operation.

II. THE INVOLVEMENT OF STAKEHOLDERS

The opinions and needs of the stakeholders are the driving force for continuous optimization of our operating platform, supplier cooperation, and product and service quality. We actively communicate with our stakeholders to keep abreast of and respond to the needs of stakeholders. At the same time, we also take the opinions of the stakeholders as an important factor for consideration during the business management and strategic planning of Beijing Digital to constantly improve our ESG performance.

The Group has in place different communication and feedback channels for such stakeholders as consumers, staff, shareholders & investors, suppliers, community members, the government and regulators.

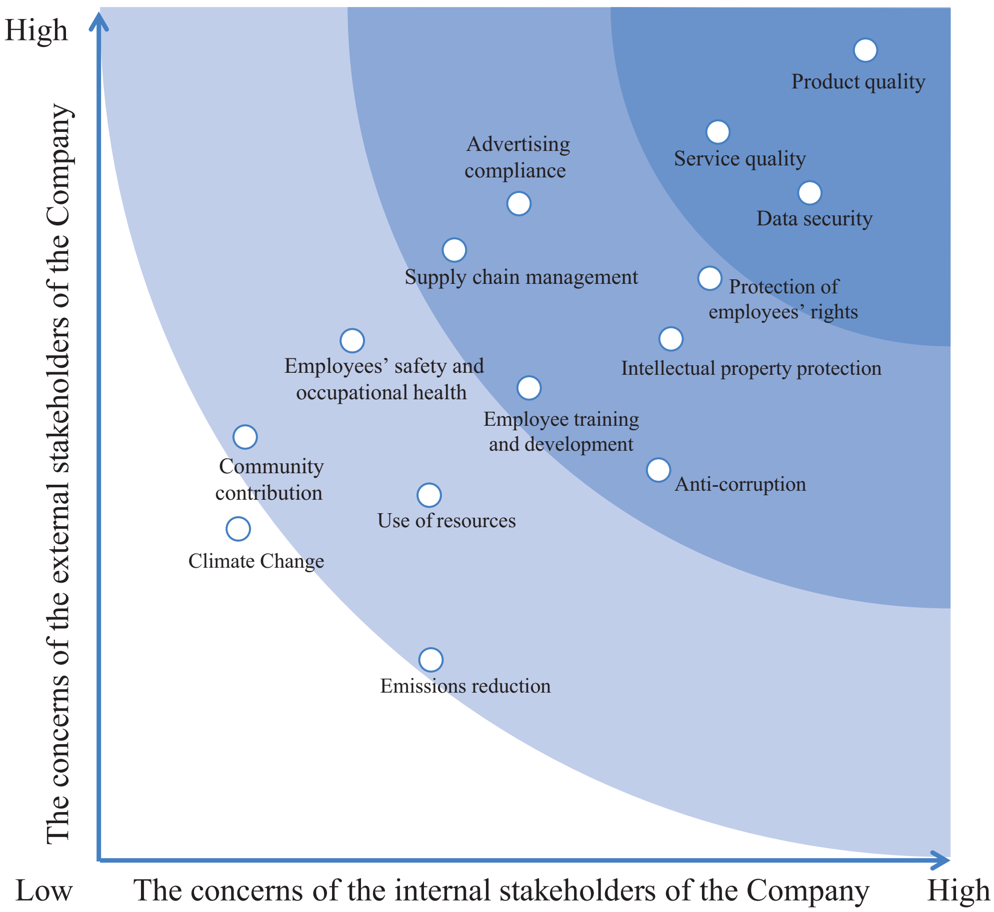
Key stakeholders	Descriptions of the stakeholders	Main concerned aspects	Major channels of communication and feedback
Shareholders/Investors	Natural person or business bodies which make investment in the Company	Product quality assurance, service quality and protection of customers' rights, data security, anti-corruption	Shareholders' general meetings, annual and interim reports, announcements, results presentation, investor relations page
Suppliers	Enterprises or their branches which directly supply mobile handsets, accessories and provide related services to the Company	Supply chain management, service quality and protection of customers' rights, anti-corruption	Purchasing, supplier service system, strategic cooperation negotiation
Consumers	Members of society who purchase, use goods or receive services from the Company's online platform or retail stores	Product quality assurance, service quality and protection of customers' rights, environment and natural resources	Surveys on consumer satisfaction, consumers reward, daily operation/communications, complaint and response mechanism
Community members	Members of the community where the Group's offices and stores are located	Community contribution, emissions, use of resources, environment and natural resources	Community activities, charity activities, supporting social affairs, daily operation/communications
Staff	Employees employed under different types of employment contracts with company, including regular staff, part-time staff and interns	Employment, employee development and training, employees' health and safety, service quality and protection of customers' rights, anti-corruption	Survey on staff's suggestions, staff internal meetings, corporate internal notices, feedback system for the staff, labor union
Government and regulators	Government authorities or regulators who supervise the operation of the Company	Data security, product quality, service quality and protection of customers' rights, anti-corruption, labor standards	Information disclosure, correspondence, onsite visits, relevant meetings

Materiality Analysis

Based on our stakeholders' suggestions and the characteristics of business development of the Group, we identify material issues on ESG at this stage and used them as important factors for report preparation and information disclosure. Our main work procedures and contents are as follows:

Main procedures	Work content
Identify ESG issues related to the Group's business	Based on the current business characteristics of the Group and the future business development direction, the Group identifies major relevant ESG issues.
Assess and analyse the importance of issues	The Group invites key stakeholders to assess the importance of ESG issues through online questionnaires, etc. The Company's management team assesses and analyses the importance of each issue with reference to industry practice and communication with stakeholders during operations.
Report on major environmental, social and governance issues	The Group identifies major ESG issues of the Group based on stakeholder analysis and uses it as the reference for the preparation of this Report and the Group's next work direction.

Based on the identification and analysis outcome, the most important issues for the Company at this stage are product quality, service quality and data security. The second most important issues are advertising compliance, protection of employees' rights and interests, employee development and training, supply chain management, employees' safety and occupational health, intellectual property protection and anti-corruption. The relatively less important issues are use of natural resources, community contribution, climate change and emissions reduction.



III. RESPONSIBLE PRODUCT

As a retail enterprise, we regard the quality of the products we sell and the sales service assurance we provide as the foundation of our business. At all times, the Group has strictly complied with the provisions about product and service liability under national and local laws and regulations where the business is located such as the Law of the People's Republic of China on Protection of Consumer Rights and Interests, the Product Quality Law of the People's Republic of China, the Advertising Law of the People's Republic of China, the Trademark Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, and has formulated relevant management systems and regulatory mechanisms based on the requirements under the laws, regulations and industry standards, so as to comprehensively monitor the quality of our products and services throughout the Group.

Strict control over product quality

We guarantee the quality and safety of products that consumers purchase from the Group's sale channels are in line with national standards by strictly managing the qualifications of product suppliers and signing contract terms with them for product quality assurance. When it is found and ascertained that a product has severe safety concerns or poses a major threat to consumers' health, the Group would cooperate with suppliers to recall and remove the product of the same batch or model to avoid potential harm to consumers.

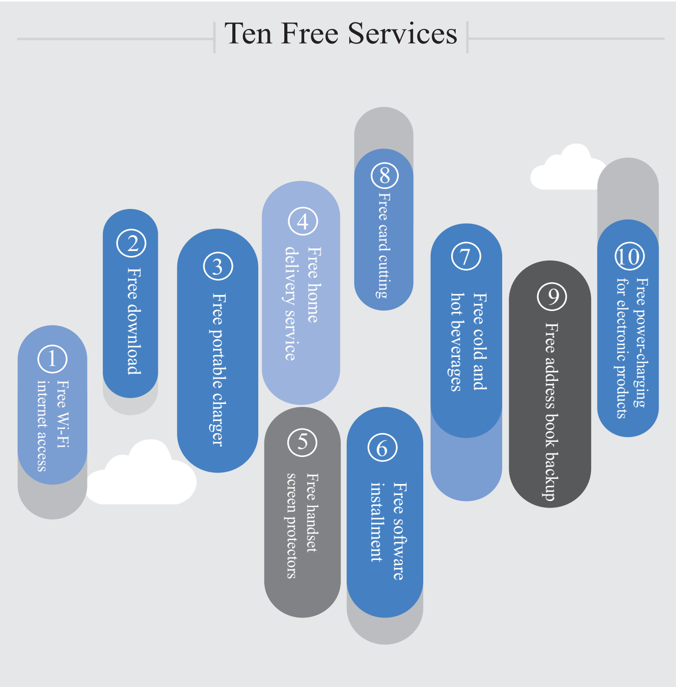
Reassuring shopping environment

The Group also proactively offers consumers with safe and comfortable shopping environment in the stores. We have formulated the Rules for Store Decoration for Beijing Digital Telecom Co., Ltd. which sets out strict requirements on safety and environmental protection for the fitting and decoration materials of each store so as to ensure the compliance with the relevant national regulations and standards for prevention from harming the employees' health.

To serve with "heart"

The Group upholds the philosophy of creating values to the customers with hearts and launched the "Full-hearted Loyalty" program, shaping the core value of services, "A kind heart brings goodness".

Each customer may enjoy ten free services in our Beijing Digital's outlet, such as free power-charging for electronic products, free card cutting, free portable charger, free handset screen protectors, free Wi-Fi internet access, free cold and hot beverages, free software management download, free address book backup and free home delivery service.



In order to enable customers to enjoy the products and services of Beijing Digital, the Group has consistently implemented high standard guarantee system for after sales service of goods and high standard service pledge, under which:

- Return or exchange the merchandise within seven days upon purchase: any customer who purchases a mobile handset from the Group's sales channel but finds its price, model, function and color unsatisfactory is entitled to return or exchange it without examination within seven days upon purchase if the damage is not caused by man-made factor.

- Free maintenance services: if the customer purchases a mobile phone during the manufacturer's warranty period and a non-artificial failure occurs, the Group provides free maintenance services during the warranty period. The customer can make an appointment through the official website or visit the store directly to make appointment of maintenance services.

- Compensatory transportation expense of RMB30: if a customer has to return to our outlet for a remedy owing to the quality issues of our products, the Group shall assume full responsibility and do its best to solve the problems, and in addition, offer a compensatory transportation expense of RMB30 to that customer.
- RMB300 reward for complaint: the Company encourages customers to voice their complaints if they are not satisfied with our services by offering a reward of RMB300 to those customers whose complaints are proved to be valid.

"Policy for return and exchange without any reason within 7 days" of the Group stipulates that if a customer meets the requirements but the store refuses to enforce the policy, once be verified, the corresponding subsidiary will be penalized.

To date, the "Full-hearted Loyalty" service has been implemented for five years. Regardless of whether it is the management of our subsidiaries or our front-line staff, there has been a constant improvement in their service awareness and service standards. The Group offers service training courses through its internal information sharing platform for its employees to refer to and review at all time and all places. In the meanwhile, we have also established a "Full-hearted Loyalty" service community within the Group, and promote Beijing Digital's "Full-hearted Loyalty" service process and related requirements to our employees on a daily basis to constantly strengthen our employees' and management's recognition on our dedication and mission of the "Full-hearted Loyalty" service and enhance the service level of our stores.

To facilitate safe and healthy consumption during the epidemic, Beijing Digital has launched a "home delivery" and "shop delivery" campaign. Particularly, our sales staff prepare products customers ordered and any accessories they might need before making a delivery, wearing protective gears such as masks and disposable gloves. As a result of the epidemic, users have shifted more consumption from offline to online. Therefore, Beijing Digital, with a widespread network of offline shops, actively cooperates with online shopping malls for a new cooperation system and business model: consumers can purchase 3C products from any Beijing Digital shop within a 6-kilometre radius on the Jingdong Home Delivery (京東到家) platform whose couriers then deliver to consumers at the fastest speed, thereby assuring consumers' shopping experience.

Listening to consumers' feedback

The Group listens to the voice and demands of each customer and constantly improves the quality of our services. We continue to improve the management of online and offline complaints, communication channels and platforms, which include our customer service hotline, other online customer service platforms such as WeChat, Weibo and Baidu Tieba, and offline customer's personal visit. We summarized the results of responses to customers' demands through official customer service and Internet platform on annual basis and identified the major problems so as to give timely feedbacks to relevant management department, allowing us to continuously upgrade customer service we provide.

The Group has been serious in implementing the "Implementation of the Regulations on Complaint Management" and the "New 400-week Improvement Rules and Feedback for Complaint", and continuously promoted the improvement of service quality. A customer service representative is always required to contact the complaining customer to obtain more details on the complaint within 2 hours upon receipt of the complaint, do his/her best to reach an agreement with the complaining customer on the same day, and report the results to the call center at the headquarters of the Group within 72 hours. A subsidiary shall submit a Report on Complaint Handling to the call center at the beginning of each month. The headquarters of the Group will contact the customer again within 24 hours upon receipt of the report to check whether the complaint was handled by the subsidiary in accordance with established procedures and ask the customer whether he/she agrees or satisfies with the results. In addition, we incorporated the handling of customer complaints into the performance assessment of subsidiaries to promote the implementation of relevant regulations.

In 2020, in response to the trend of "online retailing", Beijing Digital joined hands with major live streaming platforms. The increase of online customer services also comes along large number of customer complaints. Beijing Digital properly handled them with the support of its customer service feedback system.

The Group has made proactive efforts to understand the needs of our customers through conducting on-going customer satisfaction surveys by phone and other means. Starting from 2020, based on the customers' feedbacks each month, we implement the new service performance assessment system for each front-line store and subsidiaries and assess the major problems in our services to continuously improve our overall services in relevant departments and subsidiaries.

In 2020, the Company refreshed its commitment to the "Three Guarantees Policy" (namely, refund, replacement and maintenance) and the "Consumer Protection Policy" as stipulated by the State. During the year, we received a total of 152 complaints, all of which were resolved with 100% customers' satisfaction rate.

Advertising and management of logos

The Group strictly complies with relevant laws and regulations such as the Advertising Law of the People's Republic of China and the Trademark Law of the People's Republic of China. During the year of 2020, the Group continued to identify the risks of potential breach of the laws in our previous advertising campaigns based on the specific provisions under relevant laws and regulations, and facilitate different departments at the Group's headquarters to better understand cautionary points therein.

The legal affairs department of the Group's headquarters is responsible for carrying out specific training seminars on the rights of trademarks for brand management department under the headquarters in accordance to actual needs of the business or carrying out small training seminars on the protection of trademarks for our subsidiaries located in the areas where a large number of forgery cases on our corporate logos were found with a view to providing guidelines to them for effectively dealing with infringement on our rights of trademark. In case that our rights of trademark are infringed, evidence for the infringement must first be taken and kept promptly, and a report must be filed to competent industry and commerce authorities, and if necessary, directly pursue a civil lawsuit in the People's Court.

The Group has put its best efforts on building and enhancing its brand values and kept strengthening its protection of intellectual property rights. The Group strictly complies with the laws and regulations relating to the protection of intellectual property rights, including the Trademark Law of the People's Republic of China, the Administrative Measures for Intellectual Property Certification, and formulated the Beijing Digital Measures for the Administration of Intellectual Property Rights to protect our intellectual property rights. Meanwhile, the Group also strictly regulates and centralizes the management of the use of promotional copies and various corporate logos (including the trademarks) for our major marketing campaigns to avoid the infringement of other parties' intellectual property rights. In order to strengthen the legal awareness of the Group's front-line staff on intellectual property rights and prevent the potential risk of infringing other parties' intellectual property rights, the legal affairs department of the Group holds regular trainings for our front-line staff and various departments in intellectual property rights and standard use of logos.

Information safety and protection

We proactively take measures to protect the consumers' information safety. The Group set up a membership information system for consumer information management to lower the risk of data leakage. We also enter into a tripartite confidential agreement during the selling process of our products to effectively protect the consumers' information safety with a written agreement.

In addition, our employee induction contract required that no unit or employee has the authority to gain the knowledge of or access to the information on relevant customers without valid permission. We set access authority for our employees at different levels to protect consumers' information. To continuously improve consumer's information safety, the Group organizes and conducts special training program on the Law on Protection of Consumer Rights and Interests from time to time to promote the awareness of consumer information protection among employees of various departments.

