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

2021
ANNUAL REPORT

THE FUTURE
of new retail

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

Contents

COMPANY PROFILE

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

As at 31 December 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 Company 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. Li Wanlin
Mr. Liu Zhenlong
(former chairman; resigned as Chairman on 30 June 2021)
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 as Chairman 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)

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
22-31/F, South Tower of CP Center
20 Jinhe East Avenue
Chaoyang District, Beijing
PRC

AUDITOR

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

STOCK CODE

6188

COMPANY'S WEBSITE

www.dixintong.com

PRINCIPAL BANKERS

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

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
Hebei
PRC

FINANCIAL HIGHLIGHTS

Item	For the year ended 31 December				
	2021	2020	2019	2018	2017
Consolidated Statement of Profit or Loss					
Revenue	**10,243,930**	13,550,150	15,350,953	15,054,664	15,974,316
Gross profit	**575,788**	1,176,691	1,768,877	1,927,276	2,000,168
Profit for the year	**(3,596,985)**	114,512	260,452	322,101	322,947
Other comprehensive income profit/loss for the year	**(22,178)**	(34,537)	(4,214)	2,588	(1,075)
Total comprehensive income for the year	**(3,619,163)**	79,975	256,238	324,689	321,872
Attributable to:					
Owners of the parent	**(3,589,431)**	79,776	253,227	331,792	321,415
Non-controlling interests	**(29,732)**	199	3,011	(7,103)	457
Earnings per share attributable to ordinary equity holders of the parent					
Basic and diluted (RMB/share)	**(4.87)**	0.16	0.39	0.49	0.48
Consolidated Balance Sheet					
Non-current assets	**664,327**	833,442	1,167,898	421,386	377,571
Current assets	**6,710,407**	8,511,574	9,773,359	7,658,717	7,976,072
Total assets	**7,374,734**	9,345,016	10,941,257	8,080,103	8,353,643
Current liabilities	**6,416,704**	4,689,071	6,440,324	4,246,398	4,245,759
Total assets less current liabilities	**958,030**	4,655,945	4,500,933	3,833,705	4,107,884
Non-current liabilities	**240,034**	208,439	324,428	0	596,542
Net assets	**717,996**	4,447,506	4,176,505	3,833,705	3,511,342
Share capital	**732,460**	732,460	666,667	666,667	666,667
Reserves	**(27,378)**	3,552,600	3,347,591	3,093,663	2,764,392
Equity attributable to owners of the parent	**705,082**	4,285,060	4,014,258	3,760,330	3,431,059
Non-controlling interests	**12,914**	162,446	162,247	73,375	80,283
Consolidated Statement of Cash Flows					
Net cash flows from/(used in) operating activities	**(992,623)**	315,029	537,068	266,249	69,585
Net cash flows from/(used in) investing activities	**(30,478)**	78,098	(367,347)	350,890	(638,591)
Net cash flows from/(used in) financing activities	**1,045,794**	(988,621)	(212,223)	(524,234)	400,278
Net increase/(decrease) in cash and cash equivalents	**22,693**	(595,494)	(42,502)	92,905	(168,728)
Cash and cash equivalents at the beginning of year	**71,413**	666,245	708,548	614,879	784,756
Effect of foreign exchange rate changes on cash flow	**(2,881)**	662	199	764	(1,149)
Cash and cash equivalents at the end of year	**91,225**	71,413	666,245	708,548	614,879

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Group and the Board of Directors, I am pleased to present the annual results for the year.

During the year under review, the global economic outlook remained uncertain, and China saw recurrent COVID-19 outbreaks. The brick-and-mortar retail industry was hit hard. The market environment we were facing was becoming more complex and severe. Even so, the Company focused on its own business and provided high-quality 3C digital retail and distribution services. It is committed to improving its professional level and service quality, with provision of high-quality retail and distribution services regarding fashionable technology products for more customers and clients.

During the year under review, the Company's total revenue amounted to RMB10,243,930,000, representing a decrease of RMB3,306,220,000 or 24.40% from RMB13,550,150,000 for the previous year. The net loss for the year 2021 amounted to RMB3,596,985,000, while net profit for the same period last year amounted to RMB114,512,000. The Group sold 3,525,000 mobile handsets, representing a decrease of 4,430,000 sets or 55.69% from 7,955,000 sets for the previous year. For detailed analysis of financial data, please refer to the Company's 2021 Annual Report.

In response to the ongoing and recurrent COVID-19 pandemic, we further optimised our offline physical network structure, properly closed some loss-making stores while retaining high-quality stores, and at the same time fully developed the omni-channel fulfillment business and intra-city e-commerce business in cooperation with different types of e-commerce platforms in 2021. We became a member of the listed company under Zhuhai Huafa Group Co., Ltd. ("**Zhuhai Huafa**") in the same year. Zhuhai Huafa is owned by State-owned Assets Supervision and Administration Commission of Zhuhai Municipal People's Government ("**Zhuhai SASAC**") and Department of Finance of Guangdong Province and is one of the Top 500 Enterprises of China, the Top 500 Enterprises of China's Service Industry and the Top 100 Multinational Enterprises of China. Relying on Zhuhai Huafa's brand and resources, we saw continuous improvement in business quality and brand influence.

In terms of brick-and-mortar stores, we made adjustments to the stores opened in the provinces with weaker business foundations, and optimised the layout of street stores in the provinces with stronger business foundations based on the changing trend of business districts. In addition, we placed tenders for new business halls and stores in cooperation with carriers in some provinces. In the meantime, based on our new retail sub-brand UP+, we strengthened the cooperation with China's major carriers including China Mobile in new retail upgrade and agent operation for business halls and stores. As far as the establishment of an online system, 2021 is a milestone year for Beijing Digital. With over 800 stores across the country, our "omni-channel fulfillment" cooperation model with mainstream e-commerce platforms has become a model of online and offline cooperation in the industry. Online orders accounted for more than 30% of daily retail business and nearly 50% at important marketing points. In terms of product expansion, 5G-integrated products (including notebooks, tablets, cameras and routers) and fashionable technology products took up an increasing proportion in Beijing Digital's sales structure.

The year 2022 is the year when the 20th CPC National Congress will be held, an important year for the implementation of the 14th Five-Year Plan, and also a year when 5G-integrated and IoT products will see an explosive growth. The good foundation we have laid in 5G will translate into more sales opportunities in 2022. Moreover, our omni-channel marketing and fulfilment capabilities will spread from core cooperation channels to all mainstream e-commerce platforms in China, including emerging live streaming platforms, which will create a new performance growth point. While strengthening supply chain management, we will strive to make substantive breakthroughs in carrier business and government- and enterprise-related business. Specifically, we will boost our performance from the following aspects in 2022:

1. Seizing the opportunity for carriers to develop smart homes and IoT products, and the opportunity from new retail upgrade in their self-owned business halls and stores, we will constantly enhance the carrier business in our self-owned stores and strive to carry out operations in more business halls and stores of carriers at lower costs;

2. We will clarify the strategy of opening our self-owned stores, conduct comprehensive strategic cooperation with core shopping malls to enhance our presence in shopping malls and increase the proportion of our stores in shopping malls, and strengthen supply chain management while adjusting and optimising the layout of street stores;

3. Seizing the market opportunity arising from the change in market positioning of different brands, we will enhance the all-round cooperation with brands that possess great potential in growing, and capitalise on the benefits from their market growth, and focus on increasing the proportion of popular brands; We will carry out strategic cooperation with China's leading intelligent technology brands to explore government- and enterprise-related business; and

4. In addition to the core channel, leveraging on our competitive omni-channel marketing capabilities and systems, we will conduct omni-channel fulfilment cooperation nationally with more e-commerce platforms and emerging channels to provide comprehensive and convenient outlet warehouse services to partners and customers. And we will also provide high-quality omni-channel fulfilment agent operation services to other merchants.

On behalf of the Board of Directors, I would like to take this opportunity to express my deep gratitude to the Group's management team and employees for their unremitting efforts, as well as our shareholders, investors and business partners for their support and trust. Looking ahead, we will actively seize business opportunities to drive growth and deliver maximum returns to our shareholders.

Chairwoman of the Board
Xu Jili
Beijing, 29 April 2022

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

For the year ended 31 December 2021, the Group sold 3,525,000 mobile handsets, representing a decrease of 4,430,000 sets or 55.69% from 7,955,000 sets for the same period last year. Operating revenue for the year ended 31 December 2021 amounted to RMB10,243,930,000, representing a decrease of RMB3,306,220,000 or 24.40% from RMB13,550,150,000 for the same period last year. Net loss for the year ended 31 December 2021 amounted to RMB3,596,985,000, as compared to net profit of RMB114,512,000 for the same period last year.

II. FINANCIAL POSITION AND OPERATING RESULTS

(i) Overview

For the year ended 31 December 2021, the Group recorded a net loss of RMB3,596,985,000, as compared to a net profit of RMB114,512,000 for the same period in 2020. The loss attributable to the owners of the parent of the Company for the year ended 31 December 2021 was RMB3,567,438,000, as compared to the net profit attributable to the owners of the parent of the Company of RMB114,062,000 for the same period in 2020.

1. Operating revenue

For the year ended 31 December 2021, operating revenue of the Group amounted to RMB10,243,930,000, representing a decrease of RMB3,306,220,000 or 24.40% from the operating revenue of RMB13,550,150,000 for the same period in 2020. The decrease in revenue was primarily due to a decline in retail revenue because of a decrease in the number of our independent stores and store-in-store outlets as well as the decline in sales of our wholesale business. Our sales of mobile telecommunications devices and accessories include (i) sales in our retail business including our independently operated outlets and online channels; (ii) sales in our franchise business; and (iii) sales in our wholesale business. Revenue from our retail business includes revenue from sales of mobile telecommunications devices and accessories in our independent stores and store-in-store outlets, stores in cooperation with the mobile carriers, and online sales platforms. Revenue from our franchise business includes revenue from sales of mobile telecommunications devices and accessories to our franchisees. Revenue from our wholesale business includes revenue from sales of mobile telecommunications devices and accessories we distribute to mobile carriers and other third-party retailers. Our service income from mobile carriers primarily represents call services subscriptions from the mobile carriers. Other service fee income includes (i) management and service fees received from suppliers of products; (ii) income from value-added services; (iii) the rental fees we earn by renting counter space to third parties who provide repair services; (iv) repair and maintenance fees; and (v) income from franchisees' services.

The Group's revenue from sales of mobile telecommunications devices and accessories amounted to RMB9,787,866,000 for the year ended 31 December 2021, representing a decrease of RMB3,458,458,000 or 26.11% compared with the revenue from sales of mobile telecommunications devices and accessories of RMB13,246,324,000 for the same period in 2020.

The Group's service income from mobile carriers amounted to RMB250,879,000 for the year ended 31 December 2021, representing an increase of RMB112,248,000 or 80.97% compared with the service income from mobile carriers of RMB138,631,000 for the same period in 2020.

The Group's other service fee income amounted to RMB205,185,000 for the year ended 31 December 2021, representing an increase of RMB39,990,000 or 24.21% compared with the other service fee income of RMB165,195,000 for the same period in 2020.

2. *Cost of sales*

The Group's cost of sales for the year ended 31 December 2021 amounted to RMB9,668,142,000, representing a decrease of RMB2,705,317,000 or 21.86% from RMB12,373,459,000 for the same period in 2020, which was mainly due to the decline in cost of sales in tandem with the decrease in our operating revenue.

3. *Gross profit and gross profit margin*

Gross profit represents operating revenue net of cost of sales. For the year ended 31 December 2021, gross profit of the Group amounted to RMB575,788,000, representing a decrease of RMB600,903,000 or 51.07% from the gross profit of RMB1,176,691,000 for the same period in 2020. Our overall gross profit margins for the years ended 31 December 2020 and 2021 were 8.68% and 5.62%, respectively. The decrease in our overall gross profit margin as compared to that of 2020 was primarily due to change in product mix of both retail and wholesale business in 2021. In addition, gross profit margins calculated based on service income from mobile carriers and other service fee income fell from 82.99% and 94.42% in 2020 to 48.06% and 54.93% in 2021, respectively.

4. *Other income and gains*

Other income and gains mainly include: (i) interest income; (ii) government grants; and (iii) others. The Group's other income and gains for the year ended 31 December 2021 amounted to RMB130,508,000, representing an increase of RMB74,448,000 or 132.80% from RMB56,060,000 for the same period in 2020, which was primarily due to the write-off of certain amounts payable to dissolved vendors and such amount was recognised as other income during 2021.

5. *Selling and distribution expenses*

Total selling and distribution expenses of the Group for the year ended 31 December 2021 amounted to RMB508,835,000, representing a decrease of RMB109,430,000 or 17.70% from RMB618,265,000 for the same period in 2020, which was mainly due to the decreases in staff number and total amount of staff salaries as well as the decreases in rentals and property management expenses and office expenses.

Total rentals and property management expenses for the year ended 31 December 2021 amounted to RMB163,498,000, representing a decrease of RMB46,173,000 or 22.02% from RMB209,671,000 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 because of the pandemic, and the effort of the Company in actively seeking rental reduction from the landlords.

Total staff salaries for the year ended 31 December 2021 amounted to RMB225,853,000, representing a decrease of RMB45,542,000 or 16.78% from RMB271,395,000 for the same period in 2020. Such decrease was mainly due to a decline in the number of stores and salespersons during the year resulting from streamlining of the staffing structure of the Group to cut down expenses amid the pandemic.

6. *Administrative expenses*

The Group's total administrative expenses for the year ended 31 December 2021 amounted to RMB885,110,000, representing an increase of RMB615,527,000 or 228.33% from RMB269,583,000 for the same period in 2020. Such increase in administrative expenses was primarily due to an increase in agency fees and other fees.

Agency fees for the year ended 31 December 2021 amounted to RMB58,432,000, representing an increase of RMB42,951,000 or 277.44% from RMB15,481,000 for the same period in 2020, which was mainly due to the increase in consulting fees of RMB33,720,000 or 377.28%, as compared to that of the same period in 2020.

Other fees for the year ended 31 December 2021 amounted to RMB612,859,000, representing an increase of RMB595,563,000 or 3,443.27% from RMB17,296,000 for the same period in 2020. The increase was mainly due to losses resulting from store closures.

7. *Impairment losses on financial assets*

Our impairment losses on financial assets for the year ended 31 December 2021 amounted to RMB943,037,000, increased by RMB921,086,000 compared to RMB21,951,000 for the same period in 2020, mainly due to the outbreak of COVID-19 pandemic which had led to overall downturn of the retail industry and massive closures of stores, in particular franchise stores in the first half of 2021. Such impairment losses comprised of (i) impairment losses on trade receivables amounted to RMB627,756,000 and (ii) impairment losses on deposits and other receivables due from third party franchisees, suppliers and customers amounted to RMB315,281,000.

The Group has applied simplified approach to determine the provision for expected credit losses prescribed by IFRS 9 and to estimate the impairment losses. The Group performed specific collectability review and applied the ECL model to estimate the impairment provision. The Group had established a provision matrix to recognise loss allowance for expected credit losses ("**ECLs**") of unsecured trade receivables and deposit and other receivables. In the event that any debtors were found to be under bankruptcy, de-registration, insolvency, lost in contact or their abilities to repay the receivables were questionable, the Group would write off the corresponding trade receivables and/or deposit and other receivables. There had been no material change in the Group's assumptions and estimates for impairment losses for the year ended 31 December 2021.

