





THE FUTURE  
of new retail





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## COMPANY PROFILE

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

As at 30 June 2021, the Company had over 100 subsidiaries (collectively referred to as the “**Group**” or “**we**”) and opened more than 800 independently operated outlets and franchised outlets in 22 provinces and 4 municipalities over China. Since its establishment, the Company has been focusing on the sale of mobile telecommunication devices and the provision of related services. With its extensive offline sales channels and online sales platform, the Company provides a range of integrated services to consumers, ranging from the sale of mobile phone hardware and accessories, provision of value-added services for software, and provision of personalised services for mobile phones and after-sales services. To better adapt to the development environment of the retail industry under the new market situation at home and abroad, the Group has steadily launched new retail business, diversified merchandise sales business and overseas business through multi-channel operation system and multidimensional service model in recent years, so as to consolidate market competitiveness and brand influence.

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

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Ms. Xu Jili (*Chairwoman*)  
(appointed as a non-executive Director on 30 June 2021 and re-designated as an executive Director on 10 August 2021)  
Ms. Xu Liping (appointed on 30 June 2021)  
Mr. Liu Donghai  
(resigned as chairman on 30 June 2021)  
Mr. Liu Yajun (resigned on 30 June 2021)  
Ms. Liu Wencui (resigned on 21 May 2021)

### Non-executive Directors

Mr. Xie Hui (appointed on 10 September 2021)  
Mr. Jia Zhaojie (appointed on 10 September 2021)  
Ms. Pan Anran (appointed on 10 September 2021)  
Mr. Li Guangning (appointed on 30 June 2021 and resigned on 10 September 2021)  
Ms. Guo Jin (appointed on 30 June 2021 and resigned on 10 September 2021)  
Mr. Gao Dali (appointed on 30 June 2021 and resigned on 10 September 2021)  
Mr. Li Wenzhi (resigned on 30 June 2021)  
Mr. Yao Yanzhong (resigned on 30 June 2021)  
Mr. Lv Jing (resigned on 30 June 2021)

### Independent Non-executive Directors

Mr. Lv Tingjie  
Mr. Lv Pingbo  
Mr. Cai Chun Fai (appointed on 30 June 2021)  
Mr. Zhang Senquan (resigned on 30 June 2021)

## SUPERVISORS

Ms. Yang Hui (*Chairwoman*)  
(appointed on 30 June 2021)  
Mr. Liu Zhenlong (former chairman;  
resigned as chairman on 30 June 2021)  
Mr. Li Wanlin  
Mr. Hu Yuzhong (resigned on 30 June 2021)

## COMPANY SECRETARY

Ms. Ng Sau Mei (appointed on 4 June 2021)  
Ms. Lam Yuk Ling (resigned on 4 June 2021)

## AUTHORISED REPRESENTATIVES

Ms. Xu Liping (appointed on 30 June 2021)  
Ms. Ng Sau Mei (appointed on 4 June 2021)  
Mr. Liu Yajun (resigned on 30 June 2021)  
Ms. Lam Yuk Ling (resigned on 4 June 2021)

## AUDIT COMMITTEE

Mr. Cai Chun Fai (*Chairman*)  
(appointed on 30 June 2021)  
Ms. Pan Anran (appointed on 10 September 2021)  
Mr. Lv Tingjie  
Mr. Gao Dali (appointed on 30 June 2021 and resigned on 10 September 2021)  
Mr. Zhang Senquan (former chairman; resigned on 30 June 2021)  
Mr. Lv Pingbo (resigned on 30 June 2021)

## NOMINATION COMMITTEE

Ms. Xu Jili (*Chairwoman*)  
(appointed on 30 June 2021)  
Mr. Lv Pingbo  
Mr. Cai Chun Fai (appointed on 30 June 2021)  
Mr. Lv Tingjie (former chairman; resigned on 30 June 2021)  
Mr. Yao Yanzhong (resigned on 30 June 2021)

## REMUNERATION AND ASSESSMENT COMMITTEE

Mr. Cai Chun Fai (*Chairman*)  
(appointed on 30 June 2021)  
Ms. Xu Liping (appointed on 30 June 2021)  
Mr. Lv Pingbo (former chairman; resigned as chairman on 30 June 2021)  
Mr. Lv Jing (resigned on 30 June 2021)  
Mr. Zhang Senquan (resigned on 30 June 2021)

## STRATEGY COMMITTEE

Ms. Xu Jili (*Chairwoman*)  
(appointed on 30 June 2021)  
Ms. Xu Liping (appointed on 30 June 2021)  
Mr. Liu Donghai (former chairman;  
resigned on 30 June 2021)  
Mr. Xie Hui (appointed on 10 September 2021)  
Mr. Jia Zhaojie (appointed on 10 September 2021)  
Mr. Li Guangning (appointed on 30 June 2021 and resigned on 10 September 2021)  
Ms. Guo Jin (appointed on 30 June 2021 and resigned on 10 September 2021)  
Mr. Liu Yajun (resigned on 30 June 2021)  
Mr. Li Wenzhi (resigned on 30 June 2021)  
Mr. Yao Yanzhong (resigned on 30 June 2021)  
Mr. Lv Tingjie (resigned on 30 June 2021)

## CORPORATE INFORMATION *(Continued)*

### 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:  
Bird & Bird  
6/F, The Annex, Central Plaza  
18 Harbour Road, Wanchai  
Hong Kong

As to PRC law:  
Zhong Lun Law Firm  
23-31/F, South Tower of CP Center  
20 Jinhe 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](http://www.dixintong.com)

### PRINCIPAL BANKERS

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

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

Nanyang Commercial Bank (China) Limited  
(Beijing Branch)  
Unit A, B, C&D and 2/F, Block B, Jiacheng Plaza  
No. 18, Xiaguangli, East 3rd Ring Road North Road  
Chaoyang District  
Beijing  
PRC

China Minsheng Banking Corp., Ltd.  
(Jingguang Sub-branch, Beijing)  
Ground Floor HS01, Lanbao International  
House No. 3, Xidawang Road  
Chaoyang District  
Beijing  
PRC

Bank of Tangshan (Fengnan Sub-branch)  
No. 126, Fumin Street, Fengnan Town,  
Fengnan District  
Tangshan  
Hubei  
PRC

## FINANCIAL HIGHLIGHTS

Items	For the six months ended 30 June	
	2021 RMB'000	2020 RMB'000
<b>Consolidated Statement of Profit or Loss</b>		
Revenue	5,728,172	6,125,193
Gross profit	347,515	645,785
(Loss)/Profit for the period	(3,437,386)	64,797
Attributable to:		
Owners of the parent	(3,443,514)	63,466
Non-controlling interests	6,128	1,331
(Loss)/Earnings per share attributable to ordinary equity holders of the parent		
– Basic and diluted (RMB/share)	(4.72)	0.09
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>	<b>(3,679)</b>	<b>(14,421)</b>
<b>TOTAL OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>	<b>(3,441,065)</b>	<b>50,376</b>
Attributable to:		
Owners of the parent	(3,447,231)	49,090
Non-controlling interests	6,166	1,286

## FINANCIAL HIGHLIGHTS (Continued)

	30 June 2021 RMB'000	31 December 2020 RMB'000
<b>Consolidated Balance Sheet</b>		
Non-current assets	681,242	833,442
Current assets	6,832,469	8,511,574
<b>Total assets</b>	<b>7,513,711</b>	<b>9,345,016</b>
Current liabilities	6,380,809	4,689,071
<b>Total assets less current liabilities</b>	<b>1,132,902</b>	<b>4,655,945</b>
Non-current liabilities	236,461	208,439
<b>Net assets</b>	<b>896,441</b>	<b>4,447,506</b>
Share capital	732,460	732,460
Reserves	113,794	3,552,600
<b>Equity attributable to owners of the parent</b>	<b>846,254</b>	<b>4,285,060</b>
Non-controlling interests	50,187	162,446
	<b>896,441</b>	<b>4,447,506</b>
	<b>732,460</b>	<b>732,460</b>
	<b>113,794</b>	<b>3,552,600</b>
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# MANAGEMENT DISCUSSION & ANALYSIS

## I. BUSINESS REVIEW

For the six months ended 30 June 2021, the Group sold 1,896,260 mobile handsets, representing a decrease of 1,878,720 sets or 49.77% from 3,774,980 sets for the same period in 2020. Operating revenue for the first half of 2021 amounted to RMB5,728,171,950, representing a decrease of RMB397,020,740 or 6.48% from RMB6,125,192,690 for the same period in 2020. For the first half of 2021, net loss attributable to owners of the parent of the Company for the period amounted to RMB3,443,513,730, as compared to net profit attributable to owners of the parent of the Company amounted to RMB63,465,900 for the same period in 2020.