In 2020, the Group continued to improve information safety management mechanism by setting up high-level tech firewalls and strictly monitoring the operating process to avoid the risk of leakage of consumers' information. During the year of 2020, the Group had no material leakage of consumer's information.

IV. RESPONSIBLE EMPLOYMENT

The Group strictly abides by relevant national and local laws and regulations such as the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, Special Rules on the Labour Protection of Female Employees, the Regulation on Paid Annual Leave for Employees and the Provisions on Minimum Wages and constantly pays heed to and keeps track of their latest changes to ensure its compliance with relevant laws and regulations and employees' most basic rights and interests.

The Group has always regarded talents as the driving force for the Company's healthy development, and thus provide them with competitive remunerations, benefits, and a space for positive career development. The Group has established a comprehensive management system for human resources, covering employment, remuneration and benefits, promotion, health and safety management. The Group did its best to create a decent working environment with fair opportunities, diversified development channels and emphasis on professional ethics. During the year of 2020, the Group did not experience any violation of related labor laws or regulations or infringement of any staff member's legal interests which brought significant impact on the Group, nor were we subject to any complaints or any penalty.

Focusing on introduction of talents

The Group introduces talents through diversified recruitment channels, such as website recruitment, campus recruitment, high-end headhunting recruitment and internal recruitment. We develop our recruitment management system under relevant national and local laws and regulations and by taking into account the actual needs of the Group's business development.

The Group has been focusing on developing a high-qualified talents team. Taking the example of management trainees' recruitment as a management reserve, the Group strictly selects talents, provides fair equal employment opportunities, a good remuneration model and a specific promotion fostering channels, attracting the attention of many graduates of universities to apply for. This provides favourable resource advantages for the Group in terms of talent selection. The Group also continuously improves the internal competition mechanism for a higher position, actively encourages our employees to participate in the internal recruitments and selects the most suitable candidates in the recruitment process. We upgrade the internal team structure of the Group to fully benefit from the advantages of internal talents while providing favourable promotion opportunities for internal talents with outstanding performance.

In 2020, considering the fresh graduates' difficulties in finding jobs and the trend of online job hunting and online work during the epidemic, we conducted more online promotion and recruitment, with a strict screening by the human resources department. At the same time, the Group conducted on-campus recruitment presentations in various universities, providing them with more employment opportunities while also expanding the talent pool of the Group.

As of 31 December 2020, the Group had a total of 4,669 employees. There was no material violation of relevant laws and regulations on labor rights and interests.

Indicators		**2020**	2019
Number of employees by genders	Number of male employees	**1,642**	3,194
	Number of female employees	**3,027**	3,401
Number of employees by ages	Number of employees aged below 30	**2,026**	4,033
	Number of employees aged 30-40 (exclusive)	**1,890**	1,629
	Number of employees aged 40-50 (exclusive)	**680**	775
	Number of employees aged over 50 (inclusive)	**73**	158
Total number of employees by nature of employment	Number of employees employed by contract	**4,161**	6,595
	Number of employees employed by labor dispatch	**508**	0
Total number of employees by education level	Number of employees holding college diploma or below (inclusive)	**3,890**	3,379
	Number of employees holding bachelor degree or below	**713**	2,785
	Number of employees holding master degree or above	**66**	431
Total number of employees by ranks[1]	Number of senior management	**65**	–
	Among which: number of female senior management	**20**	–
	Number of middle management	**130**	–
	Number of elementary employees	**4,474**	–

1. *From 2020 onwards, the employee rank system was changed, where senior management refers to employees at deputy general manager level and above, and middle management refers to employees at director and deputy director level.*

Protection of employees' rights and interests

Pursuant to relevant national and local laws and regulations, the Group provides basic insurance, such as social insurance, housing provident fund to ensure that the provision of employees' remuneration is higher than the minimum wage of each region. Based on relevant requirements of laws and regulations, the Group has formulated and used a uniform employment contract and entered into formal employment contracts lawfully with all of our employees. We also formulated and distributed the Group's Staff Manuals which specify promotion of cultural diversity, respect for all religious beliefs and severe opposition of all types of discrimination during the recruitment process, including race, gender, birthplace, age, pregnancy. We have also formulated a comprehensive dismissal management system to protect the legitimate rights and interests of the employees.

The Group has imposed strict prohibition from employing child labors. Staff members of human resources department are required to check against the basic information of a candidate to ensure no under-aged candidate is recruited. The Group is also actively fulfilling its social responsibility by providing jobs for the disadvantaged groups.

The Group has established a fair and impartial appraisal and promotion system to avoid directly or indirectly forced labour and guarantee reasonable working hours. The Group has fully implemented a time clock policy to assist relevant persons in charge at all levels in managing their subordinates' working hours so as to ensure that all overtime works are performed strictly in accordance with national laws and regulations to timely adjust team's workload.

We attach equal importance to employees' opinions by establishing open communication channels. Employees may send feedback to the management through online and offline channels such as complaint boxes, mailboxes and corporate WeChat. In addition, staff in human resources department are always open to feedback from employees.

During the year of 2020, the Group did not commit any infringement on the rights and interests of the employees and was not subject to any complaints or penalties relating to the employment.

Achieving synergy

The long-term development and competitiveness of a company cannot be achieved without the creativity and contribution of its employees. Thus, the Group established an appraisal and incentive mechanism and a management mechanism for systematic training to provide employees at all positions with fair promotion opportunities and tailor-made trainings so as to achieve a win-win situation for the overall development of the Company and personal growth of its employees.

In 2020, the Group reformed its performance system from an overall strategic perspective, combining the Company's strategic objectives with the personal development of its employees through KPI standards with responsibility, employee capability and contribution as the core as well as corresponding evaluation tools and value allocation mechanisms. The monthly remuneration of the general manager of each of the Group's subsidiaries includes performance bonuses and other assessment incentives in addition to standard salary. Among these, the other assessment incentives are linked to the actual retail sales, monthly membership growth and net profit of its subsidiaries for the month, so as to encourage the relevant principals to innovate retailing, orient themselves towards development and continuously find ways and means to lean operations.

In order to help employees enhance their professionalism, the Group continuously updates and improves its training system, arranging trainings in line with changes in the market and social environment. At present, training video, course live streaming, and teaching material sharing functions have been released on third-party platforms, such as WeChat Work, and "CD Xiangxue (人人享學)"APP. The online training model minimises the time and geographical restrictions for employees to receive training. The video playback function helps students review; the live streaming and interaction function promotes the effective communication among and between students and teachers; the prompt exam after training and question upon page-turning model deepens the knowledge absorption of students. In 2020, the Group organized 32 courses on WeChat Work through "Dixin Lexiang (迪信樂享)" and 22 courses on "CD Xiangxue" APP for its employees.

Currently, the Group's main training programs include:

Training for new employees

The Group's headquarters adopts the new employees training mechanism through a combination of "group learning and active individual learning". During the probation period, new employee and his/her immediate supervisor will form a "1+1" mutual aid group which will help that new employee adapt to the new working environment and his/her duties as soon as possible. Induction training for new employees covers an overview of the Group's development, business profiles, corporate culture, remuneration and benefits, and rules and regulations, as well as professional attitude. Such training is aimed at helping the new employees to get familiar with the working environment and work processes as soon as practicable. Meanwhile, we also provide each employee with tailor-made transitional training during the first month of the formal employment following the probation period. Such training is designed to help streamline the transition from probation to formal appointment and highlight his/her new role and new challenges as a full-time employee.

The Group organizes annual exchange session for all management trainees of the past sessions in order to facilitate communication and exchange among each other. The gathering allows management trainees to learn one another's growth and changes through experience exchange, through which promotes their further development.

Training for management

The Group's headquarters and our subsidiaries hold weekly specialized training sessions for employees ranking as managers and above. The training sessions cover our key products, latest industry trend, and professional managerial expertise with a view to help our employees keep up with the latest development of our headquarters and the subsidiaries and enhance our internal communication.

On-the-job training

The Group also held various on-the-job training courses for all of our employees. For frontline store employees, the Group's Human Resource department formulates training schedule at least two classes a week and implements the system for employees to prepare the lessons on a rotary basis. Also, the combination of offline practicing and online lectures was adopted to improve the efficacy of the training sessions. Online lectures cover experience sharing by outstanding store managers, professional knowledge courses, frontline selling techniques, and general skills training.

In 2020, to meet the needs of the times, realise the Group's strategic goal of going digital and online operation, and cultivating digital talents who can promote the above courses, the Group offered a series of training camps for digital talents. The training combined classroom lectures and hands-on exercises, during which, the Group's digital business currently underway was analysed and discussed in an all-round manner. These courses enhanced the digital skills of the trainees and accelerated the formulation of the Group's digital transformation stage plans, objectives and measures.

Training for frontline store managers

To improve the level of service and the management for Beijing Digital's retail stores, the Group organizes training events for frontline store managers of our subsidiaries from time to time. Training camps were also organized for trainee store managers. At the training camp, participants learned how to increase their knowledge, and improved outstanding frontline talent's work skills and management skills through behaviour training, quality development and enhancement of professionalism, which could help them smoothly transit from frontline positions to management positions.

In 2020, in order to improve the comprehensive qualities of our store management, the Group organized an exchange conference for store managers nationwide that involved the participation of outstanding frontline store managers from 30 subsidiaries. The event adopted diversified training methods such as skills, practical operation and competition, and focused on the training of managerial skills, professional knowledge, and working capacity for store managers. The training was carried out in the form of team competitions to improve interaction among students and enhance student's motives. The comprehensive learning was thus achieved through the integration of field participation and live streaming.

Training for our in-house trainers

With regard to the Group's internal training, our in-house trainers are responsible for organizing the Company's internal training sessions and play an important role in providing training for our employees. We have a tailor-made professional training program in place for the Group's in-house trainers to systematically enhance their training skills from production of teaching material, presentation skills to management of learning atmosphere.

Pursuing further education

In addition to organizing various internal training courses to improve the quality of our staff members, the Group also encourages them to pursue further education in undergraduate institutes or other vocational training institutes and offer appropriate financial assistance, provided that this does not affect their performance in discharging their duties. These forms of study include full-time or part-time study for a degree level qualification, induction training, examinations for professional titles and qualifications, studying abroad, overseas study tours for employees of management rank level and above. We have also invested more in training for middle and senior staff within the Group, providing further training in renowned institutions such as Beihang University (北京航空航天大學), Renmin University of China (中國人民大學) and China Europe International Business School (中歐國際商學院), with an aim of enhancing their knowledge base and connections.

Other forms of training activities

The Group is dedicated to creating a favorable learning atmosphere. In addition to the abovementioned training programs, the Group also encourages its employees to make full use of their spare time during daily work by organizing reading sessions and using WeChat official account. It also provides an online examination platform for employees to have self-assessment of the learning outcome.

- Reading sessions: a morning reading session is held at the headquarters daily from Monday to Friday each week, during which the participated staff members may communicate with each other and share their thoughts and views.

- Individual learning + group assessment: this form of learning focuses on business training. Relevant materials are centrally published via the Company's learning system and a staff member may perform an online assessment via the online examination platform after studying for self-assessment and fortify the learning outcome.

- WeChat official account: share official account articles in conjunction with the Group's strategy to strengthen corporate culture, and promote employees' in-depth understanding of new technological retailing, platform-based + digital transformation, customer service, and enterprise culture.

As of 31 December 2020, a total of 3,858 employees of the Group participated in the above trainings.

Indicators		**2020**
Total number of employees trained	Total number of employees trained in headquarters	289
	Total number of employees trained in subsidiaries	3,569
% of employees trained by genders	% of male employees trained	75.3%
	% of female employees trained	86.6%
% of employees trained by ranks [1]	% of senior management trained	53.8%
	% of middle management trained	84.6%
	% of elementary employees trained	83.0%

1. *Senior management refers to employees at deputy general manager level and above, and middle management refers to employees at director and deputy director level.*

Focus on physical and mental health

The Group is committed to providing a safe working environment for its employees and promoting healthy working and life styles. The Group strictly abides by the laws and regulations relating to occupational safety and health such as the Labor Law of the People's Republic of China, the Fire Prevention Law of the People's Republic of China and the Regulation on Work Related Injury Insurances, and has established a comprehensive management system for its employees' health and safety.

Health Management

The Group provides annual medical examinations for all of our employees and invites relevant experts to hold lectures and training seminars on occupational health from time to time so that they may timely discover and manage their health problems. To help our employees to release pressure and improve communication, the Group also will organize outdoor activities for its employees from time to time, which advocates their passion for life and help employees build a healthy mind.

The Group also emphasizes on the potential effect of office materials to employees' health. We ensure that the material meets the relevant national regulations and standards through the Rules for Store Decoration for Beijing Digital Telecom Co., Ltd. which sets out requirements on the fitting and decoration materials of each store of Beijing Digital. Meanwhile, we launched standardized procedures on inspection and acceptance of decoration and renovation works at the stores to ensure the compliance with the safety standards of the store works at the time of acceptance for prevention from harming the employees' and customers' health.

Safety and protection

With regard to occupational safety and protection, the Group has set working safety regulations to provide detailed guidelines for employees during operation. We organized routine trainings on safety knowledge, survival skills and fire exercises for our employees. Such trainings were designed specifically based on their positions and the characteristic of their duties with a view to improving their safety awareness and their ability to handle emergent or contingent situations. We cooperate with property management companies from time to time to conduct internal safety investigations, and proactively eliminates potential safety hazards existed in the working environment that are prone to cause work-related injuries in order to prevent the job-related accidents from occurring. In the meantime, we also issue fire safety notices and safety warnings to the whole staff based on the weather and season conditions to remind the employees' safety.

The Group purchases medical insurance and work-related injury insurance for its employees in accordance with the provisions of relevant laws and regulations and has established a comprehensive system related to work injury prevention. In the event of the occurrence of a job-related accident, we shall take a quick and effective action to ensure that immediate treatment is provided to the injured employee. During the year 2020, the Group did not have any job-related fatal accidents or injuries.

Prevention and Control of Outbreak

At the time of the outbreak of the Coronavirus Disease 2019 ("COVID-19"), the Group responded positively in order to protect the health of employees. To enable employees to return to work safely, the management of Beijing Digital returned to work on the third day of the Lunar New Year to prepare for the resumption of work and production; under the reasonable deployment of the Group, the employees of the headquarters and branches returned to their posts in early February as scheduled. During the outbreak of COVID-19, we emphasized on the health of our employees and took various measures to prevent and control the outbreak: all departments of the Group took turns to conduct daily temperature measurements, which continued until the domestic epidemic prevention and control situation basically stabilized; secondly, the Company continuously increased the publicity of epidemic prevention and control knowledge to our employees, encouraged them to avoid centralized activities, and provided them with epidemic prevention and control materials such as masks and disinfectant. In addition, the Company provided meal subsidies to employees during the outbreak period and encouraged employees to eat alone.

Balance of body and mind

We emphasize on establishing a work environment with joyful harmony to enhance employees' integration and recognition to our corporate culture. With regard to leaves and holidays, the Company also provides its employees with special fringe benefits for holidays. For example, glutinous dumplings are given to the employees on the Lantern Festival and honey on the National Day. In addition, the Company also gives birthday gift to employees on his/her birthday and relevant subsidies will be granted for wedding and funeral. Employees may also purchase mobile handsets in internal presales at privileged prices. The Company also awards domestic and overseas trips or cash bonus to the employees with outstanding performance. Each branch often provides seasonal fruit as work welfare; each department provides a certain amount of activity funds every quarter, and is keen on organizing departmental team building activities, so as to stimulate the teamwork ability of employees and cultivate the spirit of love and respect for work.

To protect the food safety and convenience, we uniformly order free meals and fruits for all the employees in the office, and perform detailed background checks on outsourced catering service providers so as to ensure that the providers' qualifications meet the Company requirements for food safety assurance. For part of the newly-recruited employees who have requirement, the Company provides them with rent-free staff accommodation within walking distance from the Company.