8. *Other expenses*

Our other expenses mainly include impairment and write-down of inventories, impairment of goodwill, impairment of intangible assets, impairment of fixed assets and loss on disposal of property, plant and equipment. For the years ended 31 December 2020 and 2021, our other expenses amounted to RMB50,910,000 and RMB2,042,265,000, respectively. The year-on-year increase of RMB1,991,355,000 was primarily due to the impairment and write-down of inventories of RMB1,956,437,000, impairment of goodwill of RMB50,521,000, impairment of intangible assets of RMB2,109,000 and loss on disposal of property, plant and equipment of RMB7,936,000 for the year ended 31 December 2021.

The write-down of inventories of RMB1,934,013,000 was mainly due to the fact that during the first half of 2021, the epidemic had casted significant adverse effects on physical retail and consumer industry and resulted in large number of closures of the stores and other third-party retailers, hence part of the goods that were distributed through them could not be recovered and certain consignment inventories that were kept in franchised stores and other third-party retailers had been lost during store closure during that period of time. Moreover, as traffic and transportation had been affected during that period of time, some of the inventories had been discarded during the store closure. Coupled with the inability to implement effective inventory control such as stocktakes over the inventories kept in such stores during the epidemic in the first half of 2021, it was found that the inventory record after the store closure was incomplete and many of the inventories could not be located or recovered when our management conducted full stock count in the second half of 2021. Furthermore, the impairment of inventories of RMB22,424,000 was mainly due to product iteration and consumption declines.

When determining the impairment losses on inventories, the management reviewed the inventory ageing list to identify slow-moving and obsolete inventories and then estimated the amount of provision for slow-moving and obsolete inventories. The Group assessed the net realisable value of inventories based on the latest invoice prices, and the estimated selling expense and taxes. In the event that the net realisable value was lower than the anticipated selling prices (being the latest selling prices of the inventories during the two months subsequent to the respective year-end), such amounts involved were provided as impairment of inventories. There had been no material change in the Group's assumptions and estimates for impairment losses on inventories for the year ended 31 December 2021.

9. *Finance costs*

The Group's total finance costs for the year ended 31 December 2021 amounted to RMB234,170,000, representing an increase of RMB72,079,000 or 44.47% from RMB162,091,000 for the same period in 2020. Such increase in finance costs was primarily due to a growth in capital occupancy cost.

10. *Income tax credit*

The Group's total income tax credit for the year ended 31 December 2021 amounted to RMB308,364,000, representing an increase of RMB300,259,000 or 3,704.61% compared with the total income tax credit of RMB8,105,000 for the same period in 2020. The increase was primarily due to the income tax credit in respect of losses incurred for the year ended 31 December 2021.

(ii) Liquidity and capital resources (current assets, financial resources)

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

1. Net cash flow used in operating activities

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

For the year ended 31 December 2021, we had net cash flow used in operating activities of RMB992,623,000, primarily due to (i) increase in trade and bills receivables; (ii) increase in prepayments, other receivables and other assets; and (iii) the effect of cash outflow from the net losses for the year; and partially offset by increase in other payables and accruals.

2. Net cash flow used in investing activities

Our cash flow used in investing activities reflects the results of our investing activities for the year, such as loans to third parties, purchase of property, plant and equipment, and acquisition of subsidiaries.

For the year ended 31 December 2021, we had net cash flow used in investing activities of RMB30,478,000, which was primarily due to loans to third parties and purchase of property, plant and equipment; and partially offset by acquisition of subsidiaries.

3. Net cash flow generated from financing activities

Our net cash flow generated from financing activities reflects the results of our financing activities for the year, such as obtaining new bank loans, repayment of bank loans, payment of interests and other financing activities.

For the year ended 31 December 2021, we had net cash flow generated from financing activities of RMB1,045,794,000, primarily due to new bank loans and loan from a related party obtained during the year and partially offset by the repayment of bank loans and a corporate bond during the year.

(iii) Balance sheet items

1. Trade and bills receivables

To enhance sales of our handsets and enlarge our market share, we granted credit periods of 30-180 days to certain customers in 2021. Credit periods are offered to customers with the largest volume sales of telecommunication devices and accessories. We closely monitor and maintain strict control over our outstanding receivables to minimise credit risk. Overdue balances are also reviewed regularly by the management. As our trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Our trade and bills receivables are non-interest-bearing. As at 31 December 2021, our trade and bills receivables after deduction of impairment amounted to RMB2,892,151,000, representing a decrease of RMB94,488,000 or 3.16% from RMB2,986,639,000 as at 31 December 2020.

As at 31 December 2021, the trade receivables before deduction of impairment amounted to RMB3,137,229,000, representing an increase of RMB66,642,000 or 2.17% from RMB3,070,587,000 as at 31 December 2020.

As at 31 December 2021, the bills receivables before deduction of impairment amounted to RMB531,000, representing a decrease of RMB56,839,000 or 99.07% from RMB57,370,000 as at 31 December 2020.

2. Prepayments, other receivables and other assets

Our prepayments, other receivables and other assets amounted to RMB2,167,047,000 as at 31 December 2021, representing an increase of RMB501,716,000 or 30.13% from RMB1,665,331,000 as at 31 December 2020.

Our prepayments represent our prepayments to suppliers of mobile telecommunication devices and accessories and prepaid rental payments to our lessors. Our prepayments as of 31 December 2021 amounted to RMB563,938,000, representing a decrease of RMB893,141,000 or 61.30% from RMB1,457,079,000 as of 31 December 2020, mainly due to the reduced scale of procurement. Our deposits and other receivables as at 31 December 2021 amounted to RMB1,960,810,000, representing an increase of RMB1,708,985,000 or 678.64% from RMB251,825,000 as of 31 December 2020. Such increase was mainly due to the increase in other receivables due from our certain customers and suppliers.

3. *Impairment of trade and other receivables*

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

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

4. *Inventories*

Our inventories as of 31 December 2021 amounted to RMB294,308,000, representing a decrease of RMB2,268,184,000 or 88.51% from RMB2,562,492,000 as of 31 December 2020, which was mainly due to fewer retail shops and keeping lower inventories level due to the downturn, and impairment and write-down of inventory during the year.

5. *Trade and bills payables*

Our trade payables are non-interest bearing and are normally settled within 30-45 days. Our trade and bills payables as at 31 December 2021 amounted to RMB719,194,000, representing a decrease of RMB65,379,000 or 8.33% from RMB784,573,000 as at 31 December 2020. The decrease in trade and bills payables for the year was mainly due to the lower volume of procurement of the Group during the year.

6. *Other payables and accruals*

Other payables and accruals consist of (i) contract liabilities; (ii) payroll and welfare payables; (iii) accrued expenses; (iv) other payables; and (v) accrued liabilities.

Our other payables and accruals as of 31 December 2021 amounted to RMB1,144,445,000, representing an increase of RMB910,602,000 or 389.41% from RMB233,843,000 as of 31 December 2020. Such increase was mainly due to the increase in the other payables due to our certain customers and suppliers.

7. *Net current assets position*

Our net current assets as of 31 December 2021 amounted to RMB293,703,000, representing a decrease of RMB3,528,800,000 or 92.32% from RMB3,822,503,000 as of 31 December 2020. Such decrease was primarily due to the decrease in inventories and the increase in amount due to related parties in 2021.

8. *Capital expenditure*

For the year ended 31 December 2021, the Group's capital expenditure amounted to RMB18,835,000, which was incurred mainly in relation to purchase and construction of fixed assets and decoration costs in connection with the opening of new outlets and the renovation of old ones.

9. *Interest-bearing bank and other borrowings*

Our bank borrowings and other borrowings were primarily short term in nature, and we also have bank borrowings that were long term in nature.

The table below sets forth details of our outstanding borrowings as of the dates indicated:

	2021		2020	
	Maturity date	**RMB'000**	Maturity date	RMB'000
Current portion				
Bank borrowings:				
Unsecured and repayable within one year	**2022**	**1,229,604**	2021	833,773
Secured and repayable within one year	**2022**	**762,000**	2021	1,726,135
Other borrowings:				
Unsecured and repayable within one year	**2022**	**68,350**	2021	66,106
Secured and repayable within one year	**2022**	**80,000**	2021	93,320
		2,139,954		2,719,334
Long-term				
Bank borrowings:				
Unsecured and due after more than one year	**2023-2027**	**17,970**	2022-2025	21,498
		2,157,924		2,740,832

(iv) Key financial ratios

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

	As at 31 December			
Item	**2021**	2020	**Change**	**Percentage of change**
Current ratio	**1.05**	1.82	(0.77)	(42.31%)
Gearing ratio	**74.22%**	37.51%	36.71%	97.87%
Net debt-to-equity ratio	**287.84%**	60.02%	227.82%	379.57%

Current ratio is our current assets divided by our current liabilities at the end of each financial period. Our current ratio as of 31 December 2021 was 1.05, representing a decrease of 0.77 or 42.31% from 1.82 as of 31 December 2020. The decrease was primarily due to an increase in current liabilities.

Gearing ratio is net debt divided by net debt plus total equity at the end of each financial period and multiplied by 100%. Net debt includes interest-bearing bank and other borrowings less cash and cash equivalents. Our gearing ratio as of 31 December 2021 was 74.22%, representing an increase of 36.71 percentage points or 97.87% from 37.51% as of 31 December 2020. Such increase was primarily due to a rise in current liabilities and a drop in assets.

Net debt-to-equity ratio equals net debt divided by total equity as the end of the financial period and multiplied by 100%. Our net debt-to-equity ratio as of 31 December 2021 was 287.84%, representing an increase of 227.82 percentage points or 379.57% from 60.02% as of 31 December 2020. The increase was mainly due to a decrease in total equity.

(v) Material acquisitions and disposals

The Company and Henan Digital Trading Company Limited ("**Henan Digital**") (a company held as to 60% and 40% by the Company and Mr. Tang Cheng respectively) 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

A subsidiary of the Group is currently a joint defendant in a litigation brought by a third party for breach of contract whereby the subsidiary of the Group has to bear joint and several liability. Based on the information from legal counsel, the Group has provided for an amount of RMB26,541,000 in the consolidated financial statements. In the opinion of the Directors, the amount provided for represented maximum exposure of the Group in this litigation.

(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 table below sets forth details of the proceeds in the special account as at 31 December 2021:

Account holder	Banker	Account number	Amount HK$'000
Beijing Digital Telecom Co., Ltd.	Standard Chartered Bank (Hong Kong) Limited	44717867377	19.53

As at 31 December 2021, the total proceeds of HK$213,828,550 have been fully utilised, and the balance of the proceeds in the special account amounted to HK$19,530.

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.

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 table below sets forth details of the use of the proceeds from the directed non-public offering as at 31 December 2021:

Item	Amount paid HK$'000	Account balance HK$'000
Issuance expenses	**2,368.57**	–
Goods procurement and daily operations	**211,459.98**	–
	213,828.55	19.53

(viii) Foreign exchange rate risks

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

(ix) Restricted assets

As at 31 December 2021, except for the pledged deposits amounting to RMB729,355,000 and wealth management products amounting to RMB104,399,000, there was property held as collateral amounting to RMB22,388,000.

(x) Material investments

The Group did not have any material investment during the year ended 31 December 2021.

(xi) Employees, remunerations and training programs for employees

For the year ended 31 December 2021, the Group had 3,599 employees (2020: 4,669). Salary costs and employees' benefit expenses amounted to approximately RMB351,560,000 for the year ended 31 December 2021. Remunerations for the Group's existing employees include salaries, performance-based bonus, social insurance, housing provident fund and other benefits.

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

(xii) Future material investment

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

(xiii) Material events after the 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 shut down of retail shops as the pandemic is prolonged. The massive shut down of retail shops during the year resulted in significant write-down and impairment provision of inventories, trade receivables and other receivables. 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.

With further waves of the pandemic subsequent to 31 December 2021, travel restrictions remain and certain cities introduced lockdown measures in order to contain the pandemic. These measures have a significant negative impact on the Group's business, and the retail sector as a whole which includes all of the Group's customers. A number of the Group's retail shops were operating at an "on-and-off" basis, and may also shut down ultimately. However, the management is of the view that the Group's retail shops remaining are all with good quality and with better ability to sustain the downturn, and therefore the management is of the view that there will not be a massive shut down of retail shops of the scale of current year in the near future. It is challenging for the management to estimate, on the balance sheet date, whether further retail shops will be closed as the pandemic is prolonged. The management used its best estimate based on information available at that time in assessing impairment provisions on the balance sheet date.

In order to ensure the smooth transition from the then controlling shareholder to the management team under the new management, and to facilitate the collection of accounts receivables and other receivables, the then controlling shareholder and his controlled companies have entered into a series of pledge of assets and guarantee contracts with the Company on 15 March 2022, whereby the then controlling shareholder and his controlled companies together have provided guarantees in an aggregate amount of approximately RMB1.2 billion to secure the collection of accounts receivables and other receivables as at 31 December 2021 with an aggregate amount of approximately RMB2.3 billion.

III. BUSINESS OUTLOOK FOR 2022

2022 has been a year that 5G-related integration and IoT products demonstrated its enormous growth in popularity. Digital Telecom has laid solid foundation in the 5G industry, which will convert into more sales opportunities. Meanwhile, omni-channel contract fulfilment capabilities of Digital Telecom will cover all domestic major e-commerce platforms and new streaming platforms in addition to the core cooperative channels, so as to create new growth for the performance of Digital Telecom. With the continuous improvements in the pandemic situation and the gradual relaxation of epidemic prevention measures internationally, the overseas expansion of Digital Telecom will also reactivate. We will enhance the Company's performance of 2022 through the following approaches:

1. Seizing the opportunity for carriers to develop smart family and IoT products, and the opportunity for their self-operated stores to conduct new retail's upgrade and transformation, we will constantly enhance the carrier business in our self-operated stores and manage to carry out operation by cooperating with more stores of carriers at a lower costs.

2. We will make clear the market strategy of our self-operated stores and select core mall systems to conduct comprehensive strategic cooperation, so as to enhance our presence in mall channels and improve the proportion of our stores in the mall, and we will continue to adjust and optimise the stores of lower quality which are located in pedestrian malls.

3. Seizing the market opportunity arising from the change in market positioning of different brands, we will continuously enhance the full cooperation with brands that possess great potential in growing, and capitalise on the benefits from their market growth. In addition, we will strive to increase the proportion of popular brands.

4. In addition to the core channels, leveraging on our competitive omni-channel contract fulfilment capabilities and systems, we will conduct omni-channel contract cooperation nationally with more e-commerce platforms and new channels, to provide comprehensive and convenient outlet warehouse services to partners and customers. In addition, we will also provide high-quality omni-channel contract agent services to other merchants.