## II. FINANCIAL POSITION AND OPERATING RESULTS

### (I) Overview

For the six months ended 30 June 2021, the Group recognised net loss of RMB3,437,385,840, as compared to net profit amounted to RMB64,797,010 for the same period in 2020, among which, net loss attributable to owners of the parent of the Company for the period amounted to RMB3,443,513,730, as compared to net profit attributable to owners of the parent of the Company amounted to RMB63,465,900 for the same period in 2020.

#### 1. Operating revenue

For the six months ended 30 June 2021, operating revenue of the Group amounted to RMB5,728,171,950, representing a decrease of RMB397,020,740 or 6.48% from the operating revenue of RMB6,125,192,690 for the same period in 2020. Revenue decreased mainly because there was a decrease in retail revenue resulted from the decrease in the number of our independent stores and store in store outlets. Our sales of mobile telecommunications devices and accessories include (i) sales in our retail business; (ii) sales in our franchise business; and (iii) sales in our wholesale business. Revenue from our retail business includes revenue from sales of mobile telecommunications devices and accessories in our independent stores and store-in-store outlets, stores in cooperation with the mobile carriers, and online sales platforms. Revenue from our franchise business includes revenue from sales of mobile telecommunications devices and accessories to our franchisees. Revenue from our wholesale business includes revenue from sales of mobile telecommunications devices and accessories we distribute to mobile carriers and other third-party retailers.

The Group's revenue from sales of mobile communications equipment and accessories for the six months ended 30 June 2021 was RMB5,517,695,950, representing a decrease of RMB489,792,740, or 8.15%, as compared with the revenue from sales of mobile communications equipment and accessories of RMB6,007,488,690 for the corresponding period in 2020.

The Group's service income from mobile carriers amounted to RMB108,603,330 for the six months ended 30 June 2021, representing an increase of RMB50,144,710 or 85.78% compared with the service income from mobile carriers of RMB58,458,620 for the same period in 2020.



2. *Operating costs*

For the six months ended 30 June 2021, the Group's operating costs amounted to RMB5,380,656,840, representing a decrease of RMB98,750,900 or 1.80% from the operating costs of RMB5,479,407,740 for the same period in 2020, which was mainly due to the decrease in operating revenue.

3. *Gross profit and gross profit margin*

The Group's gross profit for the six months ended 30 June 2021 amounted to RMB347,515,110, representing a decrease of RMB298,269,840 or 46.19% from the gross profit of RMB645,784,950 for the same period in 2020. Our overall gross profit margins for the six months ended 30 June 2021 and 2020 were 6.07% and 10.54%, respectively. The lower overall gross profit margin was due to the higher proportion of wholesale revenue and lower proportion of retail revenue in the principal businesses' revenue in 2021 and gross profit margin in service income from mobile operators and others dropped from 85.4% and 94.8% in 2020 to 40.3% and 51.5% in 2021, respectively.

4. *Other income and gains*

Other income and gains include: (i) interest income; (ii) government grants; and (iii) others. The Group's other income and gains for the six months ended 30 June 2021 amounted to RMB123,565,750, representing an increase of RMB89,161,660 or 259.16% from other income and gains of RMB34,404,090 for the same period in 2020. The increase of other income and gains was mainly due to a rise in others for the first half of 2021.

5. *Selling and distribution expenses*

Total selling and distribution expenses of the Group for the six months ended 30 June 2021 amounted to RMB251,028,070, representing a decrease of RMB70,019,730 or 21.81% from the total selling and distribution expenses of RMB321,047,800 for the same period in 2020, which was mainly due to combined effect of the decrease in rentals and property management expenses and advertising and promotion expenses as well as the decrease in staff number and total amount of staff salaries.

Total rentals and property management expenses for the six months ended 30 June 2021 amounted to RMB77,467,430, representing a decrease of RMB35,593,190 or 31.48% from the total rentals and property management expenses of RMB113,060,620 for the same period in 2020. Such decrease was mainly due to the decrease in the number of self-owned stores and store-in-store outlets, and the effort of the Company in actively seeking rental reduction from the landlords under the impact of the pandemic.

Total staff salaries for the six months ended 30 June 2021 amounted to RMB110,407,260, representing a decrease of RMB28,398,190 or 20.46% from the total staff salaries of RMB138,805,450 for the same period in 2020. Such decrease was mainly due to the streamlining of the staffing structure of the Group during the current period for saving expenses as well as the decrease in the number of stores and salespersons under the impact of the pandemic.

### 6. *Administrative expenses*

The Group's total administrative expenses for the six months ended 30 June 2021 amounted to RMB846,544,030, representing an increase of RMB726,279,590 or 603.90% from the total administrative expenses of RMB120,264,440 for the same period in 2020. Such increase in administrative expenses was primarily due to increase in agency fees, information service fees and other expenses.

Agency fees for the six months ended 30 June 2021 amounted to RMB26,244,760, representing an increase of RMB17,900,820 or 214.54% from the total agency fees of RMB8,343,940 for the same period in 2020. Such increase derived from consulting fees of RMB22,316,580.

Information service fees for the six months ended 30 June 2021 amounted to RMB119,033,700, which was the expenditures from the upgrade and update of the Group's systems during the period.

Other expenses for the six months ended 30 June 2021 amounted to RMB597,289,410, representing an increase of RMB588,739,880 or 6,886.23% from RMB8,549,530 for the same period in 2020. Such increase was mainly due to loss incurred from closing stores.

### 7. *Finance costs*

The Group's total finance costs for the six months ended 30 June 2021 amounted to RMB139,624,570, representing a increase of RMB44,651,950 or 47.02% from the total finance costs of RMB94,972,620 for the same period in 2020. Such increase in finance costs was due to the increase in liquidity occupation costs.

### 8. *Other expenses*

Our other expenses mainly include impairment and write-down of inventories, impairment of goodwill, impairment of fixed assets and impairment of intangible assets. For the six months ended 30 June 2020 and 2021, our other expenses amounted to RMB32,945,840 and RMB2,065,994,000, respectively. The year-on-year increase of RMB2,033,048,160 was primarily due to the business suspension of many stores and stores closed due to the COVID-19 pandemic, unrecoverable receivables from downstream customers due to the downturn condition of the overall retail and consumer industry, and inventory losses due to product iteration and consumption decline. , resulting in impairment and write-down of inventories of RMB1,967,382,000, impairment of goodwill of RMB50,521,000, impairment of fixed assets of RMB4,974,000 and impairment of intangible assets of RMB1,816,000 in 2021.

### 9. *Income tax credit/(expense)*

For the six months ended 30 June 2021, the Group's total income tax credit amounted to RMB313,158,430, representing a decrease of RMB329,569,200 or 2,008.25% as compared with income tax expense of RMB16,410,770 for the same period in 2020. Such decrease was primarily due to the tax credit in respect of losses in current period.

## MANAGEMENT DISCUSSION & ANALYSIS (Continued)

### 10. Indebtedness – bank and other borrowings

As of 30 June 2021, our bank borrowings were primarily bank loans and other borrowings which were short term and long term in nature. The following table sets forth our outstanding borrowings as at the dates indicated:

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
<b>Current</b>		
Bank loans:		
Unsecured, repayable within one year	1,179,657.82	833,773.42
Secured, repayable within one year	696,195.98	1,726,135.15
Other loans:		
Unsecured, repayable within one year	90,885.37	66,105.57
Secured, repayable within one year	9,000.00	93,320.00
<b>Long term</b>		
Unsecured, repayable after one year	22,460.68	21,498.03
Total	1,998,199.85	2,740,832.17

As of 30 June 2021, we entered into various loan agreements with banks to finance our business operations and expansion. These bank loans were repayable within one year or on demand. These bank loans were bank loans which carried interest at the benchmark rate of the People's Bank of China plus a premium. We mainly used these bank loans to purchase mobile telecommunications devices and accessories.

As of 30 June 2021, our bank and other borrowings amounted to RMB1,998,199,850, representing a decrease of RMB742,632,320 or 27.10% from RMB2,740,832,170 as of 31 December 2020.

The Directors confirmed that as at 30 June 2021 and as at the date of this interim report, we did not have any material default in payment of trade and non-trade payables and bank borrowings, nor did we breach any financial covenants. Save as disclosed herein, the agreements under our bank borrowings do not contain any covenant that will have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. We did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 30 June 2021.

(II) Current assets and financial position

As at 30 June 2021, the Group had cash and cash equivalents in an amount of RMB128,469,260, representing an increase of RMB57,056,590 or 79.90% as compared to RMB71,412,670 as of 31 December 2020.