V. RESPONSIBLE OPERATIONS

The Group always takes honesty and integrity as one of its core values and makes anti-corruption a long-term effort for the stable operation of the enterprise and spares no effort in avoiding committing any act that will violate any professional codes or business ethics. We comply with applicable national and local laws and regulations such as the Anti-Unfair Competition Law of the People's Republic of China, and the Interim Provisions on Banning Commercial Bribery. In addition, based on the Company's actual situation, we have formulated relevant administrative rules for preventive and punitive purposes, such as the Anti-bribery Regulations, Procedures and Measures for Dealing with Fraud and Beijing Digital Rules for Procurement Control.

Partners

The Group continues to improve its supply chain management and supplier evaluation mechanisms and is committed to maintaining and promoting a more environmentally-friendly supply chain of goods and services with stable quality. The Group's principal products are mobile phones and accessories, our handset suppliers are mostly top-ranking brand handset manufacturers, and we require our accessories suppliers to verify the use of environmental-friendly and safe materials. At present, the Company has formed a win-win strategic partnership with three major carriers and the leading domestic mobile phones brands. We closely keep track of the latest market trend and constantly update our existing supplier database based on the suppliers' production plans. Currently, there are 1,306 suppliers of products for the duration of various contracts.

The Company has built a highly integrated supply chain management system that draws on the advanced experience of international retail leaders while incorporating the unique challenges of the domestic retail market. Through the supply chain management system, we have real-time access to the sales and inventory situation of each store, which greatly enhances the efficiency of the Group's procurement planning and inventory allocation, enabling the head office to better control the inventory backlog and improve the inventory turnover rate. In addition, we unified and standardized data through the supply chain system, largely reducing the error of manual operation in the process of promotional activities, reducing a large number of unnecessary communication costs.

To ensure the quality of our products, we have strict procurement approval processes, new supplier selection standards and other supplier management rules in place. All suppliers are required to be in compliance with relevant national and local laws and regulations, facilitate compliance operation and possess relevant documents evidencing their qualifications for the supplies.

In the event that a new supplier is introduced to us, we would evaluate its performance on environment and community friendliness as one of our supplier selection standards. For new suppliers that meet the requirements, the Group reviews their relevant qualification certificates and signs cooperation agreements with them, which clearly stipulate the procurement process, product quality and dispute resolution.

Integrity Building

Fighting against corruption

In order to consistently facilitate the lawful operation of the Company, enhance our staff's business ethics relating to honesty, integrity and self-discipline and protect the Company's interests and our staff's legal rights, the Company has formulated the Rules for Honest Practices for Beijing Digital Telecom Co., Ltd. The rules cover codes on honest practices, prohibition on appropriation constituting breach of duty and commercial bribery, and prohibition on unauthorized disclosure of trade secrets and imposition of penalties on and provision of incentives to those employees who have committed prohibited acts or voluntarily reported prohibited acts.

In order to prevent misconducts such as corruption, bribery, extortion, fraud and money laundering, the Group has established a sound system for internal audit and risk control, and has set up a specific internal audit team which is responsible for thoroughly reviewing the anti-corruption system on a regular basis. The internal audit team consists of eight members who are holders of bachelor's degree in finance, accounting or management. The internal audit team performs internal audits for all subsidiaries each year to check whether their financial revenues and expenditure and contract management are in compliance with the internal control policies of the Company. If it is determined that any irregularity exists, the internal audit team will carry out an ad hoc inspection and record all actions they have taken and their findings. They will make a recommendation concerning the improvement of the internal control system and submit their report to the senior management. Our senior management is responsible for evaluating whether the anti-corruption policy is effective and whether any weakness exists regarding the internal control system, and make timely decisions. The Group's head office finance department also regularly checks the cash outflow of subsidiaries and reviews and follows up on doubtful transactions in a timely manner. For the more sensitive staff in the procurement department, we have implemented a rotation system of positions not at the same frequency and with different terms of office to prevent corruption in our business operations.

To build partnerships of honesty and integrity, the Group implements a strict supplier cooperation procedure. Prior to establishing a business relation with a new supplier, the business department must perform a due diligence on its background to ensure that its quoted price is in line with the prevailing market price. Based on the nature of the procurement, relevant supporting documents must be confirmed and checked. Unless being properly authorized, no procurement staff is permitted to place any order through his/her personal account, nor is he/she permitted to request for any advance payments from a supplier. In addition, all procurement contracts entered into by the Group and its principal suppliers are approved by the legal affairs department of the Group's headquarters, such contracts contain explicit terms of applicable laws and regulations on anti-bribery and anti-money laundering.

Promotion and training

In order to effectively promote the Rules for Honest Practices among the staff of the enterprise, and improve professional ethics of employees, the legal affairs department of the Group conducts promotion and report at the regular management meetings of the Group. The Group has been organizing and updating the contents of the legal affairs in a timely manner in accordance with the strategic management concept of the Company. In addition, the Group provides training to the staff and the senior management on commercial codes and ethics and legal policies on anti-corruption, anti-fraud and anti-money laundering semi-annually, covering recent anti-corruption cases within the industry, interpretation of relevant anticorruption laws and regulations, and the promotion of the Company's anti-corruption policies.

Reporting and handling of reporting

The Group values its employees' thoughts and opinion and collect information on risks through various established channels in order to gain awareness on potential risks of the Company's internal control on a timely manner and discover and handle illegal activities relating to corruption and fraudulent business activities. Currently, the anonymous reporting channels put in place by the Group include reporting hotline and "anonymous reporting platform" function of WeChat account, which allow the staff at Beijing Digital, its business partners and consumers to share their opinions and suggestions.

VI. BUILDING A BETTER COMMUNITY TOGETHER

The Group actively fulfils our social responsibility as a corporate citizen, shares interests and benefits with the communities we serve and supports the sustainable development of the communities. We have established a communication mechanism with the community and integrated our comprehensive community welfare projects with our business operations. We adjusted our corporate social responsibility policies based on the community needs. We work closely with our staff, professional organizations, relevant community organizations and the government to respond to the needs of the communities and provide human resources and material support for the community welfare activities.

- The pandemic has no borders and great love is passed on

As a member of the "going out" enterprises, Beijing Digital is doing its best to donate epidemic prevention materials and overcome the difficulties together with domestic and overseas. On 20 March 2020, the vice president of overseas business received a special email from a doctor at a hospital in Salamanca, Spain which is a letter of request for help. All 25 doctors in the hospital did not have masks, even basic medical surgical masks. In order to ensure the timeliness of the logistics, the vice president of Beijing Digital quickly forwarded this request for help to Beijing Digital (Spain), a subsidiary of Beijing Digital. Immediately after receiving the request, Beijing Digital (Spain) distributed 1,000 masks from its stock of anti-epidemic supplies and sent them out quickly. Two days later, doctors at Salamanca Hospital received two large boxes of precious medical protective masks. The doctors of the hospital wrote back in the first instance to thank us: "We have received the 1,000 masks in the mail, and thanks to Beijing Digital (Spain), everyone here will be better protected!".

- Provision of services to the candidates of National Higher Education Entrance Examination

Beijing Digital has always been persisting in offering a number of online and offline high-quality services during the higher education entrance examination period to care for and support wholeheartedly the candidates of the entrance examination and their families. During the examination period in 2020, the Group's major stores carried out student welfare activities, providing candidates with various kinds of purchase gifts and other activities such as Guess Your Score to Win Free Shipping and Cash Credit for Test Scores. In addition, the Group also provided certain housing subsidies in Shanghai for outstanding university students who come to Shanghai to work in Shanghai branch of Beijing Digital and helped foreign university students to adapt and develop in Shanghai stably.

- Participation in the poverty alleviation program

Under the guidance of Beijing Haidian District Government, Beijing Digital organized a poverty alleviation program with Hotan District, Xinjiang to help local farmers open up sales channels for agricultural products such as raisins and walnuts, which opened up a channel for employees of the Group's headquarters and subsidiaries to purchase local specialties.

VII. PROTECTING THE GREEN HOME

The Group places great emphasis on sound environmental management and actively pursues energy saving and reduction of emission so as to protect the environment. We integrate the concept of environmental protection into our daily operation and management, strictly comply with the regulations of national and local environmental regulatory bodies and relevant industry guidelines and constantly improve our performance on environmental protection.

Management of emissions

We strictly abide by the relevant national and local laws and regulations such as the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Appraising of Environmental Impacts, the Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise, and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, and put efforts on minimising the generation of pollutants and the impact on natural environment from the Company's operations as much as possible. During the year 2020, there was no fine imposed on or litigation against the Company arising from environmental pollution.

The Group's emissions are mainly greenhouse gas emissions from gasoline, purchased electricity and other energy consumption, as well as a small amount of vehicle exhaust caused by business vehicles. In the course of daily operations, the Group strengthened the management of energy-saving management measures in office buildings and various stores to reduce greenhouse gas emissions. During the year 2020, the total greenhouse gas emissions generated from energy consumption at the offices of the Group's headquarters and our subsidiaries reduced by approximately 31%. In order to reduce greenhouse gas emissions from official vehicles, the Group has been promoting the expansion of the use of new energy vehicles for official use, advocating employees to use public transportation as much as possible, and enhancing the management of the use of official vehicles by strengthening the review of official vehicle refuelling tickets when official vehicles must be used, so as to improve the efficiency of vehicle utilization. With regard to the greenhouse gas emissions in our daily operation, the Group reduces the use of energy through energy-saving management measures in office buildings and stores.

The source of the Group's solid waste is mainly the general wastes, waste paper and used office supplies generated from our dairy operation. We are committed to improving the efficiency of our office supplies and have developed various measures to reduce the generation of waste office supplies. We promote paperless office and encourage our employees to use our electronic system as much as possible. We actively recycle waste paper for secondary use, and use misreporting and waste paper for printing unofficial correspondence and internal circulation documents within the company. We post signs next to printers to remind employees to double check the printing format and printing scope to avoid printing error and reprint. At the same time, the Group adopts a fixed amount of office supplies and encourages the recycling of office consumables; the use of printing paper is managed internally by the department, and the excess use of funds is borne by the department itself. For all frontline stores, the Group has been promoting the reuse of promotional materials, increasing online promotional channels and efforts, and reducing the printing of paper flyers. The general wastes and waste paper generated from the Group's daily operation are collected by third-party recyclers for recycling. For hazardous waste such as waste toner cartridges and ink cartridges generated from office, the Group recycles them through cooperation with printer manufacturers. In 2020, the amount of waste generated in the office areas of the Group's headquarters and subsidiaries slightly decreased compared to 2019.

In the face of the growing concern over plastic pollution, the Group is actively pursuing plastic reduction measures. We encourage our employees to sort their own take-out containers and packaging, and arrange for our cleaning staff to sort and dispose of them afterwards. In addition, we also encourage internal meetings to reduce the use of bottled water and prepare reusable cups as much as possible.

The Group has also formulated a comprehensive mechanism to deal with noise pollution that may arise in the course of the Company's operations. With regard to the use of loudspeakers or any other audio equipment in any promotional events, the Group requires our stores to file application and details of the event with local urban management law enforcement bureaus before the events and strictly control the decibel level to ensure compliance with noise emissions so as to minimize the impact of the noise on the entities and the general public in the surrounding areas.

Performance of the management of emissions

Unless otherwise stated, the environmental data provided in this section only covers the Group's headquarters, offices of the subsidiaries and the warehouse.

Indicators	**2020**	2019
Total greenhouse gas emissions (scope 1 and scope 2) (tonnes)[1]	**1,046.49**	1,511.26
Greenhouse gas emissions intensity (tonne/square meter)	**0.07**	0.08
Greenhouse gas emissions intensity (tonne/person)	**0.43**	0.50
Direct emissions (scope 1) (tonnes)	**461.20**	645.79
Petrol	**403.94**	554.70
Diesel	**57.26**	91.09
Indirect emissions (scope 2) (tonnes)	**585.29**	865.47
Externally-purchased electricity	**585.29**	865.47
Non-hazardous waste (tonnes)[2]	**54.65**	65.31
Average per capita non-hazardous waste (tonne/person)	**0.02**	0.02
Hazardous waste (tonnes)[3]	**0.16**	0.23
Average per capita hazardous waste (tonne/person)	**0.00007**	0.00007
Waste toner cartridges	**0.14**	0.18
Waste fluorescent tubes	**0.02**	0.05

1. *Greenhouse gas inventory includes carbon dioxide, methane and nitrous oxide, which are mainly derived from purchased electricity, gasoline and diesel fuel use. Greenhouse gas was calculated in accordance with the Baseline Emission Factor for Emission Reduction Project for China Regional Power Grid 2019 (2019年減排項目中國區域電網基準線排放因子) issued by the National Development and Reform Commission of China and the IPCC National Greenhouse Gas Inventory Guide 2006 (2006年IPCC國家溫室氣體清單指南) issued by the Intergovernmental Panel on Climate Change (IPCC) and is presented based on carbon dioxide equivalent.*

2. *Non-hazardous wastes were collected by waste collection services providers. Those wastes mainly included waste paper and waste office stationeries and food wastes from our offices.*

3. *Hazardous wastes were collected by qualified third-party recyclers. Those wastes included used toner cartridges, used ink cartridges and used fluorescent tubes.*

Optimize resource use

The Group also highly emphasizes on improving the efficiency in the use of resources in its daily operation activities. We have established an asset management system to strictly manage the entire process of acquiring, receiving and disposing of our assets, and are determined to reduce unnecessary waste.

In order to help employees develop an awareness of energy saving, the Group has posted energy saving and emission reduction signs in all major office areas and large electrical equipment, and has emphasized and requested employees to actively respond and cooperate with various energy saving measures formulated by the Company in daily meetings, such as turning off lights in a timely manner and reducing standby time of electrical appliances, in order to raise employees' awareness of energy saving. In addition, the Company's Guidelines for Employees stated that employees shall pay attention to green office behaviors, such as turn off the computers upon getting off duty and at least turn off monitors during lunch breaks; also, switch off lightings and air conditioners in meeting rooms and reception rooms when the rooms are not in use; and the last staff leaving the office shall check whether all lightings and air conditioners are turned off. At present, energy-saving lightings have generally been used in the in the Group's headquarters and offices of the subsidiaries, and we promote the use of natural light for daily work when possible.

The Company encourages our staff to control water usage through adjusting the water flow to medium while washing hands or cups and turning off water taps immediately after use. Where any leaking pipe or loosen tap head is found, the staff shall report to our administrative department immediately, or the person-in-charge shall contact the property where the building locates to minimize the waste of water.

Due to the impact of the COVID-19, our overall resource consumption in 2020 decreased as compared to the previous year. The Group's average electricity consumption per building square meter decreased by approximately 14% and the average water consumption per employee decreased by approximately 32% as compared to 2019. The decrease in average resource consumption was mainly due to the Group's vigorous implementation of the green office concept in office areas and the consciousness of our employees to conserve water and electricity.

Performance of the management of consumption of energy and resources

Unless otherwise stated, the environmental data provided in this section only covers the Group's headquarters, offices of the subsidiaries and the warehouse.

Indicators	2020	2019
Total energy consumption (MWh)[1]	**2,827.77**	3,911.47
Energy intensity assumption (MWh/square meter)	**0.19**	0.22
Energy intensity assumption (MWh/person)	**1.17**	1.28
Direct energy consumption (MWh)	**1879.36**	2,612.40
Petrol (MWh)	**1,661.58**	2,265.96
Diesel (MWh)	**217.78**	346.44
Indirect energy consumption (MWh)	**948.41**	1,299.07
Electricity (MWh)	**948.41**	1,299.07
Water consumption (tonnes)[2]	**8,849.09**	16,453.28
Average per capita water consumption (tonne/person)	**3.65**	5.40
Use of paper for printing (tonnes)	**9.72**	11.09
Wrapping materials (tonnes)[3]	**50.18**	57.54
Use of wrapping materials per 10,000 mobile handsets sold (tonne/10,000 mobile handsets)[4]	**0.063**	0.060

1. *The figure for energy consumption was calculated based on the electricity and fuel consumption and the conversion factors in the General Principles for Calculation of Total Production Energy Consumption (GB/T 2589-2008)(綜合能耗計算通則 (GB/T 2589-2008)), the national standard of the People's Republic of China.*

2. *Water consumption includes the consumption of municipal tap water and drinking water. Among which, the water consumptions in our headquarters in Beijing and the offices of subsidiaries in Sichuan, Liaoning, Shanxi, Hubei, Guangdong, Jiangxi and Xinjiang Region were excluded in the calculation as their tap water tariffs were included in their property management fees and thus the calculation did not cover their water consumptions.*

3. *Due to the nature of our business, the wrapping materials were mainly paper bags, plastic bags and non-woven bags given away to consumers for containing mobile handsets sold to them, excluding the wrapping materials provided by manufacturers wrapped in the product sold. The figure for the wrapping materials included wrapping materials such as paper bags, plastic bags and non-woven bags centrally procured by the subsidiaries.*

4. *Use of wrapping materials per ten thousand units of mobile handsets sold represented the average consumption for wrapping materials for selling 10,000 units of mobile handsets.*

Electronic Waste Recycling

Owing to the nature of our core business, the impact brought by the Group on the environment and natural resources is limited. The consumption of resources mainly represents consumptions of electricity, water, printing paper and wrapping materials consumed in our offices and stores. In addition to saving energy, reducing the emissions and strengthening the management on the use of resources, the Group also actively promotes waste categorization and regulates the disposals to reduce the impacts arising from waste entering into the ecological environment.