5. We will conduct strategic cooperation with leading brands in technology and intelligent product in China, to expand overseas markets with joint efforts and establish new presence overseas.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Ms. Xu Jili, aged 50, joined the Company as a non-executive Director and chairwoman in June 2021. She was redesignated as an executive Director and president in August 2021. Ms. Xu has been the chairwoman of Zhuhai Huafa Group Finance Co., Ltd. and Zhuhai Huafa Trade Holdings Ltd. ("**Huafa Trade**") since March 2015. Since April 2015 and March 2020, she has been a director and executive vice president of Zhuhai Huafa Investment Holdings Group Co., Ltd. (formerly known as Zhuhai Huafa Investment Holdings Co., Ltd. and Zhuhai Financial Investment Holdings Group Co. Ltd.) ("**Huafa Investment Holdings**"), respectively. From January 2017 to March 2020, she was the deputy general manager of Huafa Investment Holdings. Ms. Xu has been a director of Zhuhai Huafa Properties Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600325) ("**Huafa Properties**") since March 2016. Since September 2016, she has been the general manager and a director of Zhuhai Huafa Multi-Business Development Co., Ltd. Ms. Xu has been the chief financing officer of Zhuhai Huafa Group Co., Ltd. since March 2018. She has been a director of Johnson Cleaning Services Co., Ltd. ("**Johnson**") since April 2017. She has been a director of Hong Kong Johnson Holdings Co., Ltd. (a company listed on SEHK, stock code: 1955) since July 2018 and was redesignated as a non-executive director and chairwoman of the board of directors in January 2019. Ms. Xu has been a director of Johnson Investment Holding Co., Ltd. ("**Johnson Investment**") since August 2018.

Ms. Xu Jili obtained a Bachelor's degree in Economics from Nankai University in July 1993. She also obtained a Master's degree in Management from the South China Agricultural University in June 2006.

Ms. Xu Liping, aged 41, joined the Company in June 2021 as an executive Director. Ms. Xu was the deputy general manager of Huafa Trade from May 2017 to May 2018. She has been the general manager of Huafa Trade since May 2018 and an executive director of Zhuhai Chuanghua International Trade Co., Ltd. and Zhuhai Zhihua International Trading Co., Ltd., respectively, since May 2020.

She received a Bachelor's degree in law from Zhongnan University of Economics and Law in June 2004.

Mr. Liu Donghai, aged 56, joined the Company in June 2001 and was the chairman of the Board from December 2013 to June 2021. He was appointed as the executive president since August 2021. Mr. Liu joined the Group in December 1997 and held various positions in the Group, including the vice chairman of the Board from July 2010 to December 2013, the general manager of the Company from March 2011 to December 2013 and the internal risk control officer of the Company from June 2001 to March 2011.

Mr. Liu obtained a Master's degree in Business Administration from China Europe International Business School in September 2003. He has been the vice president of the China Electronics Chamber of Commerce since November 2012.

Non-executive Directors

Mr. Xie Hui, aged 41, is an intermediate economist. He joined the Company in September 2021 as a non-executive Director. Mr. Xie was the secretary of the Board and the general manager of the strategic innovation department at Huafa Investment Holdings from September 2012 to July 2017 and from September 2012 to May 2018, respectively. He has been a director of Johnson since September 2015. Mr. Xie successively served as the general manager of the strategic development department of the strategic investment management centre, the director of the information management centre, the director of the secretariat of the board, the general manager of the investment management department of the strategic merger and acquisition management centre, the deputy director of the strategic operation management centre, as well as the general manager of the strategic development department at Zhuhai Huafa from November 2015 to April 2020. He was strategic director of Huafa Investment Holdings from July 2017 to March 2020. He has been the secretary of the board of Zhuhai Huafa since June 2017. He has been a director and has been redesignated as a non-executive director of Hong Kong Johnson Holdings Co., Ltd. (a company listed on SEHK, stock code: 1955) since July 2018 and January 2019, respectively. Mr. Xie has been a director of Johnson Investment since August 2018. Since April 2020, he has been the chief strategic operation officer at Zhuhai Huafa. He has been a director of Zhuhai Urban Construction Group Co., Ltd. since May 2020. From September 2020 to October 2021, Mr. Xie served as deputy general manager of Zhuhai Huafa Group Science and Technology Research Institute Co., Ltd. ("**Huafa Research Institute**") and was served as the executive director and general manager of Huafa Research Institute since October 2021.

Mr. Xie received a Bachelor's degree from the University of Science and Technology of China in July 2003 and a Master's degree in Financial Markets and Intermediaries from Toulouse School of Economics in France in November 2009.

Mr. Jia Zhaojie, aged 44, joined the Company in September 2021 as a non-executive Director. Mr. Jia served as the manager of Business Department I and the assistant to general manager of Huafa Trade from July 2014 to May 2018, and has been the deputy general manager of Huafa Trade since May 2018. He has been an executive director and the general manager of Shanghai Zhaohua International Trade Co., Ltd. and Nantong Yaohua International Trade Co., Ltd. since October 2021.

Mr. Jia received a Bachelor's degree in management science from Harbin Institute of Technology in July 2001.

Ms. Pan Anran, aged 34, is a senior purchasing specialist. She joined the Company in September 2021 as a non-executive Director. Ms. Pan served as the deputy manager of Business Department I and the deputy manager (deputy general manager) of Business Department III of Huafa Trade from April 2016 to December 2017. She has been the deputy manager of the Legal and Risk Control Department, deputy chief officer of risk control and deputy general manager of Huafa Trade since December 2017.

Ms. Pan obtained a Bachelor's degree in literature from Central China Normal University in June 2007.

Independent Non-executive Directors

Mr. Lv Tingjie, aged 66, has been an independent non-executive Director since November 2009, mainly responsible for attending the meetings of the Board, voting on the resolutions considered at the meetings of the Board, and overseeing the management of the Company. He has served as a professor, a doctoral tutor and the executive dean of School of Economics and Management of Beijing University of Posts and Telecommunications since May 1997, June 1999 and September 2007, respectively. He has been the standing director of the International Telecommunications Society since June 2007, mainly responsible for coordinating the economic cooperation and academic exchanges in Asia and Greater China region, a member of the Expert Committee for Telecommunication Economy of the Ministry of Industry and Information Technology since 2004, mainly responsible for policy consultation, examination and appraisal work, and the vice chairman of the Teaching Steering Committee of Higher Education Institutions under the Ministry of Education since 2008, mainly responsible for revising education plans for e-commerce. Mr. Lv Tingjie is currently an independent non-executive director of Gohigh Data Networks Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000851) that dedicates itself to the provision of telecommunications devices, business and overall solution with respect to industry informatisation.

Mr. Lv Tingjie obtained a doctoral degree in Systems Engineering from Kyoto University in November 1997, a Master's degree in Management Engineering and a Bachelor's degree in radio engineering from Beijing University of Posts and Telecommunications in April 1985 and July 1982, respectively. He was conferred the teaching certificate for institutions of higher learning by the Ministry of Education in July 1997.

Mr. Lv Pingbo, whose pseudonym is Shui Pi, aged 57, is a well-known financial columnist and has been an independent non-executive Director since June 2019, mainly responsible for attending the meetings of the Board, voting on the resolutions considered at the meetings of the Board, and overseeing the management of the Company. He was the director of the editorial department and deputy editor-in-chief of the China Business Times from July 1989 to March 2007. Since April 2007, Mr. Lv Pingbo has served as a director of Beijing Huaxia Shibao Media Ad Co., Ltd.

Mr. Lv Pingbo received a Bachelor's degree in journalism from Fudan University in July 1982 and a Master's degree in journalism from the Graduate School of Chinese Academy of Social Sciences in June 1989.

Mr. Cai Chun Fai, aged 41, has been an independent non-executive Director since June 2021. He is now a director of CCT & Partners CPA Limited. Mr. Cai served as the secretary of China Fortune Financial Group Ltd. (a company listed on Main Board of SEHK, stock code: 290) from February 2012 to April 2014. He was the chief operation officer and chief compliance officer of Enriched Goldenroad (H.K.) Credit Limited and Well Link Securities Limited from April 2014 to September 2018. Mr. Cai has been an independent non-executive director of Royal Catering Group Holdings Co., Ltd. (a company listed on GEM of SEHK, stock code: 8300) since July 2016. He served as an independent non-executive director of Inno-Tech Holdings Limited (a company listed on GEM of SEHK, stock code: 8202) and My Heart Bodibra Group Limited (a company listed on GEM of SEHK, stock code: 8297) from 2 February 2018 to 14 February 2018 and from February 2018 to April 2021, respectively. He has been an executive director and secretary of Zhaobangji Properties Holdings Limited (a company listed on Main Board of SEHK, stock code: 1660) since March 2019. Mr. Cai holds the degree of Bachelor of Arts in Accountancy from the Hong Kong Polytechnic University in 2003. He is a member of the Hong Kong Institute of Certified Public Accountants. He has over ten years' experience in auditing, accounting and financial management.

Mr. Cai was a director of Acton Idea Marketing Services Limited, a company incorporated under the laws of Hong Kong and engaged in the provision of marketing services. The company was struck off and dissolved on 13 February 2009 after it ceased operations in 2004. Mr. Cai confirmed that Acton Idea Marketing Services Limited had no external creditor when it was struck off and that there was no wrongful act on his part leading to the above dissolution. To the knowledge of Mr. Cai, no actual or potential claim has been or will be made against him as a result of such dissolution by way of striking off.

BOARD OF SUPERVISORS

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

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

Name	Age	Position	Date of Appointment	Date of Joining the Group
Yang Hui	51	Chairwoman of Board of Supervisors	30 June 2021	June 2021
Liu Zhenlong	30	Employee representative Supervisor	22 May 2020	July 2016
Li Wanlin	59	Supervisor	20 May 2014	May 2014

SUPERVISORS

Ms. Yang Hui, aged 51, joined the Group in June 2021 and has been a Supervisor and chairwoman of the Board of Supervisors of the Company since then. From August 2016 to May 2021, Ms. Yang has been the deputy general manager of finance of urban operational platform of Zhuhai Huafa and the chief financial officer of the financial department of the regional company, mainly responsible for the implementation and improvement of the financial management system and the financial system and fund management. She has been the chief financial officer of Huafa Trade since May 2021.

Ms. Yang obtained a diploma in accounting from China Central Radio and TV University (currently known as the Open University of China) in January 2013.

Mr. Liu Zhenlong, aged 30, joined the Group in July 2016. He has been an employee representative Supervisor and chairman of the Board of Supervisors since May 2020 and resigned as chairman of the Board of Supervisors on 30 June 2021. He joined Beijing Digital in July 2016 and had served successively as assistant to the Chairman of the Company, the general manager of new retail business segment and other positions. He has been the general manager of the omni-channel operation centre of the Group since August 2021 and is mainly responsible for sales management, store management and new retail operation.

Mr. Liu graduated from Department of Electronic Engineering of Tsinghua University with a Master's degree in Electronic Information and Communication Engineering in July 2016.

Mr. Li Wanlin, aged 59, joined the Group in May 2014 and has been a Supervisor since then. Mr. Li has been general manager of Beijing Eversino Technology Ltd. since 2007. Since 2009, he has successively served as a professor in National Mobile Communications Research Laboratory and School of Information of North China University of Technology. From 1991 to 2007, Mr. Li held multiple positions in Siemens AG and Siemens Ltd. China, including senior vice president of the group and chief technology officer. Mr. Li is primarily responsible for reviewing and providing written comments on the regular reports of the Company, reviewing financial statements of the Company and supervising behaviours of Directors and senior management members in performance of their duties for the Company.

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

SENIOR MANAGEMENT

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

Name	Age	Position	Date of Appointment	Date of Joining the Group
Xu Jili	50	President	10 August 2021	June 2021
Liu Donghai	56	Executive president	2 September 2020	June 2001
Su Fengjuan	38	Chief financial officer	7 November 2016	February 2009

Ms. Xu Jili, aged 50, joined the Company as a non-executive Director and chairwoman in June 2021. She was re-designated as an executive Director and president in August 2021. As the president, she is primarily responsible for the overall business development planning and operation management of the Group. For the biography of Ms. Xu Jili, please refer to "Directors, Supervisors and Senior Management – Directors – Executive Directors" in this section.

Mr. Liu Donghai, aged 56, joined the Company in June 2001. He served as chairman of the Board from December 2013 to June 2021 and as general manager from September 2020 to August 2021. He was appointed as the executive president since August 2021. As the executive president, he is mainly responsible for the daily operation and management of the Company. For the biography of Mr. Liu Donghai, please refer to "Directors, Supervisors and Senior Management – Directors – Executive Directors" in this section.

Ms. Su Fengjuan, aged 38, a Chinese Certified Public Accountant, joined the Company in February 2009. She served as ORACLE financial function consultant, head of the financial management department, assistant to chief financial officer and trainee chief financial officer of the Company. Ms. Su is primarily responsible for accounting, capital, establishment of internal internal control, and coordination of financial resources.

She obtained a Master's degree in Business Administration from North China University of Technology in June 2009 and graduated from Renmin University of China with a Senior Executive Master of Business Administration degree in December 2021.

BOARD OF DIRECTORS’ REPORT

The board of directors of the Company (the “**Board**”) is pleased to present the Group’s annual report together with the audited consolidated financial statements for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the retail sales of mobile telecommunications devices and accessories and the provision of related services. Analysis of the principal activities of the Group is set out in note 1 to the financial statements from pages 112 to 116 of this annual report.

RESULTS

The financial results of the Group for the year ended 31 December 2021 are set out from pages 104 to 105 of the financial statements of this annual report.

BUSINESS REVIEW

Operating Results and Financial Position

For the year ended 31 December 2021, the Group sold 3,525,000 mobile handsets, representing a decrease of 4,430,000 sets or 55.69% compared with 7,955,000 sets for the same period last year. Operating revenue for the year of 2021 amounted to RMB10,243,930,000, representing a decrease of RMB3,306,220,000 or 24.40% from RMB13,550,150,000 for the same period last year. Net loss for the year of 2021 amounted to RMB3,596,985,000, while net profit for the same period last year amounted to RMB114,512,000.

For a detailed analysis on the Group’s operating results and financial position, important events affecting the Group that have occurred since the end of the reporting period, and the discussion on the Group’s future business development and business outlook, please refer to the section headed “Management Discussion and Analysis” set out from pages 8 to 19 of this annual report. These discussions form part of this Board of Directors’ Report.

MAJOR RISK FACTORS AND UNCERTAINTY

Risk of Failure to Renew the Leases for Our Leased Properties before the Expiry of the Leases and the Lease is Renewed at Higher Rent

Most of the Group’s retail stores are leased properties and the Group may face the risks of failure to renew the leases before the expiry of the leases or the lease is renewed at higher rent, which may affect the overall operating results of the Group.

Solutions: On the one hand, we may build long-term relationships with the lessors of the properties by word-of-mouth brand recognition and sound reputation. On the other hand, the Company keeps implementing its operation strategy of establishing presence in business districts, finding suitable shop premises to open stores in various locations in prime business districts and at the same time identifying any other suitable properties in surrounding areas so that we may be able to find a replacement property in time if the Group fails to renew the existing lease of a store or there is increase in rental when the lease is to be renewed to avoid affecting the overall operating results of the Group. In addition, we continue to strive for the resources of carriers and negotiate subsidies in rent when cooperating with them in order to offset some risks in the rental increase.

Risk for Overstocking Inventory

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

Solutions: Our Procurement Department, Finance Department and Sales Department work together for our daily inventory management to ensure healthy inventory turnover days of products. The process begins from the reporting of procurement plans by each of our subsidiaries. The Procurement Department at the headquarters will then combine those procurement plans and prepare a payment plan. Finally, the Finance Department will determine the priority for the procurement of various brand products based on their current inventory turnover days. Meanwhile, the management has also formulated new risk management measures to reduce risks arising from overstock of products in the future.