As at 30 June 2021, the Group had bank and other borrowings in an amount of RMB1,975,739,170, representing a decrease of RMB743,594,970 or 27.34% as compared to RMB2,719,334,140 as of 31 December 2020.

(III) Capital expenditure

For the six months ended 30 June 2021, the Group's capital expenditure amounted to RMB12,154,120, which was incurred mainly in relation to purchase and construction of fixed assets and decoration costs in connection with the opening of new outlets and the renovation of old ones.

(IV) Key financial ratio

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

Items	As at 30 June 2021	As at 31 December 2020	Change	Percentage of change
Current ratio	<b>1.07</b>	1.82	(0.75)	(41.21%)
Gearing ratio	<b>67.59%</b>	37.51%	30.08%	80.21%
Net debt-to-equity ratio	<b>208.57%</b>	60.02%	148.55%	247.50%

Current ratio is our current assets divided by our current liabilities at the end of each financial period. Our current ratio as at 30 June 2021 was 1.07, down 0.75 or 41.21% as compared to the current ratio of 1.82 as at 31 December 2020. The decrease was primarily due to an increase in current liabilities.

The gearing ratio is calculated by dividing net debt by net debt plus total equity at the end of each financial period and multiplying by 100%. Net debt includes interest-bearing bank and other borrowings less cash and cash equivalents. As at 30 June 2021, our gearing ratio was 67.59%, an increase of 30.08 percentage points, or 80.21%, compared to a gearing ratio of 37.51% as at 31 December 2020. The increase was mainly due to an increase in current liabilities and a decrease in assets.

Net debt-to-equity ratio equals net debt divided by total equity at the end of the financial period and multiplied by 100%. Our net debt-to-equity ratio jumped by 148.55 percentage points or 247.50% from 60.02% as at 31 December 2020 to 208.57% as at 30 June 2021. Such increase was mainly due to the decrease in total equity.

(V) Material acquisitions and disposals

The Company and Henan Digital Trading Company Limited (“**Henan Digital**”) (a company held as 60% and 40% by the Company and Mr. Tang Cheng) entered into the Equity Transfer Agreement on 9 April 2021, pursuant to which, the Company agreed to dispose of, and Henan Digital agreed to purchase, 100% of equity interest in BEIJING DIGITAL (SPAIN), S.L. (“**Beijing Digital (Spain)**”), a wholly-owned subsidiary of the Company, at a consideration of RMB89 million. Immediately after the completion of the Equity Transfer Agreement, the Company will not directly hold any equity interest in Beijing Digital (Spain), but will indirectly hold 100% of equity interest in Beijing Digital (Spain) through Henan Digital, and therefore Beijing Digital (Spain) will remain as a subsidiary of the Company. For details, please refer to the announcement of the Company dated 9 April 2021.

(VI) Contingent liabilities

As at 30 June 2021, the Group had no material contingent liabilities.

(VII) Use of proceeds

In January 2020, we had completed the directed non-public offering of 65,793,400 H shares in Hong Kong at an offer price of HK\$3.25 per share, raising proceeds with an aggregate amount of HK\$213,828,550 which had been placed in a special account.

The following table sets forth details of the proceeds in the special account as at 30 June 2021:

Accountholder	Banker	Account number	Amount HK\$'000
Beijing Digital Telecom Co., Ltd.	Standard Chartered Bank (Hong Kong) Limited	44717867377	22.53

As of 30 June 2021, the proceeds of HK\$213,828,550 has been fully utilised, and the balance of the proceeds in the special account amounted to HK\$22,530.

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, utilisation, management of fund application and supervision of use.

## MANAGEMENT DISCUSSION & ANALYSIS (Continued)

In accordance with the disclosure set out in the announcement of the Company dated 26 July 2019, the Proceeds from the Directed Non-public Offering, after deducting issuance expenses payable by the Company, will be used for goods procurement and daily operations. The following table sets forth details of the use of the proceeds from the directed non-public offering as at 30 June 2021:

Item	Amount paid RMB'000	Account balances RMB'000
Issuance expenses	2,368.57	–
Goods procurement and daily operations	211,459.98	–
	<b>213,828.55</b>	<b>22.53</b>

### (VIII) Foreign exchange rate risks

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

### (IX) Pledge of assets

As of 30 June 2021, the Group had no other pledge of assets except for the pledged deposits amounting to RMB736,694,780, financial assets held for trading amounting to RMB101,639,310 and pledged trade receivables amounting to RMB315,786,420.

### (X) Material investments

For the six months ended 30 June 2021, the Group had no other material investment.

### (XI) Equity arrangements

For the six months ended 30 June 2021, no equity subscription was conducted by the Group. As of the date of this interim report, no equity scheme was made by the Group.

### (XII) Capital

No material change occurred in the capital structure of the Company during the six months ended 30 June 2021.

(XIII) Material events after the period

- (A) The outbreak of COVID-19 pandemic has a significant negative impact on the Group's businesses. During the Reporting Period, many of the Group's retail stores did not open round the clock or open intermittently, resulting in the complete closure of retail stores due to the continuing pandemic. After the interim balance sheet date, the trend of retail store closures continued amid the ongoing pandemic. Due to the subsequent outbreaks of COVID-19 pandemic, expectations that the pandemic could be brought under control in the near future have become pessimistic.

When retail stores are closed, the Group has to write off fixed assets such as leasehold improvements, furniture and fixtures, as well as pledged rents and other non-refundable deposits. In addition, the Group also made provisions for damages and losses of physical inventories, and accounts receivables and consignment inventories from retailers who resold the mobile devices and parts of retail stores where recoverability became difficult and/or doubtful.

For retail stores that were open intermittently as of 30 June 2021 and or those that were temporarily suspended to seek business resumption after the pandemic was over or under control, it is difficult for the management to estimate whether these retail stores will be closed due to the ongoing pandemic and repeated outbreaks as of the balance sheet date. Management used its best estimate based on data available at that time.

The Company found RMB2,353,559,400 of receivables with poor recoverability in the process of asset liquidation, and the original shareholders voluntarily provided performance security to ensure the recoverability of the above receivables.

- (B) Reference is made to the announcements of the Company dated 22 June 2021, 19 August 2021, 30 September 2021 and 23 November 2021 in relation to, among others, the delay in publication of the interim results and interim report for the six months ended 30 June 2021 and waiver from strict compliance with Rule 8.08(1)(a) of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") for the period from 3 June 2021 to 3 October 2021 for the Company to restore its minimum public float. On 22 November 2021, the Company received a letter (the "**Letter**") from The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") setting out the following guidance for the resumption of trading in the shares of the Company to (i) restore the minimum public float required under Rule 8.08(1)(a) of the Listing Rules; (ii) publish all outstanding financial results required under the Listing Rules and address any audit modifications; (iii) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules; and (iv) inform the market of all material information for the Company's shareholders and other investors to appraise the Company's position.

The Stock Exchange further provided the following guidance in the Letter: Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period will expire on 3 December 2022. If the Company fails to remedy the issues causing its trading suspension, fulfil the resumption guidance and fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in the Shares by 3 December 2022, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company's listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

The Company is now taking appropriate steps to resolve the issues causing its trading suspension and to comply with the Listing Rules to the Stock Exchange's satisfaction. The Company will seek to resume trading of its shares as soon as possible. The Company will announce quarterly updates on its developments under Rule 13.24A and publish further announcements to inform the shareholders of material updates as and when appropriate.

- (C) Reference is made to the announcements of the Company dated 22 June 2021, 23 November 2021 and 31 January 2022. The Company was not able to satisfy the minimum public float requirement as set out under Rule 8.08(1)(a) of the Listing Rules immediately after the close of the Offers on 3 June 2021 following the acceptance of the Offers in respect of 59,468,842 domestic shares 327,057,912 H Shares. Following the closing of the Offers, Zhuhai Huafa Industrial Investment Holding Co., Ltd., Hong Kong Huafa Investment Holdings Limited and parties acting in concert with them held, controlled or directed 327,057,912 H shares and 337,700,000 domestic Shares, representing approximately 82.85% and 100% of the issued H shares and domestic shares of the Company respectively and representing in aggregate approximately 90.76% of the issued shares of the Company immediately after the close of the Offers. A temporary waiver was granted by the Stock Exchange on 21 June 2021 for a waiver period from 3 June 2021 to 3 October 2021, as extended by a temporary waiver granted by the Stock Exchange on 18 November 2021 for a waiver period from 3 October 2021 to 4 February 2022 from strict compliance with Rule 8.08(1)(a) of the Listing Rules. An application for grant of extension of waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules has been submitted to the Stock Exchange on 31 January 2022 after the expiry of the temporary waiver period. In view of the recent volatile and adverse capital market conditions resulting in the investor sentiment being generally gloomy, it is expected that additional time is required to effect appropriate measures to restore sufficient public float in the shares of the Company.