During the year, we continued to provide service of trading in used mobile handsets for new ones in order to collect back the used mobile handsets. This activity not only helps promote environmental protection but also is well-received by the majority of consumers. We would earn commissions for the service of trading in used mobile handsets for new ones and create opportunity for the sales of new mobile handsets at the same time. Currently, the coverage of the mobile recycling business of the Group includes all provincial and municipal subsidiaries.

APPENDIX I – ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX

Area	Issue	Performance Indicator	Relevant Section in this Report
Environmental	A1 Emissions	General Disclosure: Information relating to exhaust air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste: (1) the policies; and (2) compliance with relevant laws and regulations that have a significant impact on the issuer.	VII. PROTECTING THE GREEN HOME
		A1.1 The types of emissions and respective emissions data	VII. PROTECTING THE GREEN HOME – Management of emissions
		A1.2 Greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	VII. PROTECTING THE GREEN HOME – Management of emissions
		A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	VII. PROTECTING THE GREEN HOME – Management of emissions
		A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	VII. PROTECTING THE GREEN HOME – Management of emissions
		A1.5 Description of measures to mitigate emissions and results achieved	VII. PROTECTING THE GREEN HOME – Management of emissions
		A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	VII. PROTECTING THE GREEN HOME – Management of emissions

Area	Issue	Performance Indicator	Relevant Section in this Report
	A2 Use of Resources	General Disclosure: Policies on the efficient use of resources, including energy, water and other raw materials	VII. PROTECTING THE GREEN HOME – Optimize resource use
		A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in'000s) and intensity (e.g. per unit of production volume, per facility)	VII. PROTECTING THE GREEN HOME – Optimize resource use
		A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility)	VII. PROTECTING THE GREEN HOME – Optimize resource use
		A2.3 Description of energy use efficiency initiatives and results achieved	VII. PROTECTING THE GREEN HOME – Optimize resource use
		A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	VII. PROTECTING THE GREEN HOME – Optimize resource use
		A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	VII. PROTECTING THE GREEN HOME – Optimize resource use
	A3 Environment and Natural Resources	General Disclosure: Policies on minimising the issuer's significant impact on the environment and natural resources.	VII. PROTECTING THE GREEN HOME – Electronic Waste Recycling
		A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	VII. PROTECTING THE GREEN HOME – Electronic Waste Recycling

Area	Issue	Performance Indicator	Relevant Section in this Report
Society	B1 Employment	General Disclosure: Information relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare: (1) the policies; and (2) compliance with relevant laws and regulations that have a significant impact on the issuer.	IV. RESPONSIBLE EMPLOYMENT
		B1.1 Total workforce by gender, employment type, age group and geographical region	IV. RESPONSIBLE EMPLOYMENT – Focusing on introduction of talents
		B1.2 Employee turnover rate by gender, age group and geographical region	Not disclosed for the time being
	B2 Health and Safety	General Disclosure: Information relating to providing a safe working environment and protecting employees from occupational hazards: (1) the policies; and (2) compliance with relevant laws and regulations that have a significant impact on the issuer.	IV. RESPONSIBLE EMPLOYMENT – Focus on physical and mental health
		B2.1 Number and rate of work-related fatalities	IV. RESPONSIBLE EMPLOYMENT – Focus on physical and mental health
		B2.2 Lost days due to work injury	IV. RESPONSIBLE EMPLOYMENT – Focus on physical and mental health
		B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored	IV. RESPONSIBLE EMPLOYMENT – Focus on physical and mental health

Area	Issue	Performance Indicator	Relevant Section in this Report
	B3 Development and Training	General Disclosure: Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	IV. RESPONSIBLE EMPLOYMENT – Achievement of synergy
		B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	IV. RESPONSIBLE EMPLOYMENT – Achievement of synergy
		B3.2 The average training hours completed per employee by gender and employee category	IV. RESPONSIBLE EMPLOYMENT – Achievement of synergy
	B4 Labour Standards	General Disclosure: Information relating to preventing child and forced labour: (1) the policies; and (2) compliance with relevant laws and regulations that have a significant impact on the issuer.	IV. RESPONSIBLE EMPLOYMENT – Protecting employee rights
		B4.1 Description of measures to review employment practices to avoid child and forced labour	IV. RESPONSIBLE EMPLOYMENT – Protecting employee rights
		B4.2 Description of steps taken to eliminate such practices when discovered	Not applicable, as such phenomena did not occur in the year
	B5 Supply Chain Management	General Disclosure: Policies on managing environmental and social risks of the supply chain.	V. RESPONSIBLE OPERATIONS – Partners
		B5.1 Number of suppliers by geographical region	V. RESPONSIBLE OPERATIONS – Partners
		B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	V. RESPONSIBLE OPERATIONS – Partners

Area	Issue	Performance Indicator	Relevant Section in this Report
	B6 Product Responsibility	General Disclosure: Information relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress: (1) the policies; and (2) compliance with relevant laws and regulations that have a significant impact on the issuer.	III. RESPONSIBLE PRODUCT
		B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons	Not applicable to the business nature of the Group.
		B6.2 Number of products and service-related complaints received and how they are dealt with	III. RESPONSIBLE PRODUCT – Listening to consumers' feedback, To serve with heart
		B6.3 Description of practices relating to observing and protecting intellectual property rights	III. RESPONSIBLE PRODUCT – Advertising and management of logos
		B6.4 Description of quality assurance process and recall procedures	In view of the business characteristics of the Group, we guarantee the quality of products we sell by strictly managing the qualification of product suppliers; for details, please see "III. RESPONSIBLE PRODUCT – Strict control over product quality"
		B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored	III. RESPONSIBLE PRODUCT – Information safety and protection

Area	Issue	Performance Indicator	Relevant Section in this Report
	B7 Anti-corruption	General Disclosure: Information relating to bribery, extortion, fraud and money laundering: (1) the policies; and (2) compliance with relevant laws and regulations that have a significant impact on the issuer.	V. RESPONSIBLE OPERATIONS – Integrity Building
		B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	V. RESPONSIBLE OPERATIONS – Integrity Building
		B7.2 Description of preventive measures and whistleblowing procedures, how they are implemented and monitored	V. RESPONSIBLE OPERATIONS – Integrity Building
	B8 Community Investment	General Disclosure: Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	VI. BUILDING A BETTER COMMUNITY TOGETHER
		B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	VI. BUILDING A BETTER COMMUNITY TOGETHER
		B8.2 Resources contributed (e.g. money or time) to the focus area	VI. BUILDING A BETTER COMMUNITY TOGETHER

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Beijing Digital Telecom Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 124 to 216, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements section* of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables	
As at 31 December 2020, the balance of trade receivables amounted to RMB3,070,587,000 and the provision for impairment amounted to RMB141,318,000. The Group applies the simplified approach to determine the provision for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. This involves management's judgement, which includes checking the aging of the balance, recent historical payment patterns, forecasts of future conditions and assessing any other available information concerning the creditworthiness of the counterparties. The Group uses such information to determine whether a provision for impairment is required either for a specific transaction or for the overall balance of a customer category. Related disclosures are included in Estimation uncertainty in note 5 and note 26 to the consolidated financial statements.	We obtained and re-tested the ageing analysis prepared by management. We also obtained management's accounting policy and assumptions underlying the loss allowance for impairment of trade receivables. In order to assess these judgements, we considered the overdue period, the customers' historical payment patterns and whether any post year-end payments were received up to the date of completion of our audit procedures. We assessed the appropriateness of the approach and the models along with the key assumptions and parameters used in the matrix of expected credit losses on trade receivables by corroborating to the underlying facts along with other relevant information and performed testing on a sample basis on the receivable balances. In assessing the overall provision for impairment, we also assessed the adequacy of the Group's disclosures in the financial statements in accordance with IFRS 9.
Impairment assessment of goodwill	
The Group performs impairment review of goodwill annually on a value-in-use basis. This annual impairment test was significant to our audit because the balance of goodwill amounted to RMB94,687,000, and the provision for impairment amounted to RMB44,166,000 as at 31 December 2020. In addition, management's assessment process was complex and highly judgmental and was based on assumptions, including revenue growth, profit margins and discount rates, which could be affected by the expected future market or economic conditions. Related disclosures are included in Estimation uncertainty in note 5 and note 17 to the consolidated financial statements.	We evaluated management's future cash flow forecasts, including the forecasts regarding business operation and development plans and the underlying calculations. We tested the key assumptions for the revenue growth rates and profit margin rates in the cash flow forecasts by comparing them to historical results; and the discount rates by independently estimating a range based on market data. Further, we also involved our internal valuation specialist to review the key parameters used in the fair value models adopted by the Group. We also assessed the adequacy of the Group's disclosures in the financial statements.

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

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Company's 2020 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung, Terence Ho.

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

31 March 2021

Year ended 31 December 2020

	Notes	**2020 RMB'000**	2019 RMB'000
REVENUE	*7*	**13,550,150**	15,350,953
Cost of sales		**(12,373,459)**	(13,582,076)
Gross profit		**1,176,691**	1,768,877
Other income and gains	*7*	**56,060**	67,576
Selling and distribution expenses		**(618,265)**	(858,016)
Administrative expenses		**(269,583)**	(324,563)
Impairment losses on financial assets		**(21,951)**	(51,855)
Other expenses		**(50,910)**	(34,896)
Finance costs	*9*	**(162,091)**	(232,712)
Share of profits and losses of:			
Joint ventures		**(6,325)**	(679)
Associates		**2,781**	(1,586)
PROFIT BEFORE TAX	*8*	**106,407**	332,146
Income tax credit/(expense)	*12*	**8,105**	(71,694)
PROFIT FOR THE YEAR		**114,512**	260,452
Attributable to:			
Owners of the parent		**114,062**	257,439
Non-controlling interests		**450**	3,013
		114,512	260,452
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted (RMB) For profit for the year	*14*	**0.16**	0.39

	2020 RMB'000	2019 RMB'000
PROFIT FOR THE YEAR	**114,512**	260,452
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**1,147**	(361)
Share of other comprehensive (loss)/income of a joint venture	**(9,085)**	715
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(7,938)**	354
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive loss:		
Changes in fair value	**(35,465)**	(6,090)
Income tax effect	**8,866**	1,522
	(26,599)	(4,568)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(26,599)**	(4,568)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(34,537)**	(4,214)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**79,975**	256,238
Attributable to:		
Owners of the parent	**79,776**	253,227
Non-controlling interests	**199**	3,011
	79,975	256,238

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	**2020 RMB'000**	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**85,449**	114,059
Right-of-use assets	*16*	**308,607**	550,002
Goodwill	*17*	**50,521**	68,119
Other intangible assets	*18*	**7,057**	8,459
Investments in joint ventures	*19*	**60,646**	74,349
Investments in associates	*20*	**255,187**	252,406
Debt instrument at amortised cost	*21*	**500**	500
Equity investments designated at fair value through other comprehensive income	*22*	**1,158**	35,623
Deferred tax assets	*23*	**64,317**	64,381
Loan receivables	*24*	**–**	–
Total non-current assets		**833,442**	1,167,898
CURRENT ASSETS			
Inventories	*25*	**2,562,492**	2,937,176
Trade and bills receivables	*26*	**2,986,639**	2,689,638
Prepayments, other receivables and other assets	*27*	**1,665,331**	1,717,857
Financial assets at fair value through profit or loss	*28*	**102,171**	201,205
Due from related parties	*30*	**60,187**	76,163
Pledged deposits	*29*	**1,063,341**	1,485,075
Cash and cash equivalents	*29*	**71,413**	666,245
Total current assets		**8,511,574**	9,773,359
CURRENT LIABILITIES			
Trade and bills payables	*31*	**784,573**	1,097,525
Other payables and accruals	*32*	**233,843**	310,253
Interest-bearing bank and other borrowings	*33*	**2,719,334**	3,968,773
Lease liabilities	*16*	**133,524**	205,276
Due to related parties	*30*	**424,918**	432,309
Tax payable		**392,879**	426,188
Total current liabilities		**4,689,071**	6,440,324
NET CURRENT ASSETS		**3,822,503**	3,333,035
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,655,945**	4,500,933
NON-CURRENT LIABILITIES			
Long term borrowings	*33*	**21,498**	–
Lease liabilities	*16*	**186,941**	324,428
NET ASSETS		**4,447,506**	4,176,505

	Notes	**2020 RMB'000**	2019 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	*34*	**732,460**	666,667
Reserves	*35*	**3,552,600**	3,347,591
		4,285,060	4,014,258
Non-controlling interests		**162,446**	162,247
Total equity		**4,447,506**	4,176,505

Liu Donghai
Director

Liu Songshan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the parent									
	Share capital RMB'000 *(Note 34)*	Capital reserve RMB'000 *(Note 35)*	Share-based payment reserve RMB'000	Statutory reserve funds RMB'000 *(Note 35)*	Retained profits RMB'000	Fair value reserve RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	666,667	524,953	–	276,615	2,291,864	651	(420)	3,760,330	73,375	3,833,705
Profit for the year	–	–	–	–	257,439	–	–	257,439	3,013	260,452
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(359)	(359)	(2)	(361)
Change in fair value of equity investments at fair value through other comprehensive loss, net of tax	–	–	–	–	–	(4,568)	–	(4,568)	–	(4,568)
Share of other comprehensive income of a joint venture	–	–	–	–	–	–	715	715	–	715
Total comprehensive income for the year	–	–	–	–	257,439	(4,568)	356	253,227	3,011	256,238
Acquisition of non-controlling interests	–	(621)	–	–	–	–	–	(621)	(10,046)	(10,667)
Disposal of partial interests in subsidiaries without losing control	–	(23,973)	–	–	–	–	–	(23,973)	93,973	70,000
Share-based payments	–	–	25,295	–	–	–	–	25,295	–	25,295
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	2,114	2,114
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(180)	(180)
Transfer from retained profits	–	–	–	25,744	(25,744)	–	–	–	–	–
At 31 December 2019	666,667	500,359	25,295	302,359	2,523,559	(3,917)	(64)	4,014,258	162,247	4,176,505

Year ended 31 December 2020

	Attributable to owners of the parent									
	Share capital RMB'000 (Note 34)	Capital reserve RMB'000 (Note 35)	Share-based payment reserve RMB'000	Statutory reserve funds RMB'000 (Note 35)	Retained profits RMB'000	Fair value reserve RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	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 year	–	–	–	–	114,062	–	–	114,062	450	114,512
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	–	1,398	1,398	(251)	1,147
Change in fair value of equity investments at fair value through other comprehensive loss, net of tax	–	–	–	–	–	(26,599)	–	(26,599)	–	(26,599)
Share of other comprehensive (loss)/income of a joint venture	–	–	–	–	–	–	(9,085)	(9,085)	–	(9,085)
Total comprehensive income for the year	–	–	–	–	114,062	(26,599)	(7,687)	79,776	199	79,975
Transfer from retained profits	–	–	–	11,406	(11,406)	–	–	–	–	–
Issue of shares	65,793	125,233	–	–	–	–	–	191,026	–	191,026
At 31 December 2020	732,460	625,592	25,295	313,765	2,626,215	(30,516)	(7,751)	4,285,060	162,446	4,447,506