Risk of Liquidity

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

Solutions: The Group implemented a management system for the Group's capital pool many years ago. The revenues of the Group's subsidiaries will be collected on real-time basis, which allows the management to timely understand the operation of the Group and adjust the operation strategies based on the actual circumstance.

FUTURE PROSPECT

For the Group's future development and business outlook, please refer to the section headed "Management Discussion and Analysis" set out on page 19 of this annual report.

EMPLOYEES, ENVIRONMENTAL POLICIES AND PERFORMANCE AND COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

For the analysis on the Group's environmental policies and performances, its relationship with its employees, and compliance with relevant laws and regulations, please refer to the section headed "Environmental, Social and Governance Report" set out from pages 62 to 97 of this annual report.

FINAL DIVIDEND

The Board does not recommend any final dividend for the year ended 31 December 2021.

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

1. Ways of dividend distribution:

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

2. Currency denominated for dividend:

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

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

3. Ratification procedures for the dividend distribution plan:

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

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

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

   1) loss recovery;

   2) withdrawal of statutory reserve funds;

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

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

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years are set out on page 5 of this annual report. This summary does not form part of the audited consolidated financial statements.

USE OF PROCEEDS FROM NON-PUBLIC OFFERING

Details of the use of those proceeds from the non-public offering of the Company's new H shares in January 2020 are set out in the section headed "Management Discussion and Analysis – (vii) Use of Proceeds" of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year 2021, the Company's transaction volume with its five largest customers accounted for 19.48% of the Group's operating revenue for the year ended 31 December 2021. The Group's transaction volume with its single largest customer accounted for 5.46% of the Group's operating revenue for the year 2021.

Major Suppliers

For the year 2021, the Group's transaction volume with its five largest suppliers accounted for 35.35% of the Group's operating costs for the year ended 31 December 2021. The Group's transaction volume with its single largest supplier accounted for 14.73% of the Group's operating costs for the year 2021.

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group for the year are set out in note 16 to the financial statements from pages 154 to 155 of this annual report.

SHARE CAPITAL

For the year ended 31 December 2021, the total issued share capital of the Company was 732,460,400 shares.

Details of movements in the share capital of the Company are set out in note 34 to the financial statements on page 175 of this annual report.

RESERVES

Details of changes in the reserves of the Group for the year are set out in the consolidated statement of changes in equity from pages 108 to 109 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution, calculated in accordance with the provisions of the PRC Company Law, amounted to approximately RMB-944,013,000 (as at 31 December 2020: approximately RMB2,626,215,000).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2021 are set out in note 33 to the financial statements on page 174 of this annual report.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year ended 31 December 2021 and up to the date of this report are as follows:

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)

BIOGRAPHIES OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and senior management are set out from pages 20 to 25 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has made a confirmation on independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company considers all of the independent non-executive Directors to be independent during the year ended 31 December 2021 in accordance with Rule 3.13 of the Listing Rules.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

The members of the fourth session of Board of Directors of the Company, namely Mr. Liu Donghai, Mr. Liu Yajun, Ms. Liu Wencui, Mr. Li Wenzhi, Mr. Yao Yanzhong, Mr. Lv Jing, Mr. Lv Tingjie, Mr. Lv Pingbo and Mr. Zhang Senquan entered into service agreements with the Company respectively on 22 May 2020 with a fixed term of three years commencing from 22 May 2020 until the expiry of the fourth session of Board of Directors of the Company. Ms. Liu Wencui resigned as an executive Director on 21 May 2021. Mr. Liu Yajun resigned as an executive Director, Mr. Li Wenzhi, Mr. Yao Yanzhong and Mr. Lv Jing resigned as non-executive Directors, and Mr. Zhang Senquan resigned as an independent non-executive Director respectively on 30 June 2021.

Ms. Xu Liping was appointed as an executive Director, Ms. Xu Jili, Mr. Li Guangning, Ms. Guo Jin and Mr. Gao Dali were appointed as non-executive Directors, and Mr. Cai Chun Fai was appointed as an independent non-executive Director on 30 June 2021. They entered into service agreements with the Company respectively on 30 June 2021 with a fixed term of three years commencing from 30 June 2021 until the expiry of the fourth session of Board of Directors of the Company. Mr. Li Guangning, Ms. Guo Jin and Mr. Gao Dali resigned and Mr. Xie Hui, Mr. Jia Zhaojie and Ms. Pan Anran were appointed as non-executive Directors on 10 September 2021. Mr. Xie Hui, Mr. Jia Zhaojie and Ms. Pan Anran entered into service agreements with the Company respectively on 10 September 2021 with a fixed term of three years commencing from 10 September 2021 until the expiry of the fourth session of Board of Directors of the Company. The service agreements entered into between the Company and each of the Directors are subject to renewal in accordance with the Articles of Association of the Company and applicable laws, rules and regulations or early termination in accordance with their respective terms.

Mr. Li Wanlin, Mr. Hu Yuzhong and Mr. Liu Zhenlong, members of the fourth session of Board of Supervisors of the Company, entered into service agreements with the Company respectively on 22 May 2020 with a fixed term of three years commencing from 22 May 2020 and ending at the expiry of the fourth session of Board of Supervisors of the Company. Mr. Hu Yuzhong resigned as a Supervisor on 30 June 2021 and Ms. Yang Hui was appointed as a Supervisor on 30 June 2021. She entered into a service agreement with the Company on 30 June 2021 with a fixed term of three years commencing from 30 June 2021 until the expiry of the fourth session of Board of Supervisors of the Company. The service agreements entered into between the Company and respective Supervisors are subject to renewal in accordance with the Articles of Association of the Company and applicable laws, rules and regulations or early termination in accordance with their respective terms.

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

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

During the year ended 31 December 2021, no Directors, Supervisors or connected entities with such Directors or Supervisors directly or indirectly had any material interests in any material transactions, arrangements or contracts of significance in relation to the Group's business, to which the Company, its subsidiaries or fellow subsidiaries was a party.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or subsisted during the year ended 31 December 2021.

EMOLUMENT POLICY

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

REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors, Supervisors and five highest paid individuals are set out in notes 11 and 12 to the financial statements on from pages 148 to 152 of this annual report.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 4 to the financial statements on page 138 of this annual report.

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

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

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

As at 31 December 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 The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules were as follows:

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

Notes:

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

2. *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 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 (collectively, 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 held by Huafa Industrial Investment Holding, and Liu Songshan and Di Er Tong are deemed to be interested in 337,700,000 domestic shares held by Huafa Industrial Investment Holding.*

Save as disclosed above, as at 31 December 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.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 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 (%) *(Note 1)*	Percentage of the total share capital (%) *(Note 1)*
Liu Yongmei *(Note 2)*	Domestic shares	Interest of controlled corporation	168,362,098 (long position)	49.86	22.99
		Persons acting in concert	169,337,902 (long position)	50.14	23.12
Liu Hua *(Note 2)*	Domestic shares	Interest of controlled corporation	168,362,098 (long position)	49.86	22.99
		Persons acting in concert	169,337,902 (long position)	50.14	23.12
Liu Wenli *(Note 2)*	Domestic shares	Interest of controlled corporation	168,362,098 (long position)	49.86	22.99
		Persons acting in concert	169,337,902 (long position)	50.14	23.12
Liu Wencui *(Note 2)*	Domestic shares	Interest of controlled corporation	168,362,098 (long position)	49.86	22.99
		Persons acting in concert	169,337,902 (long position)	50.14	23.12
Liu Songshan *(Note 2)*	Domestic shares	Persons acting in concert	337,700,000 (long position)	100.00	46.10
Di Er Tong *(Note 2)*	Domestic shares	Persons acting in concert	337,700,000 (long position)	100.00	46.10
Digital Science & Technology *(Note 2)*	Domestic shares	Beneficial owners	168,362,098 (long position)	49.86	22.99
		Persons acting in concert	169,337,902 (long position)	50.14	23.12
Huafa Industrial Investment Holding *(Note 3)*	Domestic shares	Beneficial owners	169,337,902 (long position)	50.14	23.12
		Persons acting in concert	168,362,098 (long position)	49.86	22.99

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 owners	327,057,912 (long position)	82.85	44.65
Dawn Galaxy International Limited *(Note 4)*	H shares	Beneficial owners	42,000,000 (long position)	10.64	5.73

Notes:

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

2. *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 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 held by Huafa Industrial Investment Holding, and Liu Songshan and Di Er Tong are deemed to be interested in 337,700,000 domestic shares held by Huafa Industrial Investment Holding.*

3. *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 and Digital Science & Technology, together with 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 held by Di Er Tong and Digital Science & Technology, together with the Liu Family. Zhuhai Huafa Group Co., Ltd. directly holds a 100% equity interests 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 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, while Zhuhai Huafa Group Co., Ltd. directly holds a 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 held by Hong Kong Huafa Investment Holdings Limited.*

4. *To the best of the Directors' knowledge after due enquiry, following the closing of the mandatory conditional offer for H shares on 3 June 2021, Dawn Galaxy International Limited is no longer a substantial shareholder of the Company as it had made a valid acceptance for the offer. However, as there is no notification to cease to have a notifiable interest pursuant to Divisions 2 and 3 of Part XV of the SFO after the relevant event, as recorded in the register to be kept by the Company pursuant to Section 336 of the SFO, Dawn Galaxy International Limited remains registered as a substantial shareholder of the Company on 31 December 2021.*

Save as disclosed above, as at 31 December 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.

PLEDGE OF SHARES BY THE 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 ("**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, 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.

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.

EQUITY-LINKED AGREEMENT

During the year ended 31 December 2021, the Company and its subsidiaries neither entered into any agreements in relation to equity-linked products nor participated in any arrangement to purchase equity-linked wealth management products.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

During the year ended 31 December 2021, shareholders of the Company had no pre-emptive rights or any share option arrangements in accordance with applicable PRC laws and the Articles of Association.

NON-COMPETITION UNDERTAKING

Notwithstanding that Huafa Group has controlled a total voting right of 90.76% of the Company since June 2021 as the Liu Family shall take concerted action with and shall act in accordance with the will of Huafa Industrial Investment Holding pursuant to the acting-in-concert agreement, pursuant to Rule 19A.14 of the Listing Rules, the Liu Family shall still be regarded as controlling shareholders of the Company. The Liu Family together with Digital Science & Technology, Di Er Tong and Beijing Rong Feng Tai Management and Consulting Company Limited) issued a non-competition undertaking on 4 March 2014 in favor of the Group (the "**Non-competition Undertaking**"), which remains in force.

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

Please refer to the prospectus of the Company dated 25 June 2014 for details of the above Non-competition Undertaking.

The Company has received an annual written confirmation in respect of the compliance by the aforesaid parties to the Non-competition Undertaking with the Non-competition Undertaking.

The independent non-executive Directors have reviewed and assessed if the aforesaid parties to the Non-competition Undertaking have complied with the Non-competition Undertaking. The independent non-executive Directors have confirmed that the aforesaid parties to the Non-competition Undertaking have not been in breach of the Non-competition Undertaking during the year ended 31 December 2021.

DIRECTORS' AND SUPERVISORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, during the year of 2021, none of the Directors, the Supervisors and their associates had any competing interest in any business which competes or may compete directly or indirectly with the businesses of the Company.

CONNECTED TRANSACTIONS

During the year ended 31 December 2021, the Company did not enter into or conduct any connected transactions (including continuing connected transactions) which were subject to the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions for the year ended 31 December 2021 are set out in note 39 to the consolidated financial statements. None of these related party transactions were connected transactions (including continuing connected transactions) which were subject to the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

References are made to the announcements of the Company dated 22 June 2021, 23 November 2021, 31 January 2022 and 12 April 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 and 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 Offer. 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, and further extended by a temporary waiver granted by the Stock Exchange on 8 April 2022 for a waiver period from 5 February 2022 to 5 June 2022 from strict compliance with Rule 8.08(1)(a) of the Listing Rules.

CHARITY DONATIONS

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

SIGNIFICANT LEGAL PROCEEDINGS

As of 31 December 2021, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

PERMITTED INDEMNITY PROVISION

The Company purchased an insurance covering the liability of the Directors and the senior management with a validity period of 12 months with effect from 31 March 2021, and was renewed in March 2022 for a period of 12 months. Except for such insurance, the Company has no valid permitted indemnity provisions (as defined in Companies (Directors' Report) Regulation of the Chapter 622D of Hong Kong Laws) during the year ended 31 December 2021 and as of the date of this annual report.

EVENTS AFTER THE FINANCIAL YEAR END DATE

Details of the major events occurring after the financial year end date are set out in the section headed "Management Discussion and Analysis" set out on page 18 of this annual report.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's annual results for 2021 and the financial statements prepared in accordance with IFRSs for the year ended 31 December 2021.

CORPORATE GOVERNANCE CODE

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

Under code provision 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. However, Mr. Liu resigned as the chairman of the Board on 30 June 2021, and only remained as the general manager, a position which served the same function as the chief executive officer, of the Company. On the same day, Ms. Xu Jili ("**Ms. Xu**") was appointed as the chairwoman of the Board. Accordingly, from 30 June 2021 to 9 August 2021, the Company met the relevant requirements of the CG Code. On 10 August 2021, Ms. Xu succeeded Mr. Liu as the president, which has the same role and responsibility as the general manager of the Company but with a different job title. 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 on a regular basis 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.

During the year ended 31 December 2021, save as disclosed in this annual report, the Company has complied with the other code provisions set out in the CG Code and adopted most of the other recommended best practices.

AUDITOR

Ernst & Young was appointed as the auditor for the financial statements prepared in accordance with IFRSs for the year ended 31 December 2021. The accompanying financial statements prepared in accordance with IFRSs have been audited by Ernst & Young.

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

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

By order of the Board
Xu Jili
Chairwoman

Beijing, 29 April 2022

BOARD OF SUPERVISORS' REPORT

In 2021, COVID-19 continued to exert impacts on the operations of the Company. In order to cope with the crisis, the leadership of the Company actively took various measures to promote its development. The year 2021 was a difficult year for the Company but it still saw orderly and compliant development, and all operations were carried out as planned. The Board of Supervisors of the Company continued to supervise the Company's legal compliance of its operation and the acts of the Directors, managers and other senior management members in performing their duties in strict compliance with the Company Law, the Articles of Association and Rules of Procedures for the Board of Supervisors with the authority granted by relevant laws and regulations, which effectively facilitates the healthy and standardised development of the Company and effectively safeguards the legitimate rights and interests of the Company and the shareholders. The main duties of the Board of Supervisors in 2021 are reported as follows:

I. DETAILS OF FOUR SUPERVISORS' MEETINGS OF THE COMPANY HELD DURING THE YEAR 2021

1. On 31 March 2021, the Company held the third meeting of the fourth session of Board of Supervisors in Beijing via conference call. All the three Supervisors of the Company attended the meeting, which met the quorum as required under the Articles of Association and thus was legal and valid. The meeting was presided over by the then Chairman Liu Zhenlong. After voting, five resolutions were approved at the meeting.

2. On 4 June 2021, the Company held the fourth meeting of the fourth session of Board of Supervisors in Beijing in writing. All the three supervisors of the Company attended the meeting, which met the quorum as required under the Articles of Association and thus was legal and valid. After voting, two resolutions were approved at the meeting.

3. On 30 June 2021, the Company held the fifth meeting of the fourth session of Board of Supervisors in Beijing in a physical location. All the three supervisors of the Company attended the meeting, which met the quorum as required under the Articles of Association and thus was legal and valid. The meeting was presided over by Mr. Liu Zhenlong, the employee representative supervisor. After voting, one resolution was approved at the meeting.