#### (XIV) Employees and remuneration policy

As at 30 June 2021, the Group had a total of 3,785 employees. Salary costs and employees' benefit expenses were approximately RMB171,527,640 for the six months ended 30 June 2021. Remunerations for the Company's existing employees include salaries, performance-based bonus, social insurance and housing provident fund. The Company has also arranged various trainings for employees, including professional qualification training, product and business information training, and management skills training, which are conducted mainly through online learning, seminars and conferences and skill-specific training programmes.



### III. BUSINESS OUTLOOK FOR THE SECOND HALF OF 2021

In the first half of 2021, shortages in the global mobile handset supply chain and the USA's continuous suppression on China's top mobile handset brands directly led to the weaker-than-expected performance in the Chinese mobile handset industry, which has affected Digital Telecom. As the supply chain shortages are easing and the economy is picking up, we will improve our performance in 2021 from the following aspects to seize market opportunities:

- (I) To bind ourselves to carriers and continuously obtain massive resources from carriers in the 5G era from the aspects of new retail store operation, diversified product expansion, and establishment and operation of the old customer marketing system, etc.

First of all, we will cooperate with the three major carriers on the agent operation of core stores among their tens of thousands of self-operated stores and provide them with a full range of new retail solutions from design, assembly, staff training, marketing guidance and so forth, aiming to increase the number of our outlets with an asset-light model after the pandemic;

Secondly, seizing the opportunity for carriers to adjust their customer-centric business philosophy, Digital Telecom will use the Molink system created with Tencent and combine the experience and achievements in serving Guangdong Mobile in the early stage to promote new customer acquisition and old customer marketing systems and operation services to carriers in other provinces, making this soft power another source of revenue for Digital Telecom.

- (II) To actively respond to changes in brand pattern, fix on strategic cooperation with potential brands ahead of time, and step up presence in the retail sector as a response to manufacturers' strategies and reap the benefits of development; enhance cooperation with individual brands to optimise cooperation pattern with brands

Digital Telecom made its presence ahead of time starting from 2020, which has laid a good foundation for its cooperation with this year's fastest-growing strategic brand. Good results have been achieved in both the accumulation of brand potential energy and the conversion of sales volume. In the next step, Digital Telecom needs to adjust and restore the brand structure that differs from the market amid the pandemic, increase the proportion of high-priced brands and products, and make up for the shortcomings of weak brands in the supply chain and operation, with a view to reshape a balanced brand structure.

- (III) To strengthen the omni-channel fulfillment capability, build around 1,000 front warehouses serving e-tailers and establish standardised fulfillment system, and create an omni-channel order and inventory sharing platform

Based on its Moji system, Digital Telecom will constantly strengthen the existing partnerships with a close-distance e-tailer (JD.com), micro-distance e-tailers (Ele.me & Meituan) and livestreaming e-tailers (Tiktok & Kuaishou). On the premise that it has become the 3C strategic partner of these platforms, Digital Telecom will look for opportunities to provide integrated services from warehousing to operation for other participants on these platforms.

- (IV) To conduct in-depth analysis of the industry landscape and seek suitable business opportunities in the upstream supply chain and expand the size of businesses related to governments and enterprises based on the changes in the resource endowment conditions of the core industry players

During the pandemic, the participants in the upstream supply chain of the digital communications industry were facing greater pressure on capital and logistics. At the same time, changes in carriers' distribution and retail strategies have also brought new challenges to the upstream supply chain. There was a mismatch in demand between the two parties. As an industry participant with both supply chain and financial resources, Digital Telecom can wait for opportunities and provide funds, products and services for players in the upstream supply chain and carriers in the downstream part, and scale up the distribution business.

- (V) To bind itself to Xiaomi to enter the blank markets in Eastern Europe and actively promote omni-channel cooperation in Southeast Asia

Western Europe is still recovering from the pandemic, despite repeated outbreaks, while the situations in Eastern Europe are relatively calm. Digital Telecom will bind itself to Xiaomi to enter the blank markets, Bulgaria and Romania, in Eastern Europe, in a bid to look for new development opportunities in Europe. In Southeast Asia, Digital Telecom will strengthen its cooperation with JD.com, local e-tailer Lazada, etc. On the one hand, it will inherit their omni-channel traffic and exclusively operate their offline traffic; on the other hand, it will leverage its retail advantages and undertake the operation of flagship stores of fashion brands.

## OTHER INFORMATION

### INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2021.

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

As at 30 June 2021, 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 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 Listing Rules were as follows:

Name of Director	Type of Shares	Nature of Interests	Number of shares/ underlying shares held (long position/ short position/ lending pool)	Percentage of the relevant class of share capital (%) (Note 1)	Percentage of the total share capital (%) (Note 1)
Liu Donghai (Note 2)	Domestic shares	Interest of controlled corporation	168,362,098 (long position)	49.86	22.99
		Concert party	169,337,902 (long position)	50.14	23.12

Notes:

- The percentage is calculated with the number of the relevant class of shares of the Company issued as at date of this interim report divided by the total number of shares of the relevant class or the total number of shares of all classes (as the case maybe) in issue.
- Digital Science & Technology Group Limited (“**Digital Science & Technology**”) directly holds 168,362,098 domestic shares of the Company, and Liu Donghai, Liu Hua, Liu Wencui, Liu Yongmei and Liu Wenli jointly hold equity interests in Digital Science & Technology. Accordingly, pursuant to the SFO, Liu Donghai, Liu Hua, Liu Wencui, Liu Yongmei and Liu Wenli are deemed to be interested in 168,362,098 domestic shares of the Company held by Digital Science & Technology. In addition, Beijing Di Er Tong Consulting Company Limited (“**Di Er Tong**”) and Digital Science & Technology, together with Liu Donghai, Liu Hua, Liu Songshan, Liu Wencui, Liu Yongmei and Liu Wenli (the “**Liu Family**”), entered into an acting-in-concert agreement with Zhuhai Huafa Industrial Investment Holding Co., Ltd. (“**Huafa Industrial Investment Holding**”) on 29 January 2021. Accordingly, pursuant to the SFO, Liu Donghai, Liu Hua, Liu Wencui, Liu Yongmei, and Liu Wenli are deemed to be interested in 169,337,902 domestic shares of the Company held by Huafa Industrial Investment Holding and Liu Songshan and Di Er Tong are deemed to be interested in 337,700,000 domestic shares of the Company held by Huafa Industrial Investment Holding.

Save as disclosed above, as at 30 June 2021, 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.

## OTHER INFORMATION *(Continued)*

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2021, 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 (%) <i>(Note 1)</i>	Percentage of the total share capital (%) <i>(Note 1)</i>
Liu Yongmei <i>(Note 2)</i>	Domestic shares	Interest of controlled corporation	168,362,098 (long position)	49.86	22.99
		Concert party	169,337,902 (long position)	50.14	23.12
Liu Hua <i>(Note 2)</i>	Domestic shares	Interest of controlled corporation	168,362,098 (long position)	49.86	22.99
		Concert party	169,337,902 (long position)	50.14	23.12
Liu Wenli <i>(Note 2)</i>	Domestic shares	Interest of controlled corporation	168,362,098 (long position)	49.86	22.99
		Concert party	169,337,902 (long position)	50.14	23.12
Liu Wencui <i>(Note 2)</i>	Domestic shares	Interest of controlled corporation	168,362,098 (long position)	49.86	22.99
		Concert party	169,337,902 (long position)	50.14	23.12
Liu Songshan <i>(Note 2)</i>	Domestic shares	Concert party	337,700,000 (long position)	100.00	46.10
Di Er Tong <i>(Note 2)</i>	Domestic shares	Concert party	337,700,000 (long position)	100.00	46.10
Digital Science & Technology <i>(Note 2)</i>	Domestic shares	Beneficial owner	168,362,098 (long position)	49.86	22.99
		Concert party	169,337,902 (long position)	50.14	23.12
Huafa Industrial Investment Holding <i>(Note 3)</i>	Domestic shares	Beneficial owner	169,337,902 (long position)	50.14	23.12
		Concert party	168,362,098 (long position)	49.86	22.99