* *These reserve accounts comprise the consolidated reserves of RMB3,552,600,000 (2019: RMB3,347,591,000) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	**2020 RMB'000**	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**106,407**	332,146
Adjustments for:			
Finance costs	*9*	**162,091**	232,712
Interest income from loan receivables and others		**–**	(592)
Share of profits and losses of joint ventures		**6,325**	679
Share of profits and losses of associates		**(2,781)**	1,586
Impairment of goodwill	*8*	**17,598**	4,527
Impairment of intangible assets	*8*	**–**	2,356
Provision for impairment of trade receivables	*8*	**17,373**	18,378
Provision for impairment of financial assets at fair value through other comprehensive income	*8*	**(3,290)**	4,932
Provision for impairment of other receivables	*8*	**8,031**	11,375
Provision for impairment of loan receivables	*8*	**–**	16,743
Provision for impairment of inventories	*8*	**23,813**	22,398
Fair value gain on financial assets at fair value through profit or loss	*7*	**(966)**	(1,105)
Depreciation	*8*	**43,680**	50,190
Depreciation of right-of-use assets	*8*	**189,315**	224,102
Covid-19-related rent concessions from lessors	*16*	**(16,391)**	–
Amortisation of intangible assets	*8*	**1,507**	1,605
Gain on disposal of a subsidiary	*7*	**–**	(2,580)
Gain on acquisition of subsidiaries	*7*	**–**	(1,929)
Equity-settled share-based payment expenses	*8*	**–**	25,295
Gain on disposal of an investment of a joint venture	*8*	**(407)**	–
Loss on disposal of an investment of an associate	*8*	**–**	2,785
Loss on disposal of items of property, plant and equipment	*8*	**1,927**	1,208
Foreign exchange gain/(loss), net		**485**	(1,100)
		554,717	945,711
Increase in trade and bills receivables		**(312,775)**	(539,235)
Decrease/(Increase) in prepayments, other receivables and other assets		**46,995**	(440,630)
Decrease/(Increase) in pledged deposits		**4,544**	(3,157)
Decrease/(Increase) in inventories		**350,871**	(419,287)
(Decrease)/Increase in trade and bills payables		**(312,952)**	607,854
Decrease in other payables and accruals		**(38,425)**	(43,646)
Decrease in amounts due from related parties		**15,976**	92,548
Increase in amounts due to related parties		**22,352**	353,843
Cash generated from operations		**331,303**	554,001
Income tax paid		**(16,274)**	(16,933)
Net cash flows generated from operating activities		**315,029**	537,068

	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries	–	786
Disposal of a subsidiary	**200**	35,000
Disposal of interests in an associate	–	6,000
Purchases of items of property, plant and equipment	**(17,543)**	(39,828)
Purchases of items of other intangible assets	**(105)**	(1,928)
Proceeds from disposal of items of property, plant and equipment	**546**	4,882
Purchase of a debt instrument	–	(500)
Decrease/(increase) of financial assets at fair value through profit or loss	**100,000**	(200,100)
Interest received	–	4,364
Acquisition of interests in joint ventures	**(5,000)**	(217,031)
Repayment of loans to third parties	–	40,640
Dividends received from an associate	–	368
Net cash flows from/(used in) investing activities	**78,098**	(367,347)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	**4,380,977**	6,128,899
Repayment of a/loan from a related party	**(29,716)**	74,186
Capital contribution from non-controlling shareholders	–	70,000
Decrease/(Increase) in pledged deposits	**417,190**	(821,667)
Repayment of bank loans and a corporate bond	**(5,609,258)**	(5,228,411)
Dividends paid to non-controlling shareholders	–	(180)
Principal portion of lease payments	**(160,735)**	(196,483)
Issue capital	**191,026**	–
Acquisition of non-controlling interests	**(5,529)**	(3,818)
Interest paid	**(172,576)**	(234,749)
Net cash flows used in financing activities	**(988,621)**	(212,223)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(595,494)**	(42,502)
Cash and cash equivalents at beginning of year	**666,245**	708,548
Effect of foreign exchange rate changes, net	**662**	199
CASH AND CASH EQUIVALENTS AT END OF YEAR	**71,413**	666,245
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**71,413**	666,245
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF FINANCIAL POSITION	**71,413**	666,245

1. CORPORATE AND GROUP INFORMATION

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

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

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

Information about subsidiaries

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

Name of the principal subsidiaries	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities	Principal country of operation
		Direct %	Indirect %		
Beijing D-phone Trading Co., Ltd.* (北京迪信商貿有限責任公司)	RMB100,000,000	100	–	(1)	China
Beijing D-phone Electronic Communication Technology Co., Ltd. * (北京迪信通電子通信技術有限公司)	RMB10,000,000	100	–	(1)	China
Beijing Shengduo Trading Co., Ltd. * (北京勝多商貿有限責任公司)	RMB10,000,000	100	–	(1)	China
Jiangsu Shengduo Technology Trading Co., Ltd. * (江蘇勝多科貿有限責任公司)	RMB10,000,000	100	–	(1)	China
Jiangsu D-phone Communication Technology Co., Ltd. * (迪信通通訊科技江蘇有限公司)	RMB20,000,000	–	100	(1)	China
Shanghai Chuanda Communication Technology Co., Ltd. * (上海川達通信技術有限公司)	RMB10,000,000	75	–	(1)	China
Shanghai Dixin Electronic Communication Technology Co., Ltd. * (上海迪信電子通信技術有限公司)	RMB20,000,000	75	–	(1)	China

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name of the principal subsidiaries	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Principal activities	Principal country of operation
Shanghai Dixin South Communication Technology Co., Ltd. * (上海迪信南方通信技術有限公司)	RMB20,000,000	75	–	(1)	China
Hefei D-phone Communication Technology Co., Ltd. * (合肥迪信通通信技術有限公司)	RMB10,000,000	100	–	(1)	China
Shenyang Tongliansihai Electronic Communication Technology Co., Ltd. * (瀋陽通聯四海電子通信技術有限公司)	RMB10,000,000	100	–	(1)	China
Changsha D-phone Electronic Science and Technology Information Co., Ltd. * (長沙迪信通電子科技信息有限公司)	RMB30,000,000	100	–	(1)	China
Beijing Dixinhaotian Trading Co., Ltd. (北京迪信昊天商貿有限公司)	RMB10,000,000	100	–	(1)	China
Guangxi D-phone Electronic Communication Technology Co., Ltd. * (廣西迪信通電子通信技術有限公司)	RMB15,000,000	100	–	(1)	China
Zhejiang D-phone Trading Co., Ltd. * (浙江迪信通商貿有限公司)	RMB10,000,000	100	–	(1)	China
Sichuan Yijialong Communication Technology Chain Co., Ltd. * (四川億佳隆通訊連鎖有限公司)	RMB5,000,000	100	–	(1)	China
Beijing D-phone Fengze Electronic Equipment Co., Ltd. * (北京迪信通豐澤電子設備有限公司)	RMB5,000,000	–	100	(1)	China
Jinan Dixin Electronic Communication Technology Co., Ltd. * (濟南迪信電子通信技術有限公司)	RMB10,500,000	100	–	(1)	China

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name of the principal subsidiaries	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities	Principal country of operation
Nanyang D-phone Electronic Communication Technology Co., Ltd. * (南陽迪信通電子通信技術有限公司)	RMB8,000,000	–	100	(1)	China
Qingdao D-phone Communication Technology Co., Ltd. * (青島迪信通通信技術有限公司)	RMB5,000,000	–	100	(1)	China
Hunan Zhongxuntong Electronic Science and Technology Co., Ltd. * (湖南中訊通電子科技有限公司)	RMB5,000,000	100	–	(1)	China
Zhengzhou D-phone Electronic Communication Technology Co., Ltd. * (鄭州迪信通電子通信技術有限公司)	RMB13,000,000	100	–	(1)	China
Chongqing Digital Intelligent Technology Co., Ltd. * (重慶迪信通智能技術有限公司)	RMB400,000,000	75	–	(1)	China
Henan D-phone Electronic Communication Technology Co., Ltd. * (河南迪信通電子通信技術有限公司)	RMB20,000,000	100	–	(1)	China
Tianjin D-phone Electronic Communication Technology Co., Ltd. * (天津迪信通電子通信技術有限公司)	RMB30,000,000	100	–	(1)	China
Guangdong D-phone Trading Co., Ltd. * (廣東迪信通商貿有限公司)	RMB10,000,000	100	–	(1)	China
Ningbo Hi-tech District Chaofa Technology Co., Ltd. * (寧波高新區超發科技有限公司)	RMB10,000,000	100	–	(1)	China
Hebei Dixin Electronic Communication Equipment Co., Ltd. * (河北迪信電子通信設備有限公司)	RMB3,000,000	100	–	(1)	China

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name of the principal subsidiaries	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Principal activities	Principal country of operation
Wenzhou D-phone Electronic Communication Technology Co., Ltd. * (溫州迪信通電子通信技術有限公司)	RMB2,000,000	100	–	(1)	China
Henan D-phone Trading Co., Ltd. * (河南迪信通商貿有限公司)	RMB10,000,000	60	–	(1)	China
Wuhan Yitongda Communication Equipment Co., Ltd. * (武漢易通達通訊器材有限公司)	RMB2,000,000	–	100	(1)	China
Yunnan D-phone Electronic Communication Technology Co., Ltd. * (雲南迪信通電子通信技術有限公司)	RMB20,000,000	–	100	(1)	China
Beijing Tailongji Trading Co., Ltd. * (北京市泰龍吉貿易有限公司)	RMB50,000,000	100	–	(2)	China
Shenzhen Hua'aotong Electronic Technology Co., Ltd. * (深圳市華奧通電子有限公司)	RMB20,000,000	–	100	(3)	China
Ningbo Hi-tech District Shunjixin Technology Co., Ltd. * (寧波高新區順吉信科技有限公司)	RMB10,000,000	100	–	(1)	China
Beijing Dixin Alliance Technology Co., Ltd. * (北京迪信云聚科技有限公司)	RMB10,000,000	80	–	(1)	China
Digitone Mobiles Private Limited	INR287,740	–	65	(1)	India
Guangan Zhuopin Era Technology Co., Ltd. * (廣安卓品時代科技有限公司)	RMB25,000,000	51	–	(2)	China
Beijing Wangju Dixin Youpin Internet Technology Trading Co., Ltd. * (北京網聚迪信優品互聯網科技有限公司)	RMB5,000,000	80	–	(2)	China

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name of the principal subsidiaries	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities	Principal country of operation
Beijing Digital (Spain),S.L	EUR4,800,000	100	–	(1)	Spain
Dixin Simaier Technology(Guangdong) Co., Ltd. * (迪信斯麥爾科技(廣東)有限公司)	RMB200,000,000	100	–	(1)	China
Beijing Penglu Network Technology Co., Ltd. * (北京鵬路網絡科技有限公司)	RMB2,000,000	51	–	(1)	China
Shenzhen Mizuan Network Technology Co., Ltd. * (深圳米鑽網絡科技有限公司)	RMB7,220,500	–	70	(1)	China
Tangshan D-phone Technology Co., Ltd. * (唐山迪信通科技有限公司)	RMB50,000,000	100	–	(1)	China
Hainan D-phone Technology Co., Ltd. * (海南迪信通科技有限公司)	RMB5,000,000	–	100	(1)	China

Notes:

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

(2) Online sale of mobile telecommunications devices and accessories

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised IFRSs are described below:

(a) Conceptual Framework for Financial Reporting 2018 (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) 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.

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

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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 hedging relationships.

(d) 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 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 for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's plant and machinery have been reduced or waived by the lessors upon reducing the scale of production as a result of the 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 pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB16,391,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss or the year ended 31 December 2020.

(e) 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, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS4 and IFRS16	*Interest Rate Benchmark Reform – Phase2*[1]
Amendments to IFRS 10 and IAS 28(2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3, 6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]

1 *Effective for annual periods beginning on or after 1 January 2021*

2 *Effective for annual periods beginning on or after 1 January 2022*

3 *Effective for annual periods beginning on or after 1 January 2023*

4 *No mandatory effective date yet determined but available for adoption*

5 *As a consequence of the amendments to IAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion*

6 *As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023*

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 (2011) was removed by the IASB in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

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

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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

Business combinations and goodwill

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

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

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

Business combinations and goodwill *(Continued)*

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

Fair value measurement

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

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

Related parties *(Continued)*

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

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

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

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

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

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

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

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

Software copyrights

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

Distribution network

Distribution network is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life.

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

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 16 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

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

Leases *(Continued)*

Group as a lessee (Continued)

(b) Lease liabilities *(Continued)*

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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

Investments and other financial assets *(Continued)*

Initial recognition and measurement (Continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt investments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

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

Investments and other financial assets *(Continued)*

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

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

Impairment of financial assets *(Continued)*

General approach (Continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, and payables.

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

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

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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

Provisions

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

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

The Group provides for warranties in relation to the sale of certain industrial products for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

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

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

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

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

Income tax *(Continued)*

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

Government grants

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

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sale of goods

Revenue from the sale of mobile telecommunications devices and accessories is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(b) Service income from mobile carriers

Revenue from the provision of services to mobile carriers is recognised over time, using an output method to measure progress towards complete satisfaction of the service according to the underlying contract terms. The output method recognises revenue based on direct measurements of the value to the mobile carriers of the services transferred to date relative to the remaining services promised under the contract.

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

Revenue recognition *(Continued)*

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

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

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company grants shares with no vesting conditions to employees of the Group for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value of the shares granted is determined by management using the discounted cash flow method, further details of which are given in note 35 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity.

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

Other employee benefits

Pension scheme

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

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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

Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

Foreign currencies *(Continued)*

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Vendor rebates

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Significant judgement in determining the lease terms of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease(e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of buildings due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., one to three years) and there will be a significant negative effect on sales if a replacement is not readily available.

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

Estimation uncertainty

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

(i) Useful lives of property, plant and equipment

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

(ii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2020 was RMB50,521,000 (2019: RMB68,119,000). Further details are given in note 17 to the financial statements.

(iii) Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

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

Estimation uncertainty *(Continued)*

(iv) Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 26 to the financial statements.

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

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

(vi) Net realisable value of inventories

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

(vii) Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that tax profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 23 to the financial statements.

6. OPERATING SEGMENT INFORMATION

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

Management monitors the results of 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 year, the Group had no customers from whom the revenue derived individually accounted for more than 10% of the Group's total revenue.