4. On 17 September 2021, the Company held the sixth meeting of the fourth session of Board of Supervisors in Beijing in writing. All the three supervisors of the Company attended the meeting, which met the quorum as required under the Articles of Association and thus was legal and valid. After voting, one resolution was approved at the meeting.

II. THE WORK REPORTING OF THE BOARD OF SUPERVISORS FOR THE YEAR 2021

1. Supervision of the performance of duties

Members of the Board of Supervisors continuously monitor the Group's overall business management activities and effectiveness, closely monitor the Group's financial and internal control risk profile and supervise the performance of duties by directors and senior management by attending general meetings, meetings of the Board and its professional committees, etc. The Board of Supervisors is of the view that the Directors and senior management of the Company are able to comply with the provisions of the Articles of Association and perform their duties diligently.

2. Performance of the supervision of finance

During the reporting period, the Board of Supervisors continued to monitor the Group's consolidated and classified financial position, paying attention to trending issues and anomalies; carefully reviewed the annual accounts report; and strengthened communication with the external auditors on the audit of annual financial reports and review of interim financial reports, prompting key audit matters and making targeted recommendations.

3. Internal control of risks and other areas of supervision

During the reporting period, the Board of Supervisors listened to reports or held special communication meetings through meetings of the Board of Supervisors to understand the Group's work in risk management, internal control and compliance, connected transactions and internal audit, and made comments and suggestions on related work.

4. Supervisory due diligence

During the reporting period, all Supervisors actively performed their supervisory duties, attended all meetings of the Board of Supervisors and its professional committees, expressed their opinions and participated in voting in a prudent manner; actively participated in the supervision and inspection work organised by the Board of Supervisors; actively participated in the internal and external training activities of the Company to continuously improve their ability and business level in performing their duties; and the Supervisors representing the employees Attended the staff representative meeting of the Company and made annual work presentation. the Board of Supervisors is of the view that all Supervisors have performed their duties in compliance with the Company Law, the Articles of Association and other laws and regulations, regulatory provisions and the requirements of the Company's internal rules and regulations, and that the various supervision work has been effective.

III. THE WORK PLAN OF THE BOARD OF SUPERVISORS FOR THE YEAR 2022

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report in the annual report of the Company for the year ended 31 December 2021.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code contained in Appendix 14 to the Listing Rules. Save for those disclosed in this annual report, the Directors are of the opinion that, during the year ended 31 December 2021, the Company has complied with the code provisions set out in the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

BOARD OF DIRECTORS

Responsibilities

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

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

The primary authorities exercisable by the Board include: convening general meetings of shareholders to report its work and carry out the resolutions approved thereat; determining the Company's business plans and investment programmes; drawing up the Company's annual financial budget and final accounts plans, profit distribution plans and loss recovery plans; formulating the Company's plans to increase or decrease registered capital and issue corporate bonds; drawing up schemes for merger, spin-off and dissolution of the Company; determining the Company's internal management structure; appointing or dismissing the Company's general manager and, appointing or dismissing the Company's deputy general managers and other senior management members based on the nomination of the general manager, as well as determining their remunerations; drawing up the Company's basic management system; and proposing amendments to the Articles of Association.

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

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

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

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

The Company's management are primarily responsible for implementing the resolutions of the Board and the Company's business plans and investment programmes; the Company's key management systems and supervising their implementation, managing the Company's financial revenues and expenditures and overseeing the flow of funds, and determining the changes in key positions.

The Company purchased an insurance policy covering the liability of the Directors and senior management with a valid period of 12 months effective from 31 March 2021 to 30 March 2022 in March 2021. In March 2022, the Company renewed the insurance with a valid period from 31 March 2022 to 30 March 2023.

Board Composition

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

Executive Directors:

Ms. Xu Jili *(Chairwoman)*
Ms. Xu Liping
Mr. Liu Donghai

Non-executive Directors:

Mr. Xie Hui
Mr. Jia Zhaojie
Ms. Pan Anran

Independent Non-executive Directors:

Mr. Lv Tingjie
Mr. Lv Pingbo
Mr. Cai Chun Fai

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

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

As at the date of this annual report, none of the Directors, Supervisors and senior management has any personal relationship (including financial, business, family or other material or relevant relationship) with other Directors, Supervisors and senior management.

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

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

Board Diversity Policy

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

Policy Statement

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

Measurable Objectives

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

Monitoring and Reporting

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

Review of the Policy

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

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

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

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

3. The Directors have different educational backgrounds, including Bachelor's degree in law and accounting, Master's degree in management, and Bachelor's degree in economics. Their ages range from 34 to 66 and three are female members. The Nomination Committee has reviewed the board diversity policy to ensure its effectiveness and believes that the members of the Board has achieved diversity.

Induction and Continuous Professional Development

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

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

Directors	Type of training
Cai Chun Fai, Lv Tingjie and Lv Pingbo	A/B/C
Xie Hui, Jia Zhaojie and Pan Anran	A/C
Xu Jili, Xu Liping and Liu Donghai	A/C

Notes:

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

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

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

Chairman and Chief Executive Officer

Under code provision 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. However, Mr. Liu resigned as the chairman of the Board on 30 June 2021, and only remained as the general manager, a position which served the same function as the chief executive officer, of the Company. On the same day, Ms. Xu Jili ("**Ms. Xu**") was appointed as the chairwoman of the Board. Accordingly, from 30 June 2021 to 9 August 2021, the Company met the relevant requirements of the CG Code. On 10 August 2021, Ms. Xu succeeded Mr. Liu as the president, which has the same role and responsibility as the general manager of the Company but with a different job title. 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 on a regular basis 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.

Appointment and Re-Election of Directors

The members of the fourth session of the Board, namely Mr. Liu Donghai, Mr. Liu Yajun, Ms. Liu Wencui, Mr. Li Wenzhi, Mr. Yao Yanzhong, Mr. Lv Jing, Mr. Lv Tingjie, Mr. Lv Pingbo and Mr. Zhang Senquan entered into service agreements with the Company respectively on 22 May 2020 with a fixed term of three years commencing from 22 May 2020 until the expiry of the fourth session of the Board. Ms. Liu Wencui resigned as an executive Director on 21 May 2021. Mr. Liu Yajun resigned as an executive Director, Mr. Li Wenzhi, Mr. Yao Yanzhong and Mr. Lv Jing resigned as non-executive Directors, and Mr. Zhang Senquan resigned as an independent non-executive Director respectively on 30 June 2021.

Ms. Xu Liping was appointed as an executive Director, Ms. Xu Jili, Mr. Li Guangning, Ms. Guo Jin and Mr. Gao Dali were appointed as non-executive Directors, and Mr. Cai Chun Fai was appointed as an independent non-executive Director on 30 June 2021. They entered into service agreements with the Company respectively on 30 June 2021 with a fixed term of three years commencing from 30 June 2021 until the expiry of the fourth session of the Board. Mr. Li Guangning, Ms. Guo Jin and Mr. Gao Dali resigned and Mr. Xie Hui, Mr. Jia Zhaojie and Ms. Pan Anran was appointed as non-executive Directors on 10 September 2021. They entered into service agreements with the Company respectively on 10 September 2021 with a fixed term of three years commencing from 10 September 2021 until the expiry of the fourth session of the Board. The service agreements entered into between the Company and each of the Directors are subject to renewal in accordance with the Articles of Association of the Company and applicable laws, rules and regulations or early termination in accordance with their respective terms.

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

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

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

Board Meetings

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

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

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

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

Name of Director	Number of Board Meetings Attended/Total Number of Board Meetings Eligible to Attend	Number of General Meetings Attended/Total Number of General Meetings Eligible to Attend
Ms. Xu Jili (appointed on 30 June 2021)	3/3	1/1
Ms. Xu Liping (appointed on 30 June 2021)	3/3	1/1
Mr. Liu Donghai	4/4	2/2
Mr. Xie Hui (appointed on 10 September 2021)	1/1	0/0
Mr. Jia Zhaojie (appointed on 10 September 2021)	1/1	0/0
Ms. Pan Anran (appointed on 10 September 2021)	1/1	0/0
Mr. Lv Tingjie	4/4	2/2
Mr. Lv Pingbo	4/4	2/2
Mr. Cai Chun Fai (appointed on 30 June 2021)	3/3	1/1
Mr. Liu Yajun (resigned on 30 June 2021)	1/1	0/1
Ms. Liu Wencui (resigned on 21 May 2021)	1/1	0/1
Mr. Li Guangning (appointed on 30 June 2021 and resigned on 10 September 2021)	2/2	1/1
Ms. Guo Jin (appointed on 30 June 2021 and resigned on 10 September 2021)	2/2	1/1
Mr. Gao Dali (appointed on 30 June 2021 and resigned on 10 September 2021)	2/2	1/1
Mr. Li Wenzhi (resigned on 30 June 2021)	1/1	0/1
Mr. Yao Yanzhong (resigned on 30 June 2021)	1/1	0/1
Mr. Lv Jing (resigned on 30 June 2021)	1/1	0/1
Mr. Zhang Senquan (resigned on 30 June 2021)	1/1	1/1

A total of 24 Board's resolutions were passed at four Board meetings held during the reporting period, details of which are as follows:

1. On 31 March 2021, the Company held the 16th meeting of the fourth session of the Board in 2021 by electronic communication means, at which 9 resolutions were considered and approved;

2. On 30 June 2021, the Company held the 20th meeting of the fourth session of the Board in 2021 by face-to-face communication and electronic communication means, at which 9 resolutions were considered and approved;

3. On 10 August 2021, the Company held the 22nd meeting of the fourth session of the Board in 2021 by face-to-face communication and electronic communication means, at which 3 resolutions were considered and approved; and

4. On 17 December 2021, the Company held the 32nd meeting of the fourth session of the Board in 2021 by face-to-face communication and electronic communication means, at which 3 resolutions were considered and approved.

Shareholders' General Meeting

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

1. On 30 June 2021, the Company held the annual general meeting for the year 2021 in Zhuhai. Two shareholders or their proxies holding 603,127,692 shares of the Company, representing approximately 82.342703% of the total number of the shares of the Company, attended the meeting. The meeting was chaired by Mr. Liu Donghai, an executive Director. Certain Directors, Supervisors and senior management members attended the meeting. Eleven ordinary resolutions and one special resolution were approved by open voting at the meeting.

2. On 10 September 2021, the Company held the first extraordinary general meeting for the year 2021 in Beijing. One shareholder or his/her proxy holding 664,757,912 shares of the Company, representing approximately 90.76% of the total number of the shares of the Company, attended the meeting. The meeting was chaired by Chairwoman, Ms. Xu Jili. Certain Directors, Supervisors and senior management members attended the meeting. Three ordinary resolutions were approved by open voting at the meeting.

Model Code for Securities Transactions

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

During the year ended 31 December 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.

Delegation by the Board

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

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

Corporate Governance Function

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

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

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

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

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

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

BOARD COMMITTEES

Nomination Committee

The Nomination Committee is currently comprised of three members, including one executive Director, Ms. Xu Jili (chairwoman), and two independent non-executive Directors, namely Mr. Lv Pingbo and Mr. Cai Chun Fai.

The principal duties of the Nomination Committee of the Company are as follows:

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

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

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

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

5. to review the board diversity policy.

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

During the year ended 31 December 2021, the Nomination Committee held two meetings. The attendance of each member of the Nomination Committee at the meetings is set out in the table below:

Name of Director	Number of Meetings Attended/Total Number of Meetings Eligible to Attend
Ms. Xu Jili (appointed on 30 June 2021)	2/2
Mr. Lv Pingbo	2/2
Mr. Cai Chun Fai (appointed on 30 June 2021)	2/2
Mr. Lv Tingjie (resigned on 30 June 2021)	0/0
Mr. Yao Yanzhong (resigned on 30 June 2021)	0/0

Details of the meetings are as follows:

1. On 30 June 2021, the Company held the 3rd meeting of the Nomination Committee of the fourth session of the Board by face-to-face communication and electronic communication means, at which one resolution was considered and approved; and

2. On 10 August 2021, the Company held the 4th meeting of the Nomination Committee of the fourth session of the Board by face-to-face communication and electronic communication means, at which one resolution was considered and approved.

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

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

Remuneration and Assessment Committee

The Remuneration and Assessment Committee is comprised of three members, namely Mr. Cai Chun Fai (chairman), Ms. Xu Liping and Mr. Lv Pingbo. Apart from Ms. Xu Liping who is an executive Director, both of the other members are independent non-executive Directors.

The principal duties of the Remuneration and Assessment Committee are as follows:

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

2. to make recommendations to the Board on the Company's overall policy and structure for the remuneration of Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy;

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

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

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

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

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

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

During the year ended 31 December 2021, the Remuneration and Assessment Committee held two meetings. The attendance of each member of the Remuneration and Assessment Committee at the meetings is set out in the table below:

Name of Director	Number of Meetings Attended/Total Number of Meetings Eligible to Attend
Mr. Cai Chun Fai (appointed on 30 June 2021)	2/2
Mr. Lv Pingbo	2/2
Ms. Xu Liping (appointed on 30 June 2021)	2/2
Mr. Lv Jing (resigned on 30 June 2021)	0/0
Mr. Zhang Senquan (resigned on 30 June 2021)	0/0

Details of the meetings are as follows:

1. On 30 June 2021, the Company held the 2nd meeting of the Remuneration and Assessment Committee of the fourth session of the Board by face-to-face communication and electronic communication means, at which two resolutions were considered and approved;

2. On 10 August 2021, the Company held the 3rd meeting of the Remuneration and Assessment Committee of the fourth session of the Board by face-to-face communication and electronic communication means, at which one resolution was considered and approved.

The Remuneration and Assessment Committee has reviewed the remuneration of Directors and senior management members for the year 2021, as well as the Company's policy and structure for the remuneration of all Directors and senior management. Based on the review, the Remuneration and Assessment Committee has made recommendations to the Board on the remuneration packages of individual executive Directors and senior management members.

Remuneration of Directors, Supervisors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on the remuneration of Directors, Supervisors and senior management of the Group. Details of the remuneration of each of the Directors and Supervisors for the year ended 31 December 2021 are set out in note 11 to the financial statements of this annual report on pages 148 to 151.

The biographies of the senior management are disclosed in the section headed "Directors, Supervisors and Senior Management" in this annual report. The remuneration by band of non-Director members of the senior management for the year ended 31 December 2021 is as follows:

Remuneration band (RMB)	**Number of individuals**
Below 500,000	0
500,000 to 1,000,000	1
Over 1,000,000	0

Audit Committee

The Audit Committee is comprised of three members, namely Mr. Cai Chun Fai (chairman), Ms. Pan Anran and Mr. Lv Tingjie. Apart from Ms. Pan Anran who is a non-executive Director, both of the other members are independent non-executive Directors.

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

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

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2021, the Audit Committee held two meetings. The attendance of each member of the Audit Committee at the meetings is set out in the table below:

Name of Director	Number of Meetings Attended/Total Number of Meetings Eligible to Attend
Mr. Cai Chun Fai (appointed on 30 June 2021)	1/1
Mr. Lv Tingjie	2/2
Ms. Pan Anran (appointed on 10 September 2021)	0/0
Mr. Gao Dali (appointed on 30 June 2021 and resigned on 10 September 2021)	1/1
Mr. Zhang Senquan (resigned on 30 June 2021)	1/1
Mr. Lv Pingbo (resigned on 30 June 2021)	1/1

Details of the meetings are as follows:

1. On 31 March 2021, the Company held the 3rd meeting of the Audit Committee of the fourth session of the Board by electronic communication means, at which four resolutions were considered and approved; and

2. On 30 June 2021, the Company held the 4th meeting of the Audit Committee of the fourth session of the Board by electronic communication means, at which one resolution was considered and approved.