## OTHER INFORMATION (Continued)

Name of Shareholder	Type of Shares	Nature of Interests	Number of shares/ underlying shares held (long position/ short position/ lending pool)	Percentage of the relevant class of share capital (%) (Note 1)	Percentage of the total share capital (%) (Note 1)
Zhuhai Huafa Group Co., Ltd. (Note 3)	Domestic shares	Interest of controlled corporation	337,700,000 (long position)	100.00	46.10
	H shares	Interest of controlled corporation	327,057,912 (long position)	82.85	44.65
Hong Kong Huafa Investment Holdings Limited (Note 3)	H shares	Beneficial owner	327,057,912 (long position)	82.85	44.65
Dawn Galaxy International Limited (Note 4)	H shares	Beneficial owner	42,000,000 (long position)	10.64	5.73

### Notes:

- The percentage is calculated with the number of the relevant class of shares of the Company issued as at date of this interim report divided by the total number of shares of the relevant class or the total number of shares of all classes (as the case maybe) in issue.
- Digital Science & Technology directly holds 168,362,098 domestic shares of the Company, and Liu Donghai, Liu Hua, Liu Wencui, Liu Yongmei and Liu Wenli jointly hold equity interests in Digital Science & Technology. Accordingly, pursuant to the SFO, Liu Donghai, Liu Hua, Liu Wencui, Liu Yongmei and Liu Wenli are deemed to be interested in 168,362,098 domestic shares of the Company held by Digital Science & Technology. In addition, Di Er Tong and Digital Science & Technology, together with the Liu Family, entered into an acting-in-concert agreement with Huafa Industrial Investment Holding on 29 January 2021. Accordingly, pursuant to the SFO, Liu Donghai, Liu Hua, Liu Wencui, Liu Yongmei, and Liu Wenli are deemed to be interested in 169,337,902 domestic shares of the Company held by Huafa Industrial Investment Holding, and Liu Songshan and Di Er Tong are deemed to be interested in 337,700,000 domestic shares of the Company held by Huafa Industrial Investment Holding.
- Huafa Industrial Investment Holding directly holds 169,337,902 domestic shares of the Company. In addition, Huafa Industrial Investment Holding entered into an acting-in-concert agreement with Di Er Tong, Digital Science & Technology and the Liu Family on 29 January 2021. Accordingly, pursuant to the SFO, Huafa Industrial Investment Holding is deemed to be interested in 168,362,098 domestic shares of the Company held by Di Er Tong, Digital Science & Technology and the Liu Family. Zhuhai Huafa Group Co., Ltd. directly holds 100% equity interest in Huafa Industrial Investment Holding. Accordingly, pursuant to the SFO, Zhuhai Huafa Group Co., Ltd. is deemed to be interested in 337,700,000 domestic shares of the Company held by Huafa Industrial Investment Holding.  
  
Hong Kong Huafa Investment Holdings Limited directly holds a total of 327,057,912 H shares of the Company, and Zhuhai Huafa Group Co., Ltd. directly holds 100% equity interest in Hong Kong Huafa Investment Holdings Limited. Accordingly, pursuant to the SFO, Zhuhai Huafa Group Co., Ltd. is deemed to be interested in 327,057,912 H shares of the Company held by Hong Kong Huafa Investment Holdings Limited.
- To the best knowledge of the Directors after due enquiry, Dawn Galaxy International Limited has ceased to be a substantial shareholder of the Company after the closing of mandatory conditional offer of H Shares on 3 June 2021 as it had submitted valid acceptance for the offer. However, as no notification for cessation of notifiable interest was disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO after the relevant event, based on the Company's register recorded pursuant to Section 336 of the SFO, Dawn Galaxy International Limited was still recorded as a substantial shareholder of the Company as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, 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.

## OTHER INFORMATION (Continued)

### PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

On 18 December 2019, Di Er Tong 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, 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, to replace the pledge of shares of Di Er Tong as a guarantee for the delivery credit facility of approximately RMB380,000,000 provided by Jingdixin to the Company.

The pledged shares are part of the domestic shares which are subject to the entrustment arrangement in accordance with the acting-in-concert agreement dated 29 January 2021 where Digital Science & Technology has entrusted all domestic shares held by it to Huafa Industrial Investment Holding, a controlling shareholder of the Company, such that Digital Science & Technology and the Liu Family shall take concerted action with and shall act in accordance with the will of Huafa Industrial Investment Holding.

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

Save as disclosed in this report, during the six months ended 30 June 2021, neither the Company nor any of its subsidiaries is 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, and none of the Directors or the Supervisors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or had exercised any such right.

### CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. During the six months ended 30 June 2021, save as disclosed in this report, the Company complied with all applicable code provisions as set out in the CG Code and adopted most of the recommended best practices.

Under code provision C.2.1 (previous 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. From 1 January 2021 to 29 June 2021, given the background, qualifications and experience of Mr. Liu Donghai (“**Mr. Liu**”) in the Company, he was considered the most suitable person to take both roles under the circumstances at that time. The Board was of the view that it was appropriate and in the best interests of the Company that Mr. Liu held both positions at that time, as it helped to maintain the continuity of the policies and the stability and efficiency of the operations of the Company. Mr. Liu resigned as the chairman on 30 June 2021, and stayed on as the chief executive officer of the Company. On the same day, Ms. Xu Jili (“**Ms. Xu**”) was appointed as chairwoman of the Board. Accordingly, from 30 June 2021 to 9 August 2021, the Company met the relevant requirement of the CG Code. On 10 August 2021, Ms. Xu succeeded Mr. Liu as chief executive officer of the Company. The Board is of the view that it is appropriate and in the best interests of the Company that Ms. Xu 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 to review the operations of the Company led by Ms. Xu. Accordingly, the Board believes that such arrangement will not affect the balance of power and authorisation between the Board and management of the Company. The Company will continue reviewing and enhancing its corporate governance codes to ensure compliance with the CG Code.



## OTHER INFORMATION *(Continued)*

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' and Supervisors' securities transactions. Specific enquiries have been made to all Directors and Supervisors, and each of the Directors and Supervisors has confirmed that he/she has complied with the standard requirements set out in the Model Code during the six months ended 30 June 2021.

During the six months ended 30 June 2021, the Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standards set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

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

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

### AUDIT COMMITTEE

The Board has established an Audit Committee (the "Audit Committee") currently consisting of two independent non-executive Directors, namely Mr. Cai Chun Fai (chairman) and Mr. Lv Tingjie and one non-executive Director, namely Ms. Pan Anran.

The Audit Committee, together with the management of the Company and the external auditor, has reviewed the Group's unaudited condensed consolidated interim results for the six months ended 30 June 2021.

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

Save as disclosed in this interim report, there is no other information of the Directors or Supervisors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

# INDEPENDENT REVIEW REPORT

**To the board of directors of  
Beijing Digital Telecom Co., Ltd.**

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

## INTRODUCTION

We have reviewed the interim financial information set out on pages 24 to 50, which comprises the condensed consolidated statement of financial position of Beijing Digital Telecom Co., Ltd. (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2021 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

31 March 2022



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

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 Unaudited RMB'000	2020 Unaudited RMB'000
<b>REVENUE</b>	5	<b>5,728,172</b>	6,125,193
Cost of sales		<b>(5,380,657)</b>	(5,479,408)
Gross profit		<b>347,515</b>	645,785
Other income and gains	5	<b>123,566</b>	34,404
Selling and distribution expenses		<b>(251,028)</b>	(321,048)
Administrative expenses		<b>(846,544)</b>	(120,264)
Impairment losses on financial assets		<b>(931,182)</b>	(16,614)
Other expenses		<b>(2,065,994)</b>	(32,946)
Finance costs		<b>(139,625)</b>	(94,973)
Share of profits and losses of:			
Joint ventures		<b>3,369</b>	(11,195)
Associates		<b>9,379</b>	(1,941)
<b>(LOSS)/PROFIT BEFORE TAX</b>	6	<b>(3,750,544)</b>	81,208
Income tax credit/(expense)	7	<b>313,158</b>	(16,411)
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<b>(3,437,386)</b>	64,797
Attributable to:			
Owners of the parent		<b>(3,443,514)</b>	63,466
Non-controlling interests		<b>6,128</b>	1,331
		<b>(3,437,386)</b>	64,797
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted (RMB)			
For (loss)/profit for the period	8	<b>(4.72)</b>	0.09

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

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 Unaudited RMB'000	2020 Unaudited RMB'000
<i>Notes</i>		
<b>(LOSS)/PROFIT FOR THE PERIOD</b>	<b>(3,437,386)</b>	64,797
<b>OTHER COMPREHENSIVE LOSS</b>		
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>		
Share of other comprehensive loss of a joint venture	(2,918)	(786)
Exchange differences on translation of foreign operations	(2,855)	922
<i>Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:</i>		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	30,516	(19,410)
Income tax effect	(28,422)	4,853
	2,094	(14,557)
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>	<b>(3,679)</b>	(14,421)
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>	<b>(3,441,065)</b>	50,376
Attributable to:		
Owners of the parent	(3,447,231)	49,090
Non-controlling interests	6,166	1,286
	<b>(3,441,065)</b>	50,376