Geographical information

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

(a) Revenue from external customers

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Mainland China	**12,951,542**	15,023,563
Spain	**597,235**	322,137
Bangladesh	**954**	3,183
India	**419**	2,070
	13,550,150	15,350,953

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Mainland China	**722,138**	1,005,427
Spain	**45,147**	48,401
Bangladesh	**99**	7,584
India	**83**	5,982
	767,467	1,067,394

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

7. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December **2020** RMB'000	2019 RMB'000
Revenue from contracts with customers		
Sales of mobile telecommunications devices and accessories	**13,246,324**	14,877,308
Including:		
Retail of mobile telecommunications devices and accessories	**4,956,717**	6,744,884
Sales of telecommunications devices and accessories to franchisees	**1,017,517**	2,726,784
Wholesale of mobile telecommunications devices and accessories	**7,272,090**	5,405,640
Service income from mobile carriers	**138,631**	312,421
Other service fee income	**165,195**	161,224
	13,550,150	15,350,953

Disaggregated revenue information

Segment

Mobile telecommunications devices

	Year ended 31 December **2020** RMB'000	2019 RMB'000
Geographical markets		
Mainland China	**12,951,542**	15,023,563
Spain	**597,235**	322,137
Bangladesh	**954**	3,183
India	**419**	2,070
Total revenue from contracts with customers	**13,550,150**	15,350,953
Timing of revenue recognition		
Goods transferred at a point in time	**13,246,324**	14,877,308
Services transferred over time	**303,826**	473,645
Total revenue from contracts with customers	**13,550,150**	15,350,953

7. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Disaggregated revenue information *(Continued)*

Segment (Continued)

Mobile telecommunications devices (Continued)

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Other income		
Interest income	**24,133**	9,143
Government grants *(note (a))*	**26,035**	46,091
Others	**4,365**	6,447
	54,533	61,681
Gains		
Fair value gain on financial assets at fair value through profit or loss	**966**	1,105
Gain on disposal of a joint venture	**407**	–
Gain on acquisition of subsidiaries	**–**	1,929
Gain on disposal of a subsidiary	**–**	2,580
Gain on disposal of items of property, plant and equipment	**154**	281
	1,527	5,895
	56,060	67,576

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

8. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cost of inventories sold and services provided	**12,373,459**	13,582,076
Depreciation of property, plant and equipment *(note 15)*	**43,680**	50,190
Depreciation of right-of-use assets *(note 16)*	**189,315**	224,102
Amortisation of intangible assets *(note 18)*	**1,507**	1,605
Lease payments not included in the measurement of lease liabilities	**13,534**	55,555
Interest on lease liabilities *(note 16)*	**19,967**	29,009
Auditors' remuneration	**3,450**	3,735
Employee benefit expense (including directors' remuneration as set out in note 10):		
Wages and salaries	**344,544**	407,117
Equity-settled share-based payment expenses	**–**	25,295
Pension scheme contributions	**48,949**	53,752
	393,493	486,164
Impairment of goodwill *(note 17)*	**17,598**	4,527
Impairment of other intangible assets *(note 18)*	**–**	2,356
Impairment of financial assets:		
Impairment of trade receivables *(note 26)*	**17,373**	18,378
Impairment of loan receivables *(note 24)*	**–**	16,743
Impairment of financial assets at fair value through other comprehensive income	**(3,290)**	4,932
Impairment of financial assets included in prepayments, other receivables and other assets *(note 27)*	**8,031**	11,375
	22,114	51,428
Write-down of inventories to net realisable value *(note 25)*	**23,813**	22,398
Loss on disposal of an investment of an associate	**–**	2,785
Gain on disposal of an investment of a joint venture	**(407)**	–
Loss on disposal of items of property, plant and equipment	**1,927**	1,208

9. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Interest on bank loans and other borrowings	**142,124**	203,703
Interest on lease liabilities	**19,967**	29,009
	162,091	232,712

10. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Remuneration:		
Salaries, allowances and benefits in kind	**2,152**	1,794
Pension scheme contributions	**94**	205
	2,246	1,999

(a) Independent non-executive directors

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

		Year ended 31 December	
		2020	2019
	Note	**RMB'000**	RMB'000
Mr. Lv Tingjie		**60**	60
Mr. Lv Pingbo	*(i)*	**60**	35
Mr. Bian Yongzhuang	*(i)*	**–**	25
Mr. Zhang Senquan		**261**	261
		381	381

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

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

(a) Independent non-executive directors *(Continued)*

Note:

(i) Mr. Bian Yongzhuang resigned on 5 June 2019 and was replaced by Mr. Lv Pingbo as an independent non-executive director.

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

	Note	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2020				
Executive directors:				
Mr. Liu Songshan		**302**	**18**	**320**
Mr. Liu Donghai*		**266**	**30**	**296**
Ms. Liu Wencui		**411**	**30**	**441**
Mr. Liu Yajun		**477**	**12**	**489**
		1,456	**90**	**1,546**
Non-executive directors:				
Mr. Qi Xiangdong	*(i)*	**24**	**–**	**24**
Mr. Li Wenzhi	*(i)*	**37**	**–**	**37**
Mr. Yao Yanzhong	*(i)*	**37**	**–**	**37**
Mr. Lv Jing	*(i)*	**37**	**–**	**37**
Ms. Xin Xin	*(i)*	**24**	**–**	**24**
		159	**–**	**159**
Supervisors:				
Mr. Hu Yuzhong		**40**	**–**	**40**
Mr. Li Wanlin		**40**	**–**	**40**
Ms. Wei Shuhui		**76**	**4**	**80**
		156	**4**	**160**
		1,771	**94**	**1,865**

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

(b) Executive directors, non-executive directors, supervisors and the chief executive *(Continued)*

	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2019			
Executive directors:			
Mr. Liu Songshan	298	40	338
Mr. Liu Donghai*	276	62	338
Ms. Liu Wencui	371	62	433
Mr. Liu Yajun	199	40	239
	1,144	204	1,348
Non-executive directors:			
Mr. Qi Xiangdong	60	–	60
Ms. Xin Xin	60	–	60
	120	–	120
Supervisors:			
Mr. Hu Yuzhong	40	–	40
Mr. Li Wanlin	40	–	40
Ms. Wei Shuhui	69	1	70
	149	1	150
	1,413	205	1,618

* *Mr. Liu Donghai is the chief executive officer of the Company.*

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

Note:

(i) Mr. Qi Xiangdong and Ms. Xin Xin resigned on May 2020 and was replaced by Mr. Li Wenzhi, Mr. Yao Yanzhong and Mr. Lv Jing as non-executive directors.

11. FIVE HIGHEST PAID EMPLOYEES

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

	Number of employees Year ended 31 December	
	2020	2019
Directors, supervisors and the chief executive	**1**	–
Non-director, non-supervisor and non-chief executive employees	**4**	5
	5	5

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

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,438**	999
Equity-settled share-base payment expense	**–**	25,295
Pension scheme contributions	**140**	398
	2,578	26,692

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

	Number of employees Year ended 31 December	
	2020	2019
Nil to HK$1,000,000	**5**	–
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$20,000,000	**–**	5
	5	5

12. INCOME TAX (CREDIT)/EXPENSE

The provision for PRC current income tax is based on the statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which became effective on 1 January 2008, except for 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 year ended 31 December 2020. The major components of income tax expense/(credit) are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current:		
Tax charge for the year	**(17,035)**	94,411
Deferred *(note 23)*	**8,930**	(22,717)
Total tax (credit)/charge for the year	**(8,105)**	71,694

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

		Year ended 31 December	
		2020	2019
		RMB'000	RMB'000
Profit before tax		**106,407**	332,146
Tax at the statutory tax rate		**26,602**	83,037
Lower tax rates for certain entities		**(15,867)**	(20,828)
Tax rate change effect		**–**	(10,929)
Adjustments in respect of current tax of previous periods	*1)*	**(76,867)**	798
Losses attributable to associates and joint ventures	*2)*	**886**	566
Expenses not deductible for tax		**5,187**	18,320
Tax losses utilised from previous periods		**–**	(1,643)
Tax losses not recognised		**51,954**	2,373
Tax (credit)/charge at the Group's effective rate		**(8,105)**	71,694

12. INCOME TAX (CREDIT)/EXPENSE *(Continued)*

1) Adjustments in respect of current tax of previous periods comprised a reversal of provision in the amount of RMB77,742,000 for a potential tax liability in respect of transactions between subsidiaries of the Group in prior periods. Management is of the view that the tax provision was no longer necessary as the transaction price for these transactions were comparable to prices at which the group transacted with independent third parties at arm's length.

2) The share of tax attributable to associates and joint ventures amounting to RMB2,235,000 (2019: RMB1,245,000) and RMB540,000 (2019: RMB824,000), respectively, is included in "Share of profits and losses of associates and joint ventures" in the consolidated statement of profit or loss and other comprehensive income.

13. DIVIDENDS

The directors did not propose a dividend for the year ended 31 December 2020.

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

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 731,202,000 (2019: 666,667,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

The calculation of basic earnings per share is based on:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**114,062**	257,439
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**731,202,000**	666,667,000

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2020					
At 1 January 2020:					
Cost	79,627	495,919	66,041	33,457	675,044
Accumulated depreciation	(32,840)	(457,609)	(48,240)	(22,296)	(560,985)
Net carrying amount	46,787	38,310	17,801	11,161	114,059
At 1 January 2020, net of accumulated depreciation	46,787	38,310	17,801	11,161	114,059
Additions	–	11,513	4,555	1,475	17,543
Disposals	–	–	(1,477)	(996)	(2,473)
Depreciation provided during the year	(3,797)	(29,085)	(8,271)	(2,527)	(43,680)
At 31 December 2020, net of accumulated depreciation	42,990	20,738	12,608	9,113	85,449
At 31 December 2020:					
Cost	79,627	507,432	65,085	32,156	684,300
Accumulated depreciation	(36,637)	(486,694)	(52,477)	(23,043)	(598,851)
Net carrying amount	42,990	20,738	12,608	9,113	85,449

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

	Buildings RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2019					
At 1 January 2019:					
Cost	79,627	468,185	66,690	38,422	652,924
Accumulated depreciation	(29,039)	(422,728)	(48,277)	(22,136)	(522,180)
Net carrying amount	50,588	45,457	18,413	16,286	130,744
At 1 January 2019, net of accumulated depreciation	50,588	45,457	18,413	16,286	130,744
Additions	–	29,035	7,746	3,047	39,828
Acquisition of a subsidiary	–	4	–	–	4
Disposals	–	–	(1,843)	(4,247)	(6,090)
Disposal of subsidiaries	–	(230)	(7)	–	(237)
Depreciation provided during the year	(3,801)	(35,956)	(6,508)	(3,925)	(50,190)
At 31 December 2019, net of accumulated depreciation	46,787	38,310	17,801	11,161	114,059
At 31 December 2019:					
Cost	79,627	495,919	66,041	33,457	675,764
Accumulated depreciation	(32,840)	(457,609)	(48,240)	(22,296)	(560,985)
Net carrying amount	46,787	38,310	17,801	11,161	114,059

As at 31 December 2020, the Group has not obtained title certificates for certain of its buildings with an aggregate net carrying amount of approximately RMB11,160,000 (2019: RMB11,864,000). Certain of the Group's buildings with an aggregate net carrying amount of approximately RMB25,501,000 as at 31 December 2020, were pledged as security for the Group's interest-bearing bank borrowings (note 33). The directors were of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2020.

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings (offices properties and retail stores) used in its operations. Leases of buildings generally have lease terms between 2 and 16 years. Other leases generally have lease terms of 12 months or less and/or are individually of low value. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(a) Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the year are as follows:

	Buildings RMB'000
As at 1 January 2019	649,515
Additions	144,158
Depreciation charge	(224,102)
Decrease	(19,569)
As at 31 December 2019 and 1 January 2020	550,002
Additions	98,342
Depreciation charge	(189,315)
Decrease	(150,422)
As at 31 December 2020	308,607

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020 **RMB'000**	2019 RMB'000
Carrying amount at 1 January	**529,704**	601,632
New leases	**98,342**	144,158
Accretion of interest recognised during the year	**19,967**	29,009
Covid-19-related rent concessions from lessors	**(16,391)**	–
Decrease	**(149,326)**	(19,569)
Payments	**(161,831)**	(225,526)
Carrying amount at 31 December 2020	**320,465**	529,704
Analysed into:		
Current portion	**133,524**	205,276
Non-current portion	**186,941**	324,428

16. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	**19,967**	29,009
Depreciation charge of right-of-use assets	**189,315**	224,102
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in profit and loss)	**13,816**	34,554
Variable lease payments not included in the measurement of lease liabilities (included in selling and distribution expenses)	**16,109**	21,001
Covid-19-related rent concessions from lessors	**(16,391)**	–
Total amount recognised in profit or loss	**222,816**	308,666

(d) *Variable lease payments*

The Group leased a number of the retail stores and units in a shopping mall which contain variable lease payment terms that are based on the Group's turnover generated from the retail stores and the units in the shopping mall. Management's objective is to align the lease expense with the revenue earned. The following provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments:

2020

	Fixed payments RMB'000	**Variable payments RMB'000**	**Total RMB'000**
Fixed rent	**153,216**	**–**	**153,216**
Variable rent with minimum payment	**12,219**	**9,763**	**21,982**
Variable rent only	**–**	**6,346**	**6,346**
	165,435	**16,109**	**181,544**

16. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(d) Variable lease payments(Continued)

2019

	Fixed payments RMB'000	Variable payments RMB'000	Total RMB'000
Fixed rent	228,339	–	228,339
Variable rent with minimum payment	17,995	462	18,457
Variable rent only	–	20,539	20,539
	246,334	21,001	267,335

A 5% increase in sales produced by the retail stores and units would increase the total lease payments by 0.3% to 0.5% (2019: 0.3% to 0.5%).

(e) The total cash outflow for leases relating to leases that have not yet commenced are disclosed in note 37, respectively, to the financial statements.

17. GOODWILL

	As at 31 December **2020** **RMB'000**	2019 RMB'000
At 1 January:		
Cost	**94,687**	94,687
Accumulated impairment	**(26,568)**	(22,041)
Net carrying amount	**68,119**	72,646
Cost at 1 January, net of accumulated impairment	**68,119**	72,646
Impairment during the year	**(17,598)**	(4,527)
Cost and net carrying amount at 31 December	**61,438**	68,119
At 31 December:		
Cost	**94,687**	94,687
Accumulated impairment	**(44,166)**	(26,568)
Net carrying amount	**50,521**	68,119

17. GOODWILL *(Continued)*

Impairment testing of goodwill

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Changsha 958598 Electronic Communication Equipment Co., Ltd.	**490**	490
Sichuan Yijialong Communication Technology Chain Co., Ltd.	**27,637**	34,650
Luoyang Dphone Electronic Communication Technology Co., Ltd.	**5,739**	5,739
Shangqiu Dphone Electronic Communication Technology Co., Ltd.	**1,729**	1,729
Yunnan Dphone Electronic Communication Technology Co., Ltd.	**7,792**	7,792
Wuhan Yitongda Communication Equipment Co., Ltd.	**1,235**	1,235
Xi'an Dphone Electronic Communication Technology Co., Ltd.	**3,790**	3,790
Beijing Jinyitongda Communication Equipment Maintenance Co., Ltd.	**351**	351
Xinyang Beixin Science Trading Co., Ltd.	**650**	650
Guangan Zhuopin Era Technology Co., Ltd.	**–**	10,585
Beijing Wangju Dixin Youpin Internet Technology Trading Co., Ltd.	**1,108**	1,108
	50,521	68,119

The recoverable amount of each cash-generating unit has been determined based on a value in use calculation. To calculate this, cash flow projections are prepared based on financial budgets as approved by the directors which cover a period of five years. At 31 December 2020, the pre-tax discount rates applied to the cash flow projections were 22% to 28% (2019: 22% to 28%).

The growth rate used to extrapolate the cash flows of the cash-generating units beyond the five-year period was 3% as at 31 December 2020 (2019: 3%). The directors believe that this growth rate is conservative and reliable for the purpose of impairment testing.

17. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

Assumptions were used in the value-in-use calculation of the cash-generating units noted above for 31 December 2020 and 31 December 2019. The following describes each key assumption on which management has based on in the preparation of cash flow projections to undertake impairment testing of goodwill:

Revenue:	the bases used to determine the future earnings potential are historical sales and the expected growth rates of the markets in the PRC and India.
Gross margins:	the gross margins are based on the average gross margins achieved in the past three years and the expected trend in the future.
Expenses:	the value assigned to the key assumptions reflects past experience and management's commitment to maintain the Group's operating expenses to an acceptable level.
Discount rates:	the discount rates used are before tax and reflect management's estimate of the risks specific to the respective units. In determining appropriate discount rates for the units, regard has been given to the applicable borrowing rate of the Group during the year.

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

During the year, impairment losses of RMB10,585,000 and RMB7,013,000 were recognised in the consolidated statement of profit and loss as other expense from two subsidiaries of the Group, Guangan Zhuopin Era Technology Co., Ltd and Sichuan Yijialong Communication Technology Chain Co., Ltd.. During the impairment test, Guangan Zhuopin and Sichuan Yijialong were considered as separate cash-generating units respectively. The impairment charges are driven by the lower recoverable amounts of Guangan Zhuopin CGU and Sichuan Yijialong CGU resulting in the directors' reassessment that the estimated future business performance of Guangan Zhuopin and Sichuan Yijialong might not achieve the expectation of the management taking the budgeted gross margin and estimated growth rate into consideration.