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

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

Strategy Committee

The Strategy Committee is currently comprised of five members, including three executive Directors, namely Ms. Xu Jili (chairwoman), Ms. Xu Liping and Mr. Liu Donghai, and two non-executive Directors, namely Mr. Xie Hui and Mr. Jia Zhaojie.

The principal duties of the Strategy Committee are as follows:

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

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

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

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

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

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

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

During the year ended 31 December 2021, the Strategy Committee held one meeting. The attendance of each member of the Strategy Committee at the meeting is set out in the table below:

Name of Director	Number of Meetings Attended/Total Number of Meetings Eligible to Attend
Ms. Xu Jili (appointed on 30 June 2021)	1/1
Ms. Xu Liping (appointed on 30 June 2021)	1/1
Mr. Liu Donghai	1/1
Mr. Xie Hui (appointed on 10 September 2021)	0/0
Mr. Jia Zhaojie (appointed on 10 September 2021)	0/0
Mr. Li Guangning (appointed on 30 June 2021 and resigned on 10 September 2021)	1/1
Ms. Guo Jin (appointed on 30 June 2021 and resigned on 10 September 2021)	1/1
Mr. Liu Yajun (resigned on 30 June 2021)	0/0
Mr. Lv Tingjie (resigned on 30 June 2021)	0/0
Mr. Li Wenzhi (resigned on 30 June 2021)	0/0
Mr. Yao Yanzhong (resigned on 30 June 2021)	0/0

Details of the meeting are as follows:

On 30 June 2021, the Company held the 2nd meeting of the Strategy Committee of the fourth session of the Board by face-to-face communication and online communication means, at which one resolution was considered and approved.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2021, which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

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

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

The statement by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 98 to 103 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

AUDITOR'S REMUNERATION

For the year ended 31 December 2021, Ernst & Young, as engaged by the Company, provided audit-related services only, and did not provide any non-audit services. The total remuneration paid or payable to Ernst & Young and auditors of the statutory financial statements of other subsidiaries by the Company amounted to RMB3,950,000 for 2021.

COMPANY SECRETARY

After the resignation of the company secretary Ms. Lam Yuk Ling on 4 June 2021, Ms. Ng Sau Mei ("**Ms. Ng**") was appointed as the company secretary. Ms. Ng, a director of the Listing Services Department of TMF Hong Kong Limited (an international corporate service provider), is responsible for advising the Board on corporate governance matters and ensuring compliance with the policies and procedures of the Board, as well as applicable laws, rules and regulations. Ms. Li Dongmei is the primary contact person of Ms. Ng at the Company.

Ms. Ng has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules during the year ended 31 December 2021.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

SHAREHOLDERS' RIGHTS

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

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

CONVENING OF EXTRAORDINARY GENERAL MEETINGS AND PUTTING FORWARD PROPOSALS

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

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

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

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

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

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

Save as disclosed above, there was no material change to the Articles of Association during the year ended 31 December 2021.

Further amendments to the Articles of Association will be proposed at the annual general meeting of the Company to be held on 17 June 2022. Relevant details of the proposed amendments were disclosed in the Company's announcement dated 29 April 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

The report aims to provide a review and summary of the environmental, social and governance (ESG) performance of the Group and its subsidiaries (hereinafter referred to as "the **Group**" or "**we**") in 2021. The content of corporate governance is included in the section headed "*Corporate Governance Report*" contained in *Beijing Digital Telecom Co., Ltd.'s Annual Report 2021*.

Scope of the Report

Unless otherwise specified, the disclosure scope of the report is consistent with that of the Annual Report, demonstrating the ESG performance of the Group's directly operated and managed businesses. The report covers a period from 1 January 2021 to 31 December 2021, with some contents that may beyond this time frame.

Basis of Preparation

The report was prepared pursuant to the *Environmental, Social and Governance Reporting Guide* (the "**ESG Reporting Guide**") set out in Appendix 27 to the *Rules Governing the Listing of Securities* of the Stock Exchange of Hong Kong Limited (HKEX) and based on the principles of "materiality", "quantitative", "balance" and "consistency".

Materiality: We follow the *ESG Reporting Guide* to conduct a materiality assessment, with procedures including: i) identifying relevant ESG issues; ii) assessing the materiality of the issues; and iii) the board of directors reviewing and confirming the assessment process and results. The ESG issues were reported based on the results of the materiality assessment, which was detailed in the section headed "Stakeholder Engagement".

Quantitative: In accordance with the *ESG Reporting Guide*, quantitative methods were used to measure and disclose the applicable KPIs with reference to appropriate quantitative standards and practices. The measurement standards, methodologies, assumptions and/or calculation tools used for KPIs in the report, and source of conversion factors used, have been explained wherever appropriate. The environmental objectives were disclosed in the section headed "Promoting Green Operations".

Balance: The report provides an objective presentation of both positive and negative information to ensure an unbiased picture of the Group's performance during the reporting period.

Consistency: The method used to prepare the report is consistent with that of the previous years. The changes that may allow meaningful year-to-year comparisons have been explained wherever appropriate.

Data Sources and Reliability Assurance

The data and cases in the report mainly come from statistical data and related documents. The Group undertakes that there are no false records, material omissions or misleading statements in the report and is responsible for the authenticity, accuracy and completeness of its content.

Access and Response to the Report

The report is published in both traditional Chinese and English. In the event of any discrepancy between the two versions, the traditional Chinese version shall prevail. The electronic version is available on the website of HKEX at www.hkexnews.hk and the website of the Company at http://corp.dixintong.com. If you have any comments or suggestions on ESG performance of the Company, please contact us by email. We are looking forward to hearing your valuable comments.

BOARD STATEMENT

The Board, with the assistance of the ESG working group, oversees and takes responsibility over ESG-related issues of the Group. The Board confirms the ESG governance structure. The A-level ESG working group is responsible for formulating ESG-related management systems, strategies and implementation plans, and reporting to the Board; the B-level ESG working group is responsible for the daily management of ESG matters, and the oversight and guidance of specific work; C-level ESG working group is responsible for conducting, implementing and executing various ESG matters. The Group has formulated the ESG management strategy, which is periodically reviewed by the Board to ensure its consistency with the Group's development strategy.

The Group attaches great importance to the possible impact of ESG-related risks and opportunities on the Group. The Board is responsible for overseeing the assessment of ESG-related risks and opportunities, and ensuring the implementation of effective ESG risk response measures and monitoring mechanisms. Materiality analysis was conducted on ESG issues of concern to stakeholders. The Board participated in the assessment, prioritisation and management of material ESG issues. The Group has set environmental objectives related to its business, which have been reviewed and discussed by the Board. The achievement of the objectives will be reviewed regularly by the Board.

ESG-related issues have been fully disclosed in the report, which was reviewed and approved by the Board on 29 April 2022.

1. ESG MANAGEMENT

The Group firmly believes that sound ESG management is of great significance in ensuring the stable operation of the Group, promoting the development of the industry, and safeguarding the rights and interests of relevant parties.

1.1 ESG Strategy

Adhering to the ESG concept of "taking into account environmental and social responsibilities in corporate development", the Group has formulated ESG implementation strategies around green operations, employee development, supply chain management, customer service, community participation and other dimensions, and has implemented the ESG strategies in business operations and management:

- Advocating green packaging to reduce environmental impact while pursuing business goals;
- Caring for employees and support their development;
- Building a trusted partnership with suppliers to deliver corporate social value;
- Offering services in a "wholehearted" way to protect consumers' rights and interests;
- Proactively understanding the needs of the surrounding communities, and promoting and practicing the spirit of charity and dedication.

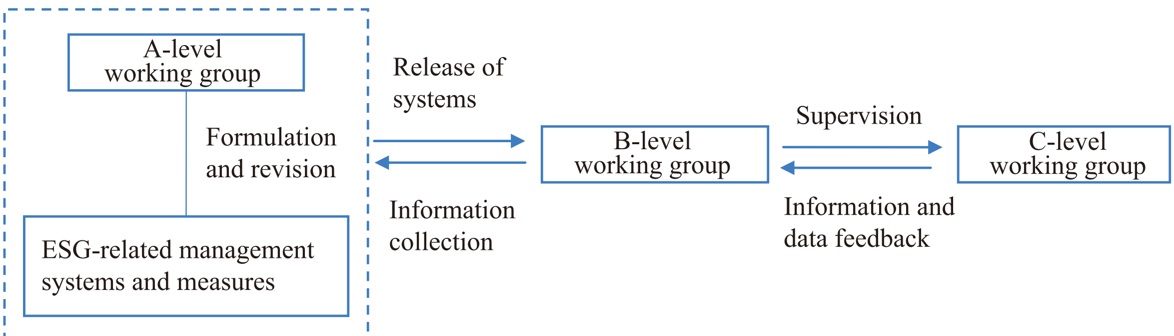
1.2 ESG Governance Structure

The Group has established a multi-level and cross-departmental ESG governance structure covering all subsidiaries. The Board takes responsibility over ESG issues. A three-level ESG working group system has been set up to supervise and manage ESG-related matters of the Group on behalf of the Board, and is responsible for the coordination and implementation of ESG work to ensure the implementation and improvement of ESG-related policies and systems. The system includes:

- A-level working group: It is responsible for formulating, optimising or updating ESG-related management systems and specific measures, evaluating the implementation results and sorting out data, and reporting its work to the Board or its committees. The A-level working group consisting of the managers in the headquarters, namely human resources centre, operation centre, procurement centre, legal affairs centre and financial centre. Among them, the manager of the human resources centre is responsible for governance at the labour level, the managers of operation, procurement and legal affairs centres are responsible for governance at supply chain, product and environmental resource levels, and the human resource centre and financial centre are jointly responsible for governance in community investment;

- B-level working group: It is responsible for overseeing and guiding the work of C-level working group and collecting relevant environmental and social data periodically. The B-level working group comprises 24 general managers of different regional subsidiaries;

- C-level working group: It is responsible for implementing the specific ESG work and giving feedback in time. The C-level working group comprises 1-3 responsible persons designated by the general manager of each subsidiary.



1.3 ESG Working Group and United Nations Sustainable Development Goals

The United Nations Sustainable Development Goals ("**SDGs**") are designed to guide the solving of development problems in the social, economic and environmental dimensions, and encourage all sectors of society to contribute to sustainable development. In active response to SDGs, the Group, considering industry characteristics and its actual operations, takes into account the environmental, social and economic benefits during operations and investments and actively explores the operation model that facilitates green, low-carbon and resource-efficient development, improves the well-being of employees and communities, and promotes a sustainable supply chain. We have identified the priorities of the SDGs and have determined the following key work directions based on the concerns and feedback of stakeholders, and will work with all parties to contribute to the achievement of the SDGs.

United Nations SDGs	Our actions
8 DECENT WORK AND ECONOMIC GROWTH 3 GOOD HEALTH AND WELL-BEING	Actively expanding business development, promoting diversity in recruitment of talents and providing more high-quality jobs for the society; Protecting the legitimate rights and interests of employees and providing reasonable compensation and benefits; Striving to create a fair, inclusive, diverse, healthy and promising working environment for employees; Strengthening health management and safety protection to ensure employees' physical and mental health; Providing quality resources for employees' promotion, development and vocational education.
11 SUSTAINABLE CITIES AND COMMUNITIES	Participating in rescue and disaster relief and pandemic prevention and control, and actively making donations; Building a good interactive relationship with the community through the network of stores across the country, participating in community charity activities, and offering volunteer services.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Carrying out responsible sales and operations, establishing product quality supervision system, and striving to ensure the quality, health and safety of sold products; Offering services in a "wholehearted" way to actively respond to consumer demands and protecting their rights and interests; Establishing a supplier management mechanism, and focusing on the environmental, social and governance risks in the supply chain; Strictly regulating advertising and labelling, and strengthening the protection of intellectual property rights; Building an internal information system, increasing efforts on publicity and control, and protecting consumer privacy and information security.

United Nations SDGs	Our actions
	Advocating green office, strengthening publicity on low carbon and environmental protection, reducing waste generation, and cutting environmental impact; Saving resources, improving resource usage efficiency, encouraging employees to commute by means of public transportation, and reducing greenhouse gas emissions during operations; Identifying climate change risks and setting environmental targets.
	Building a corporate culture of integrity and honesty, and adhering to compliance operations and integrity operations; Regularly planning internal actions on anti-corruption and refining the whistleblowing and handling process; Practising transparent and open procurement and strengthening supplier audit and management.

1.4 Stakeholder Engagement

With great importance attached to the communication with stakeholders, the Group has established a good communication mechanism and has diversified communication channels to keep abreast of the concerns and feedback of all parties and make positive responses. The comments and suggestions of stakeholders are the driving force for us to continuously optimise our business platform, strengthen cooperation with suppliers, and improve the quality of products and services. They are also important factors to be considered in business management and strategic planning, which help us evaluate and improve ESG performance in all aspects, in order to respond to the expectations of all parties in a targeted manner, and promote the sustainable development of our Group.

During the year, the Group continued to maintain regular communication with stakeholders such as shareholders and investors, suppliers, consumers, community representatives, employees, governments and regulators.