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

		<b>30 June 2021</b>	31 December 2020
	<i>Notes</i>	<b>Unaudited RMB'000</b>	Audited RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	71,342	85,449
Right-of-use assets		273,490	308,607
Other intangible assets		9,191	7,057
Goodwill		–	50,521
Investments in joint ventures		61,097	60,646
Investments in associates		264,567	255,187
Debt instrument at amortised cost		500	500
Equity investments designated at fair value through other comprehensive income		1,055	1,158
Deferred tax assets		–	64,317
Total non-current assets		<b>681,242</b>	833,442
<b>CURRENT ASSETS</b>			
Inventories	10	266,954	2,562,492
Trade and bills receivables	11	2,615,160	2,986,639
Prepayments, other receivables and other assets		2,915,767	1,665,331
Financial assets at fair value through profit or loss		101,639	102,171
Due from related parties	17	67,785	60,187
Pledged deposits	12	736,695	1,063,341
Cash and cash equivalents	12	128,469	71,413
Total current assets		<b>6,832,469</b>	8,511,574
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	14	1,207,241	784,573
Other payables and accruals		1,754,192	233,843
Interest-bearing bank and other borrowings	13	1,975,739	2,719,334
Lease liabilities		122,044	133,524
Due to related parties	17	1,312,493	424,918
Tax payable		9,100	392,879
Total current liabilities		<b>6,380,809</b>	4,689,071
<b>NET CURRENT ASSETS</b>		<b>451,660</b>	3,822,503
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,132,902</b>	4,655,945

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 June 2021

		<b>30 June 2021</b>	31 December 2020
	<i>Notes</i>	<b>Unaudited RMB'000</b>	Audited RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	13	22,461	21,498
Deferred tax liability		2,561	–
Lease liabilities		177,504	186,941
Other long term payable		33,935	–
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>896,441</b>	4,447,506
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent:</b>			
Issued capital	15	732,460	732,460
Reserves		113,794	3,552,600
		<hr/>	<hr/>
		<b>846,254</b>	4,285,060
<b>Non-controlling interests</b>		<b>50,187</b>	162,446
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>896,441</b>	4,447,506
		<hr/>	<hr/>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

Note	Attributable to owners of the parent									Total equity RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Statutory reserve funds RMB'000	Retained profits RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	
<b>Six months ended 30 June 2021:</b>										
At 31 December 2020 (as audited)	732,460	650,887	-	313,765	2,626,215	(30,516)	(7,751)	4,285,060	162,446	4,447,506
Loss for the period	-	-	-	-	(3,443,514)	-	-	(3,443,514)	6,128	(3,437,386)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(2,893)	(2,893)	38	(2,855)
Change in fair value of equity										
Investments at fair value through other comprehensive loss, net of tax	-	-	-	-	-	2,094	-	2,094	-	2,094
Share of other comprehensive income of a joint venture	-	-	-	-	-	-	(2,918)	(2,918)	-	(2,918)
Total comprehensive income for the period	-	-	-	-	(3,443,514)	2,094	(5,811)	(3,447,231)	6,166	(3,441,065)
Acquisition of non-controlling interests	-	8,425	-	-	-	-	-	8,425	(118,425)	(110,000)
At 30 June 2021 (Unaudited)	732,460	659,312	-	313,765	(817,299)	(28,422)	(13,562)	846,254	50,187	896,441

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

For the six months ended 30 June 2021

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 Unaudited RMB'000	2020 Unaudited RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/profit before tax:		
from continuing operations	(3,750,544)	81,208
Adjustments for:		
Finance costs	139,625	94,973
Share of profits and losses of joint ventures and associates	(12,748)	13,136
Loss on disposal of an associate	1,020	–
Impairment and write down of trade receivables	645,882	12,759
Impairment of financial assets at fair value through other comprehensive income	1,340	(182)
Impairment of available-for-sale investments	(2,230)	–
Impairment and write down of other receivables	283,960	4,037
Impairment and write-down of inventories	1,967,382	23,148
Impairment of property, plant and equipment	4,974	–
Impairment of intangible assets	1,816	–
Impairment of goodwill	50,521	6,681
Fair value gain on financial assets at fair value through profit or loss	(1,155)	(3,687)
Depreciation of property, plant and equipment	20,831	22,556
Depreciation of right-of-use assets	73,962	107,351
Rent concession	–	(10,539)
Amortisation of intangible assets	96	753
Loss on disposal of items of property, plant and equipment	745	649
Foreign exchange loss, net	789	530
Increase in trade and bills receivables	(46,531)	(184,670)
(Increase)/decrease in prepayments, other receivables and other assets	(1,468,207)	20,009
Decrease in inventories	354,070	88,387
Increase/(decrease) in trade and bills payables	223,454	(19,821)
Increase/(decrease) in other payables and accruals	1,374,482	(10,818)
Increase in other long-term payables	33,935	–
(Decrease)/increase in amounts due from related parties	(7,598)	11,203
Increase in amounts due to related parties	338,027	25,342
Cash generated from operations	227,898	283,005
Income tax paid	(5,680)	(8,473)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>222,218</b>	<b>274,532</b>

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

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 Unaudited RMB'000	2020 Unaudited RMB'000
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		
Acquisition of subsidiaries	31,731	–
Purchases of items of property, plant and equipment	(11,917)	(8,127)
Purchases of items of other intangible assets	5,363	(105)
Proceeds from disposal of items of property, plant and equipment	(4,333)	229
Acquisition of interests in an associate and a joint venture	–	(5,000)
Purchase of financial products by bank	1,687	–
Purchase of financial assets at fair value through profit or loss	–	(100,000)
<b>NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>	<b>22,531</b>	<b>(113,003)</b>
<b>CASH FLOWS (USED IN) FINANCING ACTIVITIES</b>		
New bank loans	2,022,453	2,721,535
Loan from a related party	589,418	25,270
Capital contribution from a non-controlling shareholder	–	191,026
Acquisition of non-controlling interests	(40,000)	(3,920)
Decrease in pledged deposits	326,628	218,071
Repayment of bank loans and other borrowings	(2,846,505)	(3,584,692)
Repayment of loan from a related party	(39,870)	–
Principal portion of lease payments	(67,067)	(89,572)
Interest paid	(131,896)	(111,775)
<b>NET CASH FLOWS (USED IN) FINANCING ACTIVITIES</b>	<b>(186,839)</b>	<b>(634,057)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>57,910</b>	<b>(472,528)</b>
Cash and cash equivalents at beginning of period	71,413	666,245
Effect of foreign exchange rate changes, net	(854)	392
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>128,469</b>	<b>194,109</b>



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 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.

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.

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

Huafa Group (including Zhuhai Huafa Industrial Investment Holding Co., Ltd. and Hong Kong Huafa Investment Holdings Limited) acquired 67.77% of the Company's equity interests from the Liu Family and other original shareholders in 2021, and together with a concert party agreement with the Liu Family, controlled a total voting right of 90.76% of the Company.

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

30 June 2021

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("IFRS") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7,  
IFRS 4 and IFRS 16  
Amendment to IFRS 16

*Interest Rate Benchmark Reform – Phase 2*

*COVID-19-Related Rent Concessions beyond  
30 June 2021 (early adopted)*

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

- (a) 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 risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities 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 did not have any impact on the financial position and performance of the Group.

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

- (b) Amendment to IFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic. A reduction in the lease payments arising from the rent concessions of RMB868,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2021.

### 4. OPERATING SEGMENT INFORMATION

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

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

#### Information about major customers

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

#### Seasonality of operations

Due to the seasonal nature, historically higher revenues and operating profits are usually expected in the second half of the year rather than in the first six months. Higher sales during the period from July to early October are mainly attributable to the increased demand for mobile telecommunications devices and accessories during the holiday season, as well as in November and December, due to the increased demand for new series of mobile telecommunications devices. However, due to the prolonged COVID-19 pandemic and subsequent waves of further outbreaks, this has a significant negative impact on the Group's business, further details are set out in note 20, Events After The Reporting Period. This information is provided to allow for a better understanding of the results, however, management has concluded that the Group's business is not "highly seasonal" in accordance with IAS 34.