18. OTHER INTANGIBLE ASSETS

	Software copyrights RMB'000	Distribution network RMB'000	Total RMB'000
31 December 2020			
Cost at 1 January 2020, net of accumulated amortisation	2,470	5,989	8,459
Additions	105	–	105
Amortisation provided during the year	(377)	(1,130)	(1,507)
At 31 December 2020	2,198	4,859	7,057
At 31 December 2020:			
Cost	7,354	10,425	17,779
Accumulated amortisation	(5,156)	(3,210)	(8,366)
Accumulated impairment	–	(2,356)	(2,356)
Net carrying amount	2,198	4,859	7,057
31 December 2019			
Cost at 1 January 2019, net of accumulated amortisation	785	6,707	7,492
Additions	1,928	–	1,928
Acquisition of subsidiaries	–	3,000	3,000
Impairment during the year	–	(2,356)	(2,356)
Amortisation provided during the year	(243)	(1,362)	(1,605)
At 31 December 2019	2,470	5,989	8,459
At 31 December 2019:			
Cost	7,249	10,425	17,674
Accumulated amortisation	(4,779)	(2,080)	(6,859)
Accumulated impairment	–	(2,356)	(2,356)
Net carrying amount	2,470	5,989	8,459

19. INVESTMENTS IN JOINT VENTURES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Share of net assets	**56,927**	70,630
Goodwill	**3,719**	3,719
	60,646	74,349

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

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Hollard-D. Phone (Beijing) Technology Development Co., Ltd.*	Registered capital of RMB1 each service	PRC/Mainland China	38	50	38	Technology research and consulting
Guangzhou Zhongqi Energy Technology Co., Ltd.*	Registered capital of RMB1 each	PRC/ Mainland China	46	46	46	Sale of mobile telecommunications devices and accessories
Shenzhen Chuanshi Electronic Technology Ltd.*	Registered capital of RMB1 each	PRC/ Mainland China	50	50	50	Equity investment and investment consultation

* *English translations of names for identification purposes only*

The above investments are directly held by the Company.

19. INVESTMENTS IN JOINT VENTURES *(Continued)*

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

	2020 RMB'000	2019 RMB'000
Share of the joint ventures' loss for the year	**(6,325)**	(679)
Share of the joint ventures' other comprehensive (loss)/income	**(9,085)**	715
Share of the joint ventures' total comprehensive (loss)/income	**(15,410)**	36

20. INVESTMENTS IN ASSOCIATES

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Share of net assets	**254,663**	251,882
Goodwill on acquisition	**524**	524
	255,187	252,406

Particulars of the Group's associates are as follows:

Name	Percentage of issued shares held	Place of registration and business	Particulars of ownership interest attributable to the Group	Principal activities
Shenzhen Dixin Nuclear Communications Co., Ltd.*	Ordinary shares	PRC/Mainland China	20	Wholesale and retail of communication equipment
Shanghai Diju Information Technology Co., Ltd.*	Ordinary shares	PRC/Mainland China	45	Technology research and consulting services
Comservice Commercial Factoring Co., Ltd.*	Ordinary shares	PRC/Mainland China	46	Provision of trade finance and credit investigation and evaluation services
Shenzhen Aizuji Technology Co., Ltd.*	Ordinary shares	PRC/Mainland China	14	Provision of leasing and selling services of intelligent devices
Yangzhou D-phone Science and Technology Information Co., Ltd.	Ordinary shares	PRC/Mainland China	43	Wholesale and retail of communication equipment and after-sales services

20. INVESTMENTS IN ASSOCIATES *(Continued)*

Name	Percentage of issued shares held	Place of registration and business	Particulars of ownership interest attributable to the Group	Principal activities
Beijing Jingdixin Technology Co., Ltd.*	Ordinary shares	PRC/Mainland China	49	Wholesale and retail of communications equipment
China Ocean Intelligent Equipment Manufacturing (Shenzhen) Company Limited *	Ordinary shares	PRC/Mainland China	50	Research and development, production and imports and exports of smart devices and automation equipment
DIMI Technology (Thailand) Co., Ltd.	Ordinary shares	Thailand	49	Sale of mobile telecommunications devices and accessories

* *English translations of names for identification purposes only*

The Group's shareholdings in the associates all comprise equity shares held by the Company, except for Shanghai Diju Information Technology Co., Ltd. and Comservice Commercial Factoring Co., Ltd., the shareholdings in which are held through subsidiaries of the Company.

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Share of the associates' profit/(loss) for the year	**2,781**	(1,586)

21. DEBT INSTRUMENT AT AMORTISED COST

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Debt instrument at amortised cost		
Government bond	**500**	500

22. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value		
Beijing Chuanmall Huilian Technology Co., Ltd.*	**9**	9
Beijing Rocedar Technology Ltd.*	**12**	12
Beijing Feiying Technology Co., Ltd*	**137**	3,302
Yunnan Dphone Investment Co., Ltd*	**1,000**	–
Shanghai Cappuccino Electronic Technology Co., Ltd.*	**–**	32,300
	1,158	35,623

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

The Group transferred 41% of the shares in Yunnan Dphone Investment Co., Ltd to a third party in December 2020, and the remaining investment was recognised as equity investments designated at fair value through other comprehensive income by the management. Yunnan Dphone Investment Co., Ltd was recognised as an investment in joint ventures as at 31 December 2019 (note 20).

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

23. DEFERRED TAX

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

Deferred tax assets

	Deductible temporary differences RMB'000	Unrealised profit RMB'000	Fair value adjustments of equity investments at fair value through other comprehensive income RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2019	39,686	3,234	–	42,920
Deferred tax credited to profit or loss during the year	9,580	12,617	–	22,197
Deferred tax charged to other comprehensive income during the year	–	–	1,305	1,305
Gross deferred tax assets at 31 December 2019 and 1 January 2020	49,266	15,851	1,305	66,422
Deferred tax credited to profit or loss during the year	4,313	(13,526)	–	(9,213)
Deferred tax charged to other comprehensive income during the year	–	–	8,866	8,866
At 31 December 2020	53,579	2,325	10,171	66,075

23. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	Fair value adjustments of equity investments at fair value through other comprehensive income RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2019	**217**	**1,811**	**2,028**
Deferred tax credited to profit or loss during the year	**–**	**(520)**	**(520)**
Deferred tax charged to other comprehensive income during the year	**(217)**	**750**	**533**
Gross deferred tax liabilities at 31 December 2019 and 1 January 2020	**–**	**2,041**	**2,041**
Deferred tax credited to profit or loss during the year	**–**	**(283)**	**(283)**
Deferred tax charged to other comprehensive income during the year	**–**	**–**	**–**
At 31 December 2020	**–**	**1,758**	**1,758**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2020 RMB'000	2019 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**64,317**	64,381
Net deferred tax liabilities recognised in the consolidated statement of financial position	**–**	–

Deferred tax assets in respect of tax losses and temporary differences amounting to RMB207,816,000 (2019: RMB9,492,000) have not been recognised, as it is not considered probable that taxable profits will be available against which the above tax losses can be utilised.

24. LOAN RECEIVABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Loan receivables	**16,743**	16,743
Impairment	**(16,743)**	(16,743)
	–	–

As at 31 December 2020, loan receivables comprise loans of USD2,400,000 provided to Spice Online Private Limited, a third party, which are unsecured and have no current fixed terms of repayment.

The movements in the loss allowance for impairment of loan receivables are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
At beginning of year	**16,743**	–
Impairment losses *(note 8)*	**–**	16,743
At end of year	**16,743**	16,743

25. INVENTORIES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Merchandise for resale	**2,584,547**	2,958,924
Consumable supplies	**1,758**	650
	2,586,305	2,959,574
Provision against inventories	**(23,813)**	(22,398)
	2,562,492	2,937,176

26. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables	**3,070,587**	2,667,684
Bills receivable	**57,370**	148,057
Impairment	**(141,318)**	(126,103)
	2,986,639	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 customers of volume sales are considered on a case-by-case basis. The Group maintains strict control over and closely monitors its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

At 31 December 2020, the Group's trade receivables with a carrying amount of approximately RMB58,706,000 (2019: RMB102,089,000) were pledged to secure amounts due to related parties, as set out in note 39 to the financial statements.

Endorsed bills receivable

The Derecognised Bills had maturities ranging from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, the Group has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. As at 31 December 2020, the Group did not endorse any bills receivable to its suppliers.

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

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

26. TRADE AND BILLS RECEIVABLES *(Continued)*

Endorsed bills receivable *(Continued)*

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 90 days	**2,720,258**	2,347,021
91 to 180 days	**100,282**	184,140
181 to 365 days	**117,086**	109,487
Over 1 year	**49,013**	48,990
	2,986,639	2,689,638

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
At beginning of year	**126,103**	108,067
Impairment losses *(note 8)*	**17,373**	18,378
Amount written off as uncollectible	**(2,158)**	(342)
At end of year	**141,318**	126,103

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

26. TRADE AND BILLS RECEIVABLES *(Continued)*

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2020

		Past due				
	Current	**Less than 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**Total**
Expected credit loss rate	**3.67%**	**4.55%**	**5.43%**	**10.58%**	**75.31%**	**4.60%**
Gross carrying amount (RMB'000)	**2,441,970**	**483,626**	**63,121**	**54,658**	**27,212**	**3,070,587**
Expected credit losses (RMB'000)	**89,589**	**22,024**	**3,430**	**5,781**	**20,494**	**141,318**

As at 31 December 2019

		Past due				
	Current	Less than 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Expected credit loss rate	3.98%	4.16%	6.67%	12.95%	49.40%	4.73%
Gross carrying amount (RMB'000)	2,141,531	407,571	49,298	37,464	31,820	2,667,684
Expected credit losses (RMB'000)	85,297	16,948	3,286	4,852	15,720	126,103

27. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December	
	2020 **RMB'000**	2019 RMB'000
Prepayments	**1,457,079**	1,459,864
Deposits and other receivables	**251,825**	295,198
	1,708,904	1,755,062
Impairment allowance	**(43,573)**	(37,205)
	1,665,331	1,717,857

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

	As at 31 December	
	2020 **RMB'000**	2019 RMB'000
At beginning of year	**37,205**	27,309
Impairment losses *(note 8)*	**8,031**	11,375
Amount written off as uncollectible	**(1,663)**	(1,479)
At end of year	**43,573**	37,205

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Other unlisted investments, at fair value	**102,171**	201,205

The above unlisted investments were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

At 31 December 2020, the Group's financial assets at fair value through profit or loss with a carrying amount of approximately RMB102,171,000 were pledged to secure bank borrowings, as set out in note 33 to the financial statements.

29. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Cash and bank balances	**71,413**	666,245
Time deposits	**1,063,341**	1,485,075
	1,134,754	2,151,320
Less: Pledged time deposits:		
Pledged for bank borrowings	**703,985**	1,077,835
Pledged for bank acceptance notes	**357,500**	400,840
Other pledged deposits	**1,856**	6,400
Cash and cash equivalents, denominated in RMB	**71,413**	666,245

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

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

30. BALANCES WITH RELATED PARTIES

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

31. TRADE AND BILLS PAYABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade payables	**294,573**	323,625
Bills payable	**490,000**	773,900
	784,573	1,097,525

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 90 days	**344,770**	644,121
91 to 180 days	**214,383**	84,413
181 to 365 days	**221,901**	365,361
Over 1 year	**3,519**	3,630
	784,573	1,097,525

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

32. OTHER PAYABLES AND ACCRUALS

		As at 31 December	
		2020	2019
	Notes	**RMB'000**	RMB'000
Payroll and welfare payable		**33,300**	29,486
Contract liabilities	*(a)*	**70,114**	117,666
Accrued expenses		**5,869**	6,426
Other payables	*(b)*	**124,560**	124,219
Bond interest payables		**–**	32,456
		233,843	310,253

32. OTHER PAYABLES AND ACCRUALS *(Continued)*

Notes:

(a) *Details of contract liabilities as at 31 December 2020 and 1 January 2020 are as follows:*

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Short-term advances received from customers		
Sale of goods	***70,114***	*117,666*
Total contract liabilities	***70,114***	*117,666*

(b) *Other payables are non-interest-bearing and have an average term of three months.*

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

		2020		2019	
		Maturity	**RMB'000**	Maturity	RMB'000
Current	*Notes*				
Bank loans:					
Unsecured, repayable within one year	*(a)*	**2021**	**833,773**	2020	710,985
Secured, repayable within one year	*(b)/(f)*	**2021**	**1,726,135**	2020	2,615,621
Corporate bond:					
Current portion	*(c)*	**2020**	**–**	2020	576,660
Other loans:					
Unsecured, repayable within one year	*(d)*	**2021**	**66,106**	2020	65,507
Secured, repayable within one year	*(e)*	**2021**	**93,320**	2020	–
			2,719,334		3,968,773
Non-current					
Bank loans:					
Unsecured	*(a)*	**2022-2025**	**21,498**		–
			2,740,832		3,968,773

33. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes:

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

(b) *The Group's bank loans are secured by pledged deposits, which had an aggregate carrying value of RMB703,985,000 (2019: RMB1,077,835,000), and financial assets at fair value through profit or loss with a carrying amount of RMB102,171,000 (2019: RMB201,105,000) at the end of the reporting period.*

(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 terms of the bond were attached with the Company's option to adjust the coupon rate and the option for investors to sell back at the end of the second year. The Company has repaid the corporate bond before the due date.*

(d) *The unsecured other loans bear interest at rates ranging from 3.00% to 14.40% (2019: 12.24%) per annum.*

(e) *The Group's other loans are secured by the Group's buildings, which had an aggregate carrying value of RMB25,501,000 (2019: nil).*

(f) *RMB800,000,000 of the Group's bank loans are guaranteed by approximately 24.16% of the Group's domestic shares from a controlling shareholder of the Company.*

34. SHARE CAPITAL

Shares

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Issued and fully paid:		
732,000,000 (2019: 667,000,000) ordinary shares	**732,460**	666,667

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

	Number of shares in issue	**Share capital** RMB'000
At 1 January 2019	666,667,000	666,667
At 31 December 2019 and 1 January 2020	666,667,000	666,667
Capital Issue	65,793,400	65,793
At 31 December 2020	732,460,400	732,460

34. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

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.

35. RESERVES

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

Statutory reserve funds

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

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

Distributable reserves

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

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

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2020	2019
Percentage of equity interest held by non-controlling interests:		
Shanghai Dixin Electronic Communication Technology Co., Ltd. ("Shanghai Dixin")	**25%**	25%

Shanghai Dixin:

	2020 RMB'000	2019 RMB'000
Profit for the year allocated to non-controlling interests	**(4,024)**	1,673
Accumulated balances of non-controlling interests at the reporting date:	**50,318**	52,922

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	2020 RMB'000	2019 RMB'000
Revenue	**1,010,521**	1,336,725
Cost and total expenses	**1,026,618**	1,314,759
Profit for the year	**(16,097)**	21,966
Total comprehensive(loss)/income for the year	**(16,097)**	21,966
Current assets	**451,768**	454,821
Non-current assets	**20,289**	14,093
Current liabilities	**291,306**	242,542
Net cash flows used in operating activities	**(12,254)**	(85,366)
Net cash flows used in investing activities	**(11,327)**	(7,951)
Net cash flows (used in)/from financing activities	**(11,583)**	94,154
Net (decrease)/increase in cash and cash equivalents	**(35,164)**	837

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB98,342,000 and RMB98,342,000, respectively, in respect of lease arrangements for plant and equipment (2019: RMB144,158,000 and RMB144,158,000).

(b) Changes in liabilities arising from financing activities

2020

	Bank and other loans RMB'000	**Lease liabilities RMB'000**	**Due to related parties RMB'000**
At 1 January 2020	**3,968,773**	**529,704**	**432,309**
Changes from financing cash flows	**(1,227,941)**	**(161,831)**	**(29,743)**
New leases	**–**	**98,342**	**–**
Interest expense	**–**	**19,967**	**–**
Covid-19 related rent concessions from lessors	**–**	**(16,391)**	**–**
Increase in operating cash flow	**–**	**–**	**22,352**
Decrease	**–**	**(149,326)**	**–**
At 31 December 2020	**2,740,832**	**320,465**	**424,918**

2019

	Bank and other loans RMB'000	Lease liabilities RMB'000	Due to related parties RMB'000
At 31 December 2018	3,066,638	–	4,253
Effect of adoption of IFRS 16	–	601,632	–
At 1 January 2019 (restated)	3,066,638	601,632	4,253
Changes from financing cash flows	902,135	(225,526)	74,213
New leases	–	144,158	–
Interest expense	–	29,009	–
Increase in operating cash flow	–	–	353,843
Decrease	–	(19,569)	–
At 31 December 2019	3,392,113	529,704	432,309

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 RMB'000	2019 RMB'000
Within operating activities	**19,712**	41,809
Within financing activities	**161,831**	225,526
	181,543	267,335

38. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in note 33 to the financial statements.