Key stakeholders	Description of stakeholders	Main concerns	Major communication and feedback channels
Shareholders and investors	Natural persons or legal entities which invest in the Group	Product quality, service quality, data security, integrity building, and intellectual property protection	Shareholders' general meetings, annual and interim reports and announcements, results presentation, and investor relations page

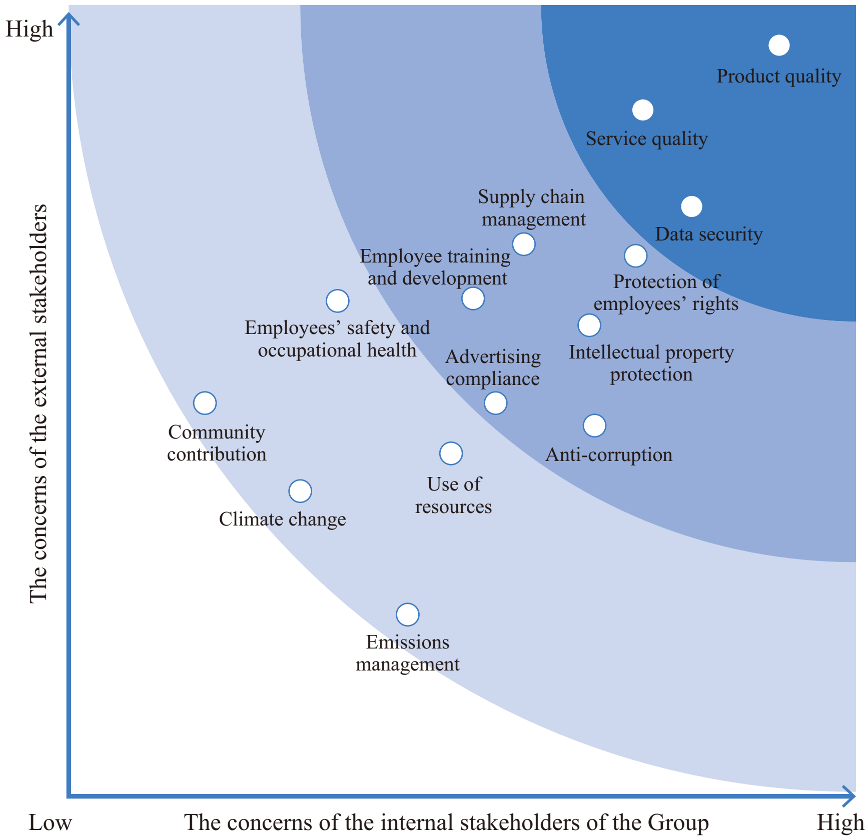
Key stakeholders	Description of stakeholders	Main concerns	Major communication and feedback channels
Suppliers	Enterprises or their branches which directly supply mobile handsets, accessories and other products and provide related services to the Group	Supply chain management, service quality, and integrity building	Procurement activities, supplier service system, and strategic cooperation negotiations
Consumers	Members of society who purchase, use goods or receive services from the Group's online platform or retail stores	Product quality, service quality, supply chain management, advertising compliance, and intellectual property protection	Customer satisfaction surveys, rewards to consumers, daily operations/communication, and service complaint and response mechanism
Community representatives	Members of the community where the Group's offices and stores are located	Community contribution, emission management, and use of resources	Community activities, charity activities, social support programmes, and daily operations/communication
Employees	Employees hired under various forms of employment contracts with the Group, including regular employees, part-time employees and interns	Protection of employees' rights and interests, employee training and development, employee safety and occupational health, service quality, and integrity building	Employee opinion surveys, internal communication meetings among employees, internal announcements, employee feedback system, and labour union
Governments and regulators	Government authorities or regulators who supervise the operations of the Group	Protection of employees' rights and interests, data security, product quality, service quality, integrity building, intellectual property protection, and advertising compliance	Information disclosure, correspondence, onsite visits, and relevant meetings

Materiality Analysis

Based on its communication with stakeholders and the characteristics of its business development, the Group identified 14 material ESG issues and used them as important factors for report preparation and information disclosure. Our main work steps and contents are as follows:

Main steps	Contents
Identifying ESG issues related to the Group's business	Based on the current business characteristics of the Group and the future business development direction, the Group identified major relevant ESG issues;
Assessing and analysing the importance of issues	The Group invited key stakeholders to assess the importance of ESG issues through online questionnaires, etc.;
	The Group's management team assessed and analysed the importance of each issue with reference to practices and communication with stakeholders.
Reporting major environmental, social and governance issues	The Group identified material ESG issues based on stakeholder analysis and used them as the reference for the preparation of the report and the Group's next work direction.

Based on the analysis results, we identified highly material issues at the present stage, including product quality, service quality, and data security; material issues, including protection of employees' rights and interests, supply chain management, intellectual property protection, advertising compliance, employee development and training, employee safety and occupational health, and integrity building; and relatively immaterial issues, including use of resources, community contribution, responses to climate change and emission management. We will discuss and present the content of each issue in this report.



2. FULFILLING PRODUCT RESPONSIBILITIES

Strictly controlling product quality and ensuring sales services are the foundation of a retailer. The Group has always been committed to providing customers with high-quality products and services. It implements responsible procurement, strengthens management of advertising signs and publicity, protects consumer information and privacy, and strives to fulfill product responsibilities.

2.1 Strict Control over Product Quality

The Group strictly complies with the relevant laws and regulations and industry standards, including the *Law of the People's Republic of China on Protection of Consumer Rights and Interests*, and the *Product Quality Law of the People's Republic of China*. It formulated the corresponding internal management system and supervision system to conduct all-round control over product quality. As a retailer, we strictly manage the qualifications of product suppliers and sign contracts on product quality assurance with them to ensure that the products we sell meet national standards in terms of their quality and safety, aiming to provide consumers with high-quality and guaranteed products.

The *Rules on Return of Mobile Handsets within 7 Days without Reasons* are in place to reassure consumers. We make the following commitments and monitor the strict implementation of these commitments in our stores:

- Fast return and exchange within 7 days: Any customer who purchases a mobile handset from the Group's sales channels but finds its price, model, function and color unsatisfactory is entitled to return or exchange it without inspection within seven days upon purchase if there is no man-made failure.

- Free repair and maintenance services: If a non-human failure occurs in the mobile handset purchased by a customer during the warranty period, the Group provides free repair and maintenance services during the warranty period. The customer can make an appointment for repair and maintenance services on the official website or in a store.

- Transportation allowance: If a customer has to return to an outlet due to product quality or service problems, the Group shall assume full responsibility for solving the problems and compensate the customer with RMB30 for transportation costs.

- Reward for service complaints: We encourage customers to voice their complaints if they are not satisfied with our services by offering a reward of RMB300 after their complaints are proved to be valid.

When it is found and ascertained that a product has severe safety concerns or poses a major threat to consumers' health, the Group would cooperate with suppliers to recall and remove the products of the same batch or model to avoid potential dangers and losses. None of the Group's products sold was subject to recalls for safety and health reasons in 2021.

2.2 Improving Service Experience

Paying attention to service quality is the foundation of a company's sustainable, stable and healthy operation. In order to provide high-quality services, the Group improves the service management system, creates a healthy shopping environment, and actively responds to consumer demands, so as to continuously improve user satisfaction and gain recognition from the public.

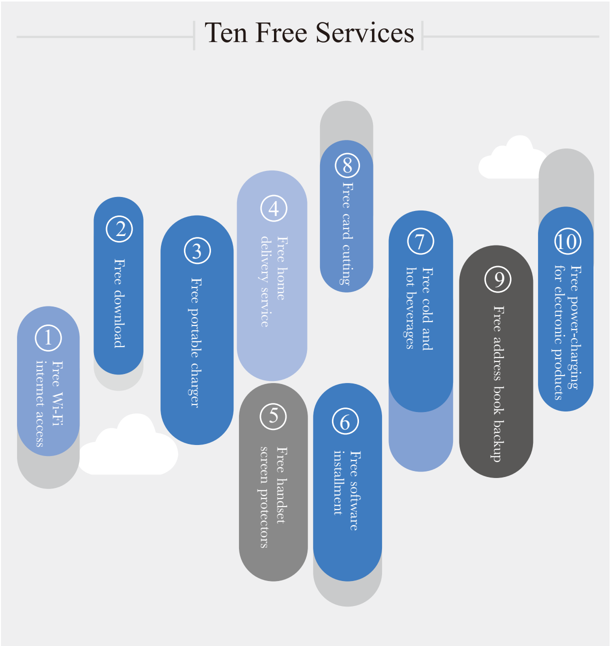
Optimising the shopping environment

The Group strictly implements the *Rules for Store Decoration for Beijing Digital Telecom Co., Ltd.* it formulated. The Group meets the national regulations and standards on indoor environmental quality, fire safety and so forth, based on which it strictly selects decoration materials for each store, striving to provide consumers with a safe, healthy, comfortable and environmentally-friendly shopping environment.

Raising service standards

The Group, which upholds the philosophy of "creating value for customers wholeheartedly" and establishes the core value of "A kind heart brings goodness", launches and actively offers "Full-hearted Loyalty" service, with a view to provide customers with high-standard after-sales service. To date, the "Full-hearted Loyalty" service has been implemented for six years, which effectively improves the service awareness and service level of managers and front-line service providers around the country.

We provide ten types of free services for each consumer, including free charging, free card cutting, free power bank, free film attachment, free Wi-Fi, free hot and cold drinks, free software management and download, free contact backup and free home delivery.



We have launched "home delivery" and "shop delivery" services in a timely manner to ensure safe shopping for consumers amid the COVID-19 pandemic. Wearing personal protective equipment such as masks and gloves, salespersons provide door-to-door delivery service for consumers who order products and accessories. Moreover, seeing the increasing online shopping demand of consumers, we leverage on offline stores to actively cooperate with online shopping malls so as to create innovative business models of cooperation, ensure quick and safe delivery of products to consumers, and continuously increase consumers' shopping experience.

Service training activities are held on a regular basis, and service training courses are accessible to employees on the internal information sharing platform for them to refer to and review anytime and anywhere. The goal is to continuously improve the service ability of employees. In the meantime, the Group has also created a group chat of "Full-hearted Loyalty" service, in which it pushes the relevant process and requirements to its employees on a daily basis to constantly strengthen its employees' and management's recognition on its dedication and mission of the "Full-hearted Loyalty" service and enhance the service level of its stores.

Responding to customer demands

With emphasis placed on the communication with consumers, the Group listens carefully to consumers and responds to their demands and suggestions. Online and offline communication and complaint channels have been established. In compliance with the *Law on Protection of Consumer Rights and Interests of the PRC*, we formulated and strictly implemented rules and regulations, including the "*Regulation on Management of Complaints*" and the "*New 400-week Improvement Rules and Feedback for Complaints*", and continuously optimised the complaint handling mechanism. We added a new system called "*Beijing Digital's Management of Complaint Services*" in 2021 to handle every complaint in a timely and effective manner, which has further standardised the complaint handling methods. We put forward the principles of "first inquiry responsibility, active cooperation, emotional stability, commitment fulfillment", and regularly train employees on their communication skills to improve the service level.

Complaint channels:

- Customer visits and complaint reception in brick-and-mortar stores;
- Headquarters' service hotline 400-700-8800;
- Official Weibo account, official WeChat account, official website (including Xiaodishuoshuo and Xiaodishequ), Baidu (including Tieba, Baidu Knows and BBS), China Association for Quality Promotion and other platforms.

The Group clearly stipulates the process to handle customer complaints from different channels, requiring receptionists to classify complaints according to the reasons for complaints, such as quality problems, service problems and business problems, contact customers within two hours after receiving the complaints to know the details of the complaints and their demands, appease customers and make a commitment to resolution within a time frame. The relevant persons-in-charge are required to handle the complaints within 24 hours and reply to the call centre of the headquarters about the handling results. If it is difficult to handle a complaint, they can report to the headquarters and obtain the consent of consumers to handle the complaint within 72 hours. Subsidiaries shall submit a Report on Complaint Handling to the call centre at the beginning of each month. The call centre shall contact customers within 24 hours upon receipt of the report to verify the handling of complaints and confirm whether customers agree or satisfy with the results. Based on the results of monthly return visits, we summarise the responses to consumer complaints at each channel, evaluate and identify the main problems in the service process, and then give feedback to the functional departments or subsidiaries to continuously improve the services at all levels.

In addition, we incorporate the handling results of customer complaints into the performance appraisal system of the headquarters and subsidiaries, involving the customer service complaint department of the headquarters, general manager of subsidiaries, receptionists, salesclerks and so forth, in a bid to promote the implementation of relevant regulations and enhance customer satisfaction.

In 2021, the headquarters' 400 call centre received a total of 505 calls from customers, with 134 complaints, of which 119 were valid complaints. The complaint settlement rate was 100%, and customer satisfaction reached 100%. Meanwhile, the Group received 46,484 online consultations from consumers throughout the year, and resolved 12,747 after-sales problems.

In 2021, we have analyzed and optimized online consulting services, added new full-time service personnel, set up a livestreaming customer service support mechanism, and mobilized all members of the livestreaming team to respond to consumer consultations in a timely manner during the peak period. We purchased new office computers and other hardware facilities to ensure the stable performance of the equipment, analyzed the pattern of consultation time so that we could adjust and extend the attendance and duty hours of service personnel, to continuously improve the consultation experience of consumers.

2.3 Advertising and Labelling Management

Importance is attached to the protection and improvement of brand value. In strict compliance with the relevant laws including the *Advertising Law of the People's Republic of China* and the *Trademark Law of the People's Republic of China*, the Group regularly identifies possible compliance risks in the process of advertising and labelling, and constantly standardises management and use standards. According to the actual business needs, we strictly regulate and centralise the management of the use of promotional copies and various corporate logos (including the trademarks) for our important marketing campaigns. In order to further standardise the use of the "迪信通" trademark, the Group unified the template of the Letter of Trademark Licensing in 2021, adding the address of the licensee, the name and registration number of the licensed trademark, licensing period, the geographic territory, use scope, licensing type, etc., which avoids unclear authorisation.

We regularly conduct training on trademark protection for the brand management department of the headquarters and subsidiaries located in areas where counterfeiting of the Group's trademarks frequently occurs, guiding employees at all levels to use logos in compliance, and legally and effectively deal with trademark infringement. The purpose is to standardise advertising and logo usage and avoid infringement. In case of the infringement of the Group's trademarks, it will promptly keep the evidence of the infringement and choose to report to the industry and commerce department or file a lawsuit in the people's court according to the facts of the infringement.

In strict compliance with relevant laws and regulations including the *Patent Law of the People's Republic of China* and the *Administrative Measures for Intellectual Property Certification*, the Group formulated the *Beijing Digital Measures for the Administration of Intellectual Property Rights*, an internal management rule, to protect its own intellectual property. The legal department of the Group regularly organises training sessions on intellectual property for frontline employees and the headquarters' functional departments, in a bid to strengthen employees' awareness of legal protection of intellectual property rights and avoid potential infringement risks.

2.4 Information and Cybersecurity

In compliance with relevant laws and regulations including the *Cybersecurity Law of the People's Republic of China* and the *Personal Information Protection Law of the People's Republic of China*, the Group has established and improved the internal information security management system, and actively takes measures to protect consumer privacy and information security.

We enter into tripartite confidentiality agreements with consumers in the sales process and strictly implement them. In order to prevent employees from leaking customer information, we require employees not to disclose customer information to any unit or individual without valid permission. Special trainings are organised regularly for employees to learn relevant policies and regulations and implementation rules, in a bid to strengthen the awareness and ability of information and privacy protection of employees at all levels.

In addition, the Group established an internal membership information system to manage consumer data and enhanced the information technology capability in the field of cybersecurity, including setting up high-level technical firewalls, strictly monitoring data flow process, and setting access and use permissions for employees at different levels to avoid leakage and abuse of customer data and enhance information security protection.

No major consumer information leakage occurred in the Group in 2021.

2.5 Supplier Management

The Group is committed to implementing responsible procurement. It maintains a high level of attention to ESG risks in the supply chain, continuously promotes sustainable management of the supply chain in the entire process of supplier selection, procurement and evaluation, and strives to work with all parties to create a more environmentally-friendly and stable supply chain.

Complete supplier selection standards and procedures have been established to evaluate suppliers from the quality, materials and prices of their products and other dimensions. Environmental and social performance will be considered as one of the criteria to evaluate suppliers who cooperate with us for the first time. The Group reviews the relevant qualification certificates of qualified suppliers and signs cooperation agreements with them, which clearly stipulate the procurement process, product quality and dispute resolution. In 2021, we introduced a "whitelist" system for suppliers to further tighten requirements on environmental compliance, protection of labour rights and interests, anti-corruption and other management aspects, and strictly standardise selection requirements.

As a retailer, we mainly select top-ranked manufacturers of mobile handsets and accessories as commodity suppliers. When selecting commodity suppliers, we focus on the environmental protection and safety performance of materials used to make mobile handsets and accessories, and implement a strict procurement approval process. Suppliers shall operate in compliance with national and regional laws and regulations, and have relevant qualification certificates. At present, we have forged a win-win strategic partnership with three major carriers and the leading domestic mobile handset brands. When selecting equipment and service providers, we pay full attention to their responsibilities and contributions to environmental protection, and give priority to purchasing equipment, facilities and office supplies that consume less energy and are more environmentally friendly, such as energy-saving lamps and low-power computers.