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

An analysis of revenue is as follows:

*Segments*

	For the six months ended 30 June	
	2021 Unaudited RMB'000	2020 Unaudited RMB'000
<b>Types of goods or services</b>		
Sales of mobile telecommunications devices and accessories	<b>5,517,696</b>	6,007,489
Including:		
Retail of mobile telecommunications devices and accessories	<b>1,533,415</b>	2,629,016
Sales of telecommunications devices and accessories to franchisees	<b>397,932</b>	454,198
Wholesales of mobile telecommunications devices and accessories	<b>3,586,349</b>	2,924,275
Service income from mobile carriers	<b>108,603</b>	58,459
Other service fee income	<b>101,873</b>	59,245
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>5,728,172</b>	6,125,193
	<hr/>	<hr/>
<b>Geographical markets</b>		
Mainland China	<b>5,588,665</b>	5,840,441
India	<b>530</b>	115
Spain	<b>138,977</b>	283,765
Bangladesh	<b>–</b>	872
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>5,728,172</b>	6,125,193
	<hr/>	<hr/>

30 June 2021

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

An analysis of revenue is as follows: (Continued)

*Segments (Continued)*

	For the six months ended 30 June	
	2021 Unaudited RMB'000	2020 Unaudited RMB'000
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	5,517,696	6,007,489
Services transferred over time	210,476	117,704
	<hr/>	<hr/>
Total revenue from contracts with customers	5,728,172	6,125,193
	<hr/>	<hr/>

**(b) Other income and gains**

	For the six months ended 30 June	
	2021 Unaudited RMB'000	2020 Unaudited RMB'000
<b>Other income</b>		
Interest income	11,916	9,677
Government grants (note (a))	3,797	18,539
Others	107,853	6,188
	<hr/>	<hr/>
	123,566	34,404
	<hr/>	<hr/>

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

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**6. PROFIT BEFORE TAX**

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

	For the six months ended 30 June	
	2021 Unaudited RMB'000	2020 Unaudited RMB'000
Cost of inventories sold and services provided	5,380,657	5,479,408
Depreciation of property, plant and equipment	20,831	22,556
Amortisation of intangible assets	96	753
Depreciation of right-of-use assets	73,962	107,351
Interest on lease liabilities	7,301	16,278
Impairment of financial assets:		
Impairment and write down of trade receivables	645,882	12,759
Impairment and write down of other receivables	283,960	4,037
Impairment of financial assets at fair value through other comprehensive income	1,340	(182)
Fair value gain on financial assets at fair value through profit or loss	(1,155)	(3,687)
Impairment and write-down of inventories	1,967,382	23,148
Impairment of goodwill	50,521	6,681
Impairment of property, plant and equipment	4,974	–
Impairment of intangible assets	1,816	–
Loss on disposal of property, plant and equipment	745	649

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

30 June 2021

### 7. INCOME TAX

The provision for current income tax is based on a statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which became effective on 1 January 2008 except for Sichuan Yijialong Communication Technology Chain Co., Ltd. and Dixin Simaier Technology (Guangdong) Co., Ltd., two subsidiaries of the Company, which were subject to tax at preferential rates of 15% and 12.5%, respectively, for the period ended 30 June 2021. The major components of income tax expense are as follows:

	For the six months ended	
	30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Current:		
Charge for the period	1,503	7,823
Tax credit in respect of losses in current period	(368,807)	–
Deferred tax	54,146	8,588
	<hr/>	<hr/>
Total tax (credit)/charge for the period	(313,158)	16,411

*Note: For losses in current period, tax credit is recognised up to the recoverable amount which represent unpaid tax provision brought forward. No deferred tax assets and accordingly tax credit recognised for current period losses in excess of this amount. In the opinion of the directors, it is not 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 utilized.*

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

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

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

	For the six months ended 30 June	
	2021 Unaudited RMB'000	2020 Unaudited RMB'000
<b>Earnings</b>		
(Loss)/profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation:	<u>(3,443,514)</u>	<u>63,466</u>
<b>Shares</b>		
Weighted average number of ordinary shares	<u>729,568,382</u>	<u>729,568,382</u>

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment with a cost of RMB11,917,000 (for the six months ended 30 June 2020: RMB8,127,000).

Property, plant and equipment with a net book value of RMB3,505,000 were disposed of by the Group during the six months ended 30 June 2021 (for six months ended 30 June 2020: RMB878,000), resulting in a net loss on disposal of RMB745,000 (for the six months ended 30 June 2020: a net loss of RMB649,000).

## 10. INVENTORIES

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Merchandise for resale	322,744	2,584,547
Consumable supplies	1,391	1,758
	<u>(57,181)</u>	<u>(23,813)</u>
Less: provision against inventories	<u>266,954</u>	<u>2,562,492</u>



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**11. TRADE AND BILLS RECEIVABLES**

	<b>30 June 2021 Unaudited RMB'000</b>	31 December 2020 Audited RMB'000
Trade receivables	<b>2,868,220</b>	3,070,587
Bills receivable	<b>10,196</b>	57,370
Less: impairment of trade receivables	<b>(263,256)</b>	(141,318)
	<b><u>2,615,160</u></b>	<u>2,986,639</u>

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

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

	<b>30 June 2021 Unaudited RMB'000</b>	31 December 2020 Audited RMB'000
Within 90 days	<b>1,174,596</b>	2,720,258
91 to 180 days	<b>173,640</b>	100,282
Over 181 days	<b>1,266,924</b>	166,099
	<b><u>2,615,160</u></b>	<u>2,986,639</u>

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**12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS**

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

	<b>30 June 2021 Unaudited RMB'000</b>	31 December 2020 Audited RMB'000
Cash and bank balances	<b>128,469</b>	71,413
Pledge time deposits	<b>736,695</b>	1,063,341
	<b>865,164</b>	1,134,754
Less: Pledged time deposits		
Pledged for bank borrowings	<b>380,000</b>	703,985
Pledged for bank acceptance notes	<b>354,857</b>	357,500
Other pledged deposits	<b>1,838</b>	1,856
	<b>736,695</b>	1,063,341
Cash and cash equivalents, denominated in RMB	<b>128,469</b>	71,413

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

		<b>30 June 2021</b>	31 December 2020
	<i>Notes</i>	<b>Unaudited RMB'000</b>	Audited RMB'000
<b>Current</b>			
<b>Bank loans:</b>			
Unsecured, repayable within one year	<i>(a)</i>	<b>1,179,658</b>	833,773
Secured, repayable within one year	<i>(b)</i>	<b>696,196</b>	1,726,135
<b>Other loans:</b>			
Unsecured, repayable within one year	<i>(c)</i>	<b>90,885</b>	66,106
Secured, repayable within one year		<b>9,000</b>	93,320
		<b>1,975,739</b>	2,719,334
<b>Non-current</b>			
Unsecured, repayable after one year	<i>(d)</i>	<b>22,461</b>	21,498
		<b>1,998,200</b>	2,740,832

Note (a): The bank loans bear interest at rates ranging from 2.20% to 10.08% (2020: 2.20% to 10.80%) per annum.

Note (b): The Group's bank loans are secured by pledged deposits, which had an aggregate carrying value of RMB380,000,000 (2020: RMB703,985,000), and financial assets at fair value through profit or loss with a carrying amount of RMB101,639,000 (2020: RMB102,171,000) at the end of the reporting period.

Note (c): The unsecured other loans bear interest at 3.00% to 10.00% (2020: 3.00% to 14.40%) per annum.

Note (d): The bank loans bear interest at rates ranging from 2.20% to 10.80% (2020: 2.20% to 10.80%) per annum.