39. RELATED PARTY TRANSACTIONS

(a) The following table presents the total amounts of transactions that were entered into with related parties during the years ended 31 December 2020 and 2019, as well as the balances with related parties as at 31 December 2020 and 31 December 2019:

		Sales to related parties(i) RMB'000	Purchases from related parties(i) RMB'000	Other transactions with related parties RMB'000	Amounts owed by related parties RMB'000	Amounts owed to related parties RMB'000
Associates:						
Shenzhen Dixin Nuclear	**2020**	**–**	**–**	**–**	**997**	**–**
Communications Co., Ltd.	2019	–	–	–	707	–
Shanghai Diju Information	**2020**	**–**	**13,228**	**–**	**–**	**17,073**
Technology Co., Ltd.	2019	–	33,571	–	–	2,095
Comservice Commercial	**2020**	**–**	**–**	**(29,716)**	**–**	**44,470**
Factoring Co., Ltd.[5]	2019	–	–	74,186	–	74,213
Shenzhen Aizuji	**2020**	**10,619**	**–**	**–**	**–**	**–**
Technology Co., Ltd.	2019	11,058	–	–	–	–
Beijing Jingdixin	**2020**	**–**	**1,454,657**	**–**	**–**	**342,939**
Technology Co., Ltd.	2019	–	619,619	–	–	349,082
Yangzhou D-phone Science and	**2020**	**–**	**–**	**–**	**–**	**–**
Technology Information Co., Ltd.	2019	771	–	–	–	–
Dimi Technology (Thailand)	**2020**	**78,843**	**–**	**–**	**1,576**	**–**
Co., Ltd.	2019	–	–	–	–	–

39. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

		Sales to related parties(i) RMB'000	Purchases from related parties(i) RMB'000	Other transactions with related parties RMB'000	Amounts owed by related parties RMB'000	Amounts owed to related parties RMB'000
Joint ventures:						
Holland-D.Phone (Beijing)	**2020**	**1,046**	**6,362**	**–**	**–**	**4,035**
Technology Development Co., Ltd.	2019	–	13,003	–	–	6,718
Guangzhou Zhongqi Energy	**2020**	**66,269**	**31,238**	**–**	**38,503**	**–**
Technology Co., Ltd.	2019	48,308	28,226	–	52,497	–
Yunnan Dphone Investment	**2020**	**–**	**–**	**–**	**–**	**–**
Co., Ltd.[7]	2019	186	–	–	–	–
Fellow subsidiaries:						
Beijing Dphone Communication	**2020**	**5**	**–**	**–**	**4,649**	**16,297**
Services Co., Ltd.[1]	2019	–	27	–	11,227	113
Guang'an Dixin Cloud Communication	**2020**	**4,943**	**4,927**	**–**	**1,180**	**–**
Technology Co., Ltd.[1]	2019	232	–	–	460	–
Companies significantly influenced by the shareholders						
Beijing Tianxingyuanjing Technology	**2020**	**1**	**–**	**–**	**–**	**104**
Development Co., Ltd.[2]	2019	–	–	–	–	88
Luzhou Digital Science & Technology	**2020**	**–**	**–**	**–**	**–**	**–**
Co., Ltd.[3]	2019	11	–	–	–	–
A subsidiary of non-controlling shareholder						
Beijing Digital China Limited[4]	**2020**	**–**	**–**	**–**	**–**	**–**
	2019	–	6	–	–	–

39. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

		Sales to related parties(i) RMB'000	Purchases from related parties(i) RMB'000	Other transactions with related parties RMB'000	Amounts owed by related parties RMB'000	Amounts owed to related parties RMB'000
A subsidiary of a joint venture						
Yunfu Zhongqi Communication Technology Co., Ltd.[6]	**2020**	**2,137**	**207**	**–**	**2,489**	**–**
	2019	293	–	–	465	–
Key management personnel of the Group						
Mr. Zhou Qing	**2020**	**–**	**–**	**–**	**5,869**	**–**
	2019	–	–	–	5,876	–
Mr. Li Kai	**2020**	**–**	**–**	**–**	**1,249**	**–**
	2019	–	–	–	1,251	–
Ms. Zhou Yujing	**2020**	**–**	**–**	**–**	**770**	**–**
	2019	–	–	–	771	–
Mr. Yang Zhiyong	**2020**	**–**	**–**	**–**	**770**	**–**
	2019	–	–	–	771	–
Ms. Chen Xiujun	**2020**	**–**	**–**	**–**	**639**	**–**
	2019	–	–	–	640	–
Mr. Jiao Liping	**2020**	**–**	**–**	**–**	**639**	**–**
	2019	–	–	–	640	–
Mr. Li Yonggang	**2020**	**–**	**–**	**–**	**857**	**–**
	2019	–	–	–	858	–

39. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

1 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.

2 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 19.51% equity interests in aggregate and have significant influence over the entity.

3 40% of equity interest in Luzhou Digital Science & Technology Co., Ltd. is held by the controlling shareholder of the Company.

4 Beijing Digital China Limited is the fellow subsidiary of Digital China (HK) Limited, which is a non-controlling shareholder of the Company and holds a 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.

5 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 7.65% to 12.00% and are secured by trade receivables amounting to RMB58,706,000. (2019: RMB102,089,000).

6 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.

7 The investment in Yunnan Dphone Investment Co., Ltd. was held by a 51%-owned subsidiary of the Company, a joint venture of the Group in 2019. The Group recognised the investment in Yunnan Dphone Investment Co., Ltd. as an equity investment designated at fair value through other comprehensive income in 2020 as the Group transferred 41% of the shares to a third party in December 2020.

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 year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Salaries, allowances, bonuses and other expenses	**3,701**	3,994
Equity-settled share-based payments	**–**	25,295
Total compensation paid to key management personnel	**3,701**	29,289

Further details of directors' and the chief executive's emoluments are included in note 10 to the financial statements.

40. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

As at 31 December 2020

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income			
	Mandatorily designated as such RMB'000	Debt investments RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	1,158	–	1,158
Trade and bills receivables	–	57,370	–	2,929,269	2,986,639
Debt instrument at amortised cost	–	–	–	500	500
Financial assets at fair value through profit or loss	102,171	–	–	–	102,171
Financial assets included in prepayments, other receivables and other assets	–	–	–	208,252	208,252
Due from the related parties	–	–	–	60,187	60,187
Pledged deposits	–	–	–	1,063,341	1,063,341
Cash and cash equivalents	–	–	–	71,413	71,413
	102,171	57,370	1,158	4,332,962	4,493,661

40. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

Financial assets *(Continued)*

As at 31 December 2019

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income			
	Mandatorily designated as such RMB'000	Debt investments RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	35,623	–	35,623
Trade and bills receivables	–	148,057	–	2,541,581	2,689,638
Debt instrument at amortised cost	–	–	–	500	500
Financial assets at fair value through profit or loss	201,205	–	–	–	201,205
Financial assets included in prepayments, other receivables and other assets	–	–	–	257,993	257,993
Due from the related parties	–	–	–	76,163	76,163
Pledged deposits	–	–	–	1,485,075	1,485,075
Cash and cash equivalents	–	–	–	666,245	666,245
	201,205	148,057	35,623	5,027,557	5,412,442

Financial liabilities

	Financial liabilities at amortised cost as at 31 December	
	2020 RMB'000	2019 RMB'000
Trade and bills payables	**784,573**	1,097,525
Financial liabilities included in other payables and accruals	**31,744**	64,531
Due to related parties	**424,918**	432,309
Lease liabilities	**320,465**	529,704
Interest-bearing bank and other borrowings	**2,740,832**	3,968,773
	4,302,532	6,092,842

41. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

As part of its normal business, the Group entered into trade receivable factoring arrangements (the"Arrangements") and transferred certain trade receivables to financial institutions. Under the Arrangements, the Company may be required to reimburse the bank for loss of interest if any trade debtors have late payment up to 25 to 30 days. The Company is not exposed to default risks of the trade debtors after the transfer. Subsequent to the transfer, the Company did not retain any rights on the use of the trade receivables, including the sale, transfer and pledge of the trade receivables to any other third parties. The carrying amount of the assets that the Group continued to recognise as at 31 December 2020 was RMB58,706,000 (2019: RMB102,089,000) and that of the associated liabilities as at 31 December 2020 was RMB44,470,000 (2019: RMB74,186,000).

42. 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, a debt instrument at amortised cost, 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 31 December 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.

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

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 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	1,158	1,158
Financial assets at fair value through profit or loss	–	102,171	–	102,171
Bills receivable	–	57,370	–	57,370
	–	159,541	1,158	160,699

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total 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

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing loans, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets and liabilities such as trade receivables and trade and bills payables as well as other receivables and payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. Generally, the Group introduces conservative strategies on its risk management. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to both fair value and cash flow interest rate risks. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank borrowings with a floating interest rate.

At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** RMB'000
2020	**100**	**–**
	(100)	**–**
2019	100	(353)
	(100)	353

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk

The Group's businesses are mainly 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 and HKD. The Group has not hedged its foreign exchange rate risk.

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

2020

	Increase/ (decrease) in foreign currency rate %	**Increase/ (decrease) in profit after tax and equity RMB'000**
If RMB weakens against USD	**5**	**1,940**
If RMB strengthens against USD	**(5)**	**(1,940)**
If RMB weakens against EUR	**5**	**2,997**
If RMB strengthens against EUR	**(5)**	**(2,997)**
If RMB weakens against HKD	**5**	**(1)**
If RMB strengthens against HKD	**(5)**	**1**

2019

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit after tax and equity RMB'000
If RMB weakens against USD	5	1,237
If RMB strengthens against USD	(5)	(1,237)
If RMB weakens against EUR	5	2,284
If RMB strengthens against EUR	(5)	(2,284)
If RMB weakens against HKD	5	5
If RMB strengthens against HKD	(5)	(5)

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	2,929,269	2,929,269
Bills receivable	57,370	–	–	–	57,370
Financial assets included in prepayments, other receivables and other assets**					
– Normal	208,252	–	–	–	208,252
Due from the related parties	60,187	–	–	–	60,187
Pledged deposits					
– Not yet past due	1,063,341	–	–	–	1,063,341
Cash and cash equivalents					
– Not yet past due	71,413	–	–	–	71,413
	1,460,563	–	–	2,929,269	4,389,832

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging (Continued)

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	2,541,581	2,541,581
Bills receivable	148,057	–	–	–	148,057
Financial assets included in prepayments, other receivables and other assets**					
– Normal	257,993	–	–	–	257,993
Due from the related parties	76,163	–	–	–	76,163
Pledged deposits					
– Not yet past due	1,485,075	–	–	–	1,485,075
Cash and cash equivalents					
– Not yet past due	666,245	–	–	–	666,245
	2,633,533	–	–	2,541,581	5,175,114

* *For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 26 to the financial statements.*

** *The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".*

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 26 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings and lease liabilities. In addition, banking facilities have been put in place for contingency purposes.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

31 December 2020	**On demand RMB'000**	**Less than 3 months RMB'000**	**3 to 12 months RMB'000**	**More than 12 months RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings	**–**	**803,938**	**1,955,224**	**24,317**	**2,783,479**
Lease liabilities	**9,635**	**34,194**	**101,534**	**212,095**	**357,458**
Trade and bills payables	**–**	**344,770**	**439,803**	**–**	**784,573**
Financial liabilities included in other payables and accruals	**–**	**26,062**	**5,682**	**–**	**31,744**
Due to related parties	**–**	**360,813**	**64,105**	**–**	**424,918**
	9,635	**1,569,777**	**2,566,348**	**236,412**	**4,382,172**

31 December 2019	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	More than 12 months RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	1,679,419	2,422,161	–	4,101,580
Lease liabilities	10,195	62,639	152,634	365,235	590,703
Trade and bills payables	–	644,121	453,404	–	1,097,525
Financial liabilities included in other payables and accruals	–	25,425	39,106	–	64,531
Due to related parties	–	394,286	38,023	–	432,309
	10,195	2,805,890	3,105,328	365,235	6,286,648

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, loans from an associate included in amounts due to related parties, and lease liabilities, less cash and cash equivalents. Capital represents total equity.

During the year, the Group's strategy was to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The gearing ratios at the end of the reporting periods are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Interest-bearing bank and other borrowings	**2,740,832**	3,968,773
Loans from an associate included in amounts due to related parties	**44,470**	74,186
Lease liabilities	**320,465**	529,704
Less: Cash and cash equivalents	**(71,413)**	(666,245)
Net debt	**3,034,354**	3,906,418
Total equity	**4,447,506**	4,176,505
Net debt and total equity	**7,481,860**	8,082,923
Gearing ratio	**41%**	48%

44. 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.

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**29,133**	33,237
Right-of-use assets	**876**	1,897
Intangible assets	**157**	308
Investments in subsidiaries	**1,023,713**	1,023,713
Investments in joint ventures	**60,646**	70,737
Investments in associates	**229,122**	226,872
Equity investments designated at fair value through other comprehensive income	**158**	35,623
Deferred tax assets	**16,478**	8,489
Total non-current assets	**1,360,283**	1,400,876
CURRENT ASSETS		
Inventories	**209,543**	298,093
Trade and bills receivables	**1,352,592**	1,855,610
Prepayments, other receivables and other assets	**136,415**	117,836
Financial assets at fair value through profit or loss	**102,071**	–
Due from subsidiaries	**2,154,980**	1,981,844
Due from the controlling shareholder	**–**	
Due from related parties	**29,996**	60,705
Pledged deposits	**201,222**	481,832
Cash and cash equivalents	**3,135**	76,348
Total current assets	**4,189,954**	4,872,268

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	2020 RMB'000	2019 RMB'000
CURRENT LIABILITIES		
Trade and bills payables	**261,766**	1,091,231
Other payables and accruals	**237,905**	135,289
Interest-bearing bank and other borrowings	**2,163,170**	2,955,700
Lease liabilities	**1,184**	1,673
Due to subsidiaries	**892,457**	323,630
Due to related parties	**406,100**	390,016
Tax payable	**44,427**	38,248
Total current liabilities	**4,007,009**	4,935,787
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,540,936**	1,337,357
NON-CURRENT LIABILITIES		
Lease liabilities	**146**	234
Total non-current liabilities	**146**	234
NET ASSETS	**1,540,790**	1,337,123
EQUITY		
Share capital	**732,460**	666,667
Reserves (note)	**810,049**	670,456
Total equity	**1,542,509**	1,337,123

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Statutory reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Retained profits RMB'000	Total RMB'000
At 31 December 2018 and 1 January 2019	520,974	38,845	(924)	5,738	49,830	614,463
Profit for the year	–	–	–	–	64,933	64,933
Other comprehensive income for the year:						
Change in fair value of debt investments at fair value through other comprehensive	–	–	–	(5,087)	–	(5,087)
Change in fair value of equity investments at fair value through other comprehensive	–	–	–	(4,568)	–	(4,568)
Share of other comprehensive income of a joint venture	–	–	715	–	–	715
Total comprehensive income for the year	–	–	715	(9,655)	64,933	55,993
Transfer from retained profits	–	6,493	–	–	(6,493)	–
At 31 December 2019	520,974	45,338	(209)	(3,917)	108,270	670,456
At 31 December 2019 1 January 2020	520,974	45,338	(209)	(3,917)	108,270	670,456
Profit for the year					50,044	50,044
Change in fair value of equity investments at fair value through other comprehensive	–	–	–	(26,599)	–	(26,599)
Share of other comprehensive income of a joint venture	–	–	(9,085)	–	–	(9,085)
Total comprehensive income for the year	–	–	(9,085)	(26,599)	50,044	14,360
Transfer from retained profits	–	5,004	–	–	(5,004)	–
Issue of shares	125,233	–	–	–	–	125,233
At 31 December 2020	646,207	50,342	(9,294)	(30,516)	153,310	810,049

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2021.