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

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### 14. TRADE AND BILLS PAYABLES

	<b>30 June 2021 Unaudited RMB'000</b>	31 December 2020 Audited RMB'000
Trade payables	588,424	294,573
Bills payable	618,817	490,000
	<b>1,207,241</b>	<b>784,573</b>

	<b>30 June 2021 Unaudited RMB'000</b>	31 December 2020 Audited RMB'000
Within 90 days	709,757	344,770
91 to 180 days	220,341	214,383
Over 181 days	277,143	225,420
	<b>1,207,241</b>	<b>784,573</b>

### 15. ISSUED CAPITAL

	<b>30 June 2021 Unaudited RMB'000</b>	31 December 2020 Audited RMB'000
Registered, issued and fully paid: 732,460,400 ordinary shares of RMB1 each (2020: 732,460,400)	<b>732,460</b>	<b>732,460</b>

### 16. COMMITMENTS

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

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17. RELATED PARTY TRANSACTIONS

- (a) The following table illustrates the total amounts of transactions that have been entered into with related parties during the six months ended 30 June 2021 and 2020, as well as balances with related parties as at 30 June 2021 and 31 December 2020:

		Sales to related parties <sup>(i)</sup> RMB'000	Purchases from related parties <sup>(i)</sup> RMB'000	Other transactions with related parties RMB'000	Amounts owed by related parties RMB'000	Amounts owed to related parties RMB'000
<b>Predecessor controlling shareholders<sup>1</sup>:</b>						
Digital Science & Technology Group Limited	2021	–	–	–	6,389	–
	2020	–	–	–	–	–
<b>Associates:</b>						
Shenzhen Dixin Nuclear Communications Co., Ltd.	2021	–	–	–	6,170	–
	2020	–	–	–	997	–
Shanghai Diju Information Technology Co., Ltd.	2021	–	17,245	–	–	36,106
	2020	–	8,019	–	–	17,073
Comservice Commercial Factoring Co., Ltd. <sup>4</sup>	2021	–	–	–	–	16,600
	2020	–	–	(32,879)	–	44,470
Shenzhen Aizuji Technology Co., Ltd.	2021	–	–	–	–	–
	2020	2,018	–	–	–	–
Beijing Jingdixin Technology Co., Ltd.	2021	–	487,513	–	–	331,239
	2020	–	758,761	–	–	342,939
Dimi Technology (Thailand) Co., Ltd.	2021	–	–	–	1,575	–
	2020	–	–	–	1,576	–
<b>Joint ventures:</b>						
Hollard-D.Phone (Beijing) Technology Development Co., Ltd.	2021	–	11,355	–	–	177
	2020	1,018	3,289	–	–	4,035
Guangzhou Zhongqi Energy Technology Co., Ltd.	2021	13,111	17,895	–	32,730	–
	2020	40,887	16,347	–	38,503	–

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## 17. RELATED PARTY TRANSACTIONS (Continued)

- (a) The following table illustrates the total amounts of transactions that have been entered into with related parties during the six months ended 30 June 2021 and 2020, as well as balances with related parties as at 30 June 2021 and 31 December 2020: (Continued)

		Sales to related parties <sup>(i)</sup> RMB'000	Purchases from related parties <sup>(i)</sup> RMB'000	Other transactions with related parties RMB'000	Amounts owed by related parties RMB'000	Amounts owed to related parties RMB'000
<b>Companies controlled by the predecessor controlling shareholder:</b>						
Beijing Dphone Communication Services Co., Ltd. <sup>2</sup>	2021	–	–	–	4,687	16,588
	2020	5	–	–	4,649	16,297
Guang'an Dixin Cloud Communication Technology Co., Ltd. <sup>2</sup>	2021	–	–	–	270	–
	2020	73	–	–	1,180	–
<b>Companies significantly influenced by the predecessor/incoming controlling shareholders:</b>						
Beijing Tianxingyuanjing Technology Development Co., Ltd. <sup>3</sup>	2021	–	–	–	–	104
	2020	–	–	–	–	104
D-phone (Sanmenxia) Business Management Co., Ltd.	2021	–	–	–	453	–
	2020	–	–	–	–	–
Beijing D-phone Consulting Co., Ltd.	2021	–	–	–	–	301,556
	2020	–	–	–	–	–
Huajin International Commercial Factoring (Zhuhai) Co., Ltd	2021	–	–	–	–	257,418
	2020	–	–	–	–	–
Zhuhai Huafa Group Finance Co., Ltd. <sup>1</sup>	2021	–	–	–	–	320,000
	2020	–	–	–	–	–

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

- (a) The following table illustrates the total amounts of transactions that have been entered into with related parties during the six months ended 30 June 2021 and 2020, as well as balances with related parties as at 30 June 2021 and 31 December 2020: (Continued)

		Sales to related parties <sup>(i)</sup> RMB'000	Purchases from related parties <sup>(i)</sup> RMB'000	Other transactions with related parties RMB'000	Amounts owed by related parties RMB'000	Amounts owed to related parties RMB'000
<b>A subsidiary of a joint venture:</b>						
Yunfu Zhongqi	<b>2021</b>	<b>1,283</b>	<b>444</b>	–	<b>4,235</b>	–
Communication Technology Co., Ltd. <sup>5</sup>	2020	1,742	5	–	2,489	–
<b>Key management personnel of the Group:</b>						
Mr. Zhou Qing	<b>2021</b>	–	–	–	<b>6,132</b>	<b>500</b>
	2020	–	–	–	5,869	–
Mr. Li Kai	<b>2021</b>	–	–	–	<b>1,305</b>	<b>8,120</b>
	2020	–	–	–	1,249	–
Ms. Zhou Yujing	<b>2021</b>	–	–	–	<b>804</b>	<b>5,045</b>
	2020	–	–	–	770	–
Mr. Yang Zhiyong	<b>2021</b>	–	–	–	<b>804</b>	<b>5,040</b>
	2020	–	–	–	770	–
Ms. Chen Xiujun	<b>2021</b>	–	–	–	<b>668</b>	<b>4,200</b>
	2020	–	–	–	639	–
Mr. Jiao Liping	<b>2021</b>	–	–	–	<b>668</b>	<b>4,200</b>
	2020	–	–	–	639	–
Mr. Li Yonggang	<b>2021</b>	–	–	–	<b>895</b>	<b>5,600</b>
	2020	–	–	–	857	–

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## 17. RELATED PARTY TRANSACTIONS (Continued)

- (a) The following table illustrates the total amounts of transactions that have been entered into with related parties during the six months ended 30 June 2021 and 2020, as well as balances with related parties as at 30 June 2021 and 31 December 2020: (Continued)

<sup>1</sup> *Zhuhai Huafa Group Finance Co., Ltd is the fellow subsidiary of Huafa Group, which is the incoming controlling shareholder of the Company. Huafa Group completed the acquisition of the Company in June 2021 from Mr. Liu Donghai, the predecessor controlling shareholder and other original shareholders.*

<sup>2</sup> *The investments in the companies, Beijing Dphone Communication Services Co., Ltd. and Guang'an Dixin Cloud Communication Technology Co., Ltd., are directly held by the predecessor controlling shareholder of the Company.*

<sup>3</sup> *The investment in Beijing Tianxingyuanjing Technology Development Co., Ltd. is held by Mr. Liu Donghai, the predecessor controlling shareholder of the Company, and Mr. Jinxin, who was the CEO of the Group before 13 July 2018. They directly and indirectly hold 20.53% equity interests in aggregate and have significant influence over the entity.*

<sup>4</sup> *The Group entered into trade receivable factoring arrangements with and transferred certain trade receivables to Comservice Commercial Factoring Co., Ltd. The secured other loans bear interest at rates ranging from 6.65% to 10.80% and are secured by trade receivables amounting to RMB61,494,000.*

<sup>5</sup> *The investment in Yunfu Zhongqi Communication Technology Co., Ltd. is directly held by Guangzhou Zhongqi Energy Technology Co., Ltd., a joint venture of the Group.*

Note:

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

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

	For the six months ended	
	30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Salaries, allowances, bonuses and other expenses	2,417	1,401



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

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

The fair values of the non-current portion of lease liabilities and interest-bearing loans and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2021 were assessed to be insignificant.

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

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**18. 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 30 June 2021**

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investments designated at fair value through other comprehensive income	–	–	1,055	1,055
Financial assets at fair value through profit or loss	–	101,639	–	101,639
Bills receivable	–	10,196	–	10,196
	–	111,835	1,055	112,890

**As at 31 December 2020**

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investments designated at fair value through other comprehensive income	–	–	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

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## 19. DIVIDENDS

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

## 20. EVENTS AFTER THE REPORTING PERIOD

The outbreak of COVID-19 pandemic has a significant negative impact on the Group's business. Many of the Group's retail shops did not operate full business hours, or on an "on and off" basis during the reporting period, and this resulted in the complete closure of retail shops as the pandemic is prolonged. The trend of closure of retail shops continued after the interim balance sheet date as the pandemic prolonged, and the expectation that the pandemic can be controlled in a short period of time became pessimistic following the outbreak of subsequent waves of COVID-19 pandemic.

When a retail shop is closed, the Group has to make provision for damaged and loses of physical inventories, and receivables and consignment inventories from retailers who on-sold the retail shop's mobile devices and parts, the collectability of which became difficult and/or doubtful. The Group also has to write off certain fixed assets such as leasehold improvements, furniture and fixtures, etc., right-of-use assets and rental and utilities deposits which are not recoverable.

For retail shops as at 30 June 2021 which were operating on an "on and off" basis, or on temporary suspension looking for resumption of business when the pandemic is over/controlled, it is challenging for the management to estimate, on the balance sheet date, whether these retail shops will be closed as the pandemic is prolonged with subsequent waves of further outbreaks. The management used its best estimate based on information available at that time.

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

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 31 March 2022.