A supplier audit system has been laid up to audit and evaluate suppliers on a regular basis, in a bid to identify and pay attention to the environmental and social risks of suppliers, and judge the quality of their products and service effects. Suppliers with whom we establish long-term cooperation are those with quality products and excellent performance in environmental protection, anti-corruption and labour management. We phase out suppliers that are unable to meet sustainable development needs over the long term. All our suppliers were audited and evaluated in 2021. After the audit and evaluation, the suppliers who have established cooperative relationships met the Group's supplier access and audit requirements in 2021.

Moreover, the Group has built a highly integrated supply chain management system that draws on the advanced experience of international retail leaders. The supply chain management system enables us to have real-time access to the sales and inventory of each store, which has greatly improved the Group's efficiency in formulating procurement plans and allocating inventory.

In 2021, the Group had a total of 48 key suppliers, including 3 in North-eastern China, 16 in Northern China, 6 in Eastern China, 11 in Southern China, 4 in Central China, 2 in North-western China, and 6 in Southwestern China.

3. PUTTING PEOPLE FIRST

The Group, which regards talents as the main driving force for its own development, attaches great importance to the introduction of talents, respects and protects the legitimate rights and interests of each employee, and pays attention to the occupational health and safety of employees. It is committed to creating a better platform for employees to exert their abilities and seek development, aiming to promote the common development of the Group and employees.

3.1 Attaching Importance to Talent Introduction

Continuous efforts are made to build a high-quality talent team. Through various recruitment channels such as website recruitment, campus recruitment, high-end headhunting and internal recruitment, the Group actively introduces senior business and management talents in the industry, reserve and train new forces. In the process of talent introduction, the Group strictly complies with the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China* and other relevant national and local laws and regulations, formulated the internal recruitment management system according to the actual needs of business development.

With an aim to provide fair and just employment opportunities for college graduates, the Group implements the management trainee system, establishes a good remuneration model and clear promotion channels, which provides a good resource advantage for talent reserve and selection. The Group also continuously improves the internal competition mechanism for high-end positions and encourages employees to participate in the internal competition, with which it selects talents for varied positions. This provides good promotion opportunities for excellent internal talents, and gives full play to the advantages of internal talents. In addition, the Group actively provides jobs for the disadvantaged to help solve their employment problems, as a move to fulfill corporate social responsibilities.

In 2021, as fresh graduates were difficult to find jobs and online job hunting has become the mainstream trend under the normalisation of the pandemic, we actively carried out online publicity and publish recruitment information. The human resources department conducts strict screening to ensure the introduction of high-quality talents.

As at 31 December 2021, the Group had 3,599 employees.

KPIs: Employment and employee turnover rate

Indicators		2021	2020
Total workforce by gender (person)	Male	**1,432**	1,642
	Female	**2,167**	3,027
Total workforce by age group (person)	Under 30 years old	**1,305**	2,026
	30-40 years old (exclusive)	**1,365**	1,890
	40-50 years old (exclusive)	**795**	680
	50 years old or above	**134**	73
Total workforce by employment type (person)	Employment contract	**3,263**	4,161
	Labour dispatch	**336**	508
Total workforce by education level (person)	Associate's degree or below	**2,960**	3,890
	Bachelor's degree	**586**	713
	Master's degree or above	**53**	66
Total workforce by rank[1] (person)	Senior management	**42**	65
	Including: Female senior management members	**13**	20
	Middle management	**98**	130
	Grassroots employees	**3,419**	4,474
Total workforce by geographical region[2] (person)	China	**3,479**	–
	Overseas	**120**	–
Employee turnover rate by gender	Male	**25%**	45%
	Female	**26%**	55%
Employee turnover rate by age group	Under 30 years old	**25%**	35%
	30-40 years old (exclusive)	**28%**	33%
	40-50 years old (exclusive)	**24%**	25%
	50 years old or above	**16%**	7%
Employee turnover rate by geographical region[2]	China	**26%**	–
	Overseas	**31%**	–

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

2. *The Group started to count the total workforce and the turnover rate of employees by geographical region in 2021 and disclosed them in this report.*

3.2 Protecting Employees' Rights and Interests

The Group strictly complies with relevant national and local laws and regulations, including the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China*, the *Special Rules on the Labour Protection of Female Employees*, the *Regulations on Paid Annual Leave of Employees* and the *Provisions on Minimum Wages*, and constantly pays heed to and keeps track of their latest changes. On this basis, we established a complete human resources management system comprising the *Staff Manuals*, covering recruitment and dismissal, salary and benefits, promotion, and health and safety management. In 2021, the Group focused on its own development goals and strategic planning to further optimise relevant systems and processes such as recruitment and onboarding management, striving to provide employees with a fair, just, diverse and equal working environment, and protect the legitimate rights and interests of employees.

The Group enters into formal labour contracts with employees in accordance with laws, and provides them with basic protection such as social insurance and housing provident fund, as well as a salary higher than the minimum level in each region. As stipulated in the *Staff Manuals*, we encourage multiculturalism and respect religious beliefs, and resolutely eliminate discrimination based on race, gender, native place, age, health status, etc. Regulations on resignation and dismissal were established to effectively protect the legitimate rights and interests of employees.

Child labour and forced labour are strictly prohibited. The human resources department will check the identification documents of the applicants one by one to ensure that the recruits have reached the legal working age and voluntarily participate in the labour force. In case of any child labour or forced labour, we will actively take remedial measures, communicate with employees and their statutory guardians, and properly place child labourers and forced labourers in accordance with laws.

In order to ensure the reasonable working hours of employees, the Group has fully implemented a time clock policy to ensure that the working hours of employees comply with the national laws and regulations, which allows the relevant persons-in-charge at all levels to adjust the workload of the team in a timely manner.

As the Group values the opinions of employees, it has built smooth and efficient communication channels for employees. Employees can give feedback to the management through online and offline channels such as mailboxes, e-mails, and Enterprise WeChat. Moreover, seminars were held among employees from time to time and presided over by leaders, with new and senior employees present, listened to employees' opinions and ideas, and give feedback or responses timely.

In 2021, the Group was found with no violations of laws and regulations related to labour or infringement of the rights and interests of employees that had a significant impact on itself, nor was it punished in respect of the protection of the rights and interests of employees.

3.3 Facilitating Coordinated Development

The growth and development of employees can effectively stimulate creativity and dedication, and boost the long-term development of the enterprise and the continuous improvement of its competitiveness. The Group provides equal and excellent development space and personalised learning opportunities for employees at different positions, as efforts to achieve a win-win situation for the coordinated development of itself and employees.

In 2021, the Group further improved and optimised the performance management system, formed closed-loop management in goal setting, communication and feedback, assessment management and application of assessment results, and gave various assessment incentives, such as performance bonuses, to create better development opportunities and platforms for employees, promote the rapid growth of employees and the achievement of its overall organisational goals. We regularly commend employees for their outstanding performance in various tasks to enhance their sense of honour.

A systematic training management system has been in place to help employees improve their professional competence. Training sessions are organised and updated and optimised according to the changes in the market and social environment. In 2021, a total of 34 online courses were offered via “Di Xin Le Xiang” on Enterprise WeChat for all employees. The online training model reduces the time and geographical restrictions for employees to receive training. The video replay function helps employees review lessons, and the live-streaming interactive function promotes effective communication between employees and teachers and among employees. The learning-to-test mode and page-turning answer mode deepen employees’ cognition of knowledge points.

Currently, the Group’s main training programmes include:

Training for new employees

The headquarters of the Group adopts an onboarding mechanism that combines “intensive training + mentoring”, and provides induction training programmes for new hires. Induction training programmes cover an overview of the Group’s development, business profiles, corporate culture, compensation and benefits, and rules and regulations, as well as professional attitude, which are designed to help new employees understand the environment and workflow of the Group. New employees can regularly communicate with mentors on their duties during the probation period. Mentors provide timely guidance and feedback to help new employees quickly get familiar with and adapt to the new working environment and job duties.

The Group holds an exchange meeting for all previous management trainees every year, aiming to enhance the communication among management trainees, fully realise the sharing of experience, and promote the growth and development of management trainees.

Training for management

The Group’s headquarters and subsidiaries hold weekly special training sessions for employees at the manager level and above. The training sessions cover the latest industry trends, key products and professional managerial expertise, with a view to help the management keep up with the latest development of the headquarters and subsidiaries and enhance internal communication.

Vocational training

The Group has launched a variety of vocational training courses for all employees. For frontline employees at stores, the Group's human resources department formulates a plan of no less than two class hours of training per week and implements the system for employees to prepare lessons on a rotary basis. The combination of offline practical operation and online courses is adopted to enhance the effect of training. Online courses are about the experience sharing of outstanding store managers, professional knowledge, frontline sales skills, training of general skills, etc.

The Group organises training activities for frontline store manager candidates from time to time and sets up a training camp to enhance the service and management level of retail store managers. The training camp quickly improves the core competitiveness of frontline talents from business ability, management ability and other aspects in the form of closed courses, so that they can move from frontline business positions to management positions more smoothly.

Training for our in-house trainers

In-house trainers play a vital role in all kinds of internal training of the Group. We have a tailor-made professional training programme in place for our in-house trainers to systematically enhance their training skills from production of teaching materials, presentation skills and management of learning atmosphere, in order to improve the training effect.

Further education

In addition to organising various internal training sessions, the Group also encourages employees to pursue further education in schools or other vocational training institutions and offers appropriate financial assistance, provided that this does not affect their performance in discharging their duties. These forms of study include full-time or part-time study for a degree, induction training, examinations for professional titles and certificates, overseas study, as well as overseas tours for employees at the manager level or above. We have also increased the support in training resources for middle and senior staff within the Group, providing further training in prestigious schools such as Beihang University (北京航空航天大學), Renmin University of China (中國人民大學) and China Europe International Business School (中歐國際商學院), with an aim of broadening the vision and enhancing the management ability of middle and senior staff.

Other forms of training activities

The Group is dedicated to creating a favourable learning atmosphere. In addition to the abovementioned training programmes, the Group also encourages its employees to make full use of their spare time during daily work by organising reading sessions and sharing articles on WeChat official account. It also provides an online examination platform for employees to check their learning outcome.

- Reading sessions: A morning reading session is held at the headquarters from Monday to Friday each week, during which participants express their opinions and exchange ideas.

- WeChat official account: The Group shares articles on WeChat official account based on its strategy to strengthen corporate culture, enabling employees to have an in-depth understanding of new retail, platform-based + digital transformation, customer service, and corporate culture.

- Individual learning + centralised assessment: Relevant materials are centrally published via the learning system and an employee may perform an online assessment via the online examination platform to check the learning outcome.

As of 31 December 2021, a total of 2,973 employees of the Group participated in the above training activities. The number of trainees accounted for 83% of the total, and the average training duration was 43.6 hours per employee.

KPIs: Employee training

Indicators		2021
Percentage of employees trained by gender	Male	**75%**
	Female	**87%**
Percentage of employees trained by rank[1]	Senior management	**64%**
	Middle management	**87%**
	Grassroots employees	**84%**
Average training hours completed per employee by gender (hour)	Male	**39.7**
	Female	**46.2**
Average training hours completed per employee by rank (hour)	Senior management	**33.9**
	Middle management	**45.8**
	Grassroots employees	**44.2**

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

3.4 Focus on Physical and Mental Health

The Group provides a safe and comfortable office environment for all employees, and promotes a healthy and balanced work style, striving to ensure the occupational health and safety of employees. We strictly comply with the laws and regulations relating to occupational safety and health, including the *Labor Law of the People's Republic of China*, the *Fire Prevention Law of the People's Republic of China*, the *Law on Prevention and Control of Occupational Diseases of the People's Republic of China* and the *Regulation on Work Related Injury Insurances*, and has established the management system for its employees' health and safety.

Health management

In accordance with the relevant laws and regulations, the Group established a sound work injury prevention system and bought medical insurance and work-related injury insurance for its employees. The Group organises annual medical examinations for all employees and invites experts to hold lectures and training seminars on occupational health from time to time to enable them to discover and manage their health problems. To help employees release pressure and improve communication, the Group also organises outdoor activities for its employees from time to time to help employees keep their sunny side up.

The Group, which emphasises on the potential impact of office building materials on employees' health, laid up the *Rules for Store Decoration for Beijing Digital Telecom Co., Ltd.* to regulate the selection of the decoration materials of stores, in a bid to ensure that the materials meet the relevant national regulations and standards to avoid damage to the health of employees.

Safety and protection

In order to better safeguard occupational safety, the Group has formulated the regulations on the safety of working environment to provide detailed guidance for the operation of employees. Trainings on safety knowledge and skills and simulated fire drills were designed specifically based on the characteristics of different businesses and positions, with a view to raising the safety awareness of employees and enhancing their ability to handle emergent or contingent problems. In addition, we collaborate with property management companies from time to time to conduct safety hazard investigations, in a bid to identify and eliminate potential safety hazards in the workplace to prevent work-related injury. In the meantime, we issue fire safety notices and safety warnings to all employees based on the weather and season conditions to remind employees to ensure their safety. In close cooperation with property management companies, the Group dispatched employees to participate in anti-terrorism, anti-riot and fire-fighting drills in 2021, which further improved employees' fire protection awareness, self-rescue ability and emergency handling ability.

In the event of a work-related injury, we shall take a quick and effective action to ensure that the injured receive timely treatment. The number and rate of work-related fatalities occurred in the Group in each of 2019-2021 was 0. There were no work-related injury and lost days due to work injury in 2021.

Pandemic prevention and control

Under the normalisation of pandemic prevention and control, great importance has been attached to the health and safety of our employees. In 2021, the Group established a leading group and a working group on COVID-19 prevention and control according to the *Management Measures on Personnel Screening during Pandemic Prevention and Control* and the *Rules for Management and Control of Mobility of Employees*, as an active response to the country's call. A number of anti-pandemic measures have been taken to further normalise pandemic prevention and control. The leader of the working group on COVID-19 prevention and control is responsible for formulating and improving the emergency response plan to ensure timely response in the event of an emergency. The leader and members are responsible for organising on-site emergency response and conducting on-site command, coordination, handling, rescue and other work after receiving the emergency warnings.

Anti-pandemic supplies including masks and disinfectants were provided for employees in day-to-day operations and management. The control over office areas was tightened, with QR scanning, registration, and temperature measurement for visitors at the entrance and exit. Employees were required to get approval for mobility and conduct daily health management. Furthermore, we increased efforts to publicise pandemic prevention and control among employees, updated governments' policies and notices about fight against the pandemic in a timely manner, and helped employees improve their awareness and ability to protect themselves.

Mind-body balance

Based on the actual needs of employees, the Group strives to create a positive, harmonious and pleasant corporate culture atmosphere to enhance employees' sense of integration and identity with the corporate culture.

We provide a variety of benefits for our employees in daily work, including ordering quality meals and fruits, distributing seasonal fruits, preparing birthday benefits, offering purchase discounts for purchase of mobile handsets, rewarding them with incentive travel at home and abroad or giving cash rewards, etc. For some new recruits in need, the Group provides them with rent-free accommodation. During holidays and festivals, the Group provides special benefits for employees, such as Tangyuan on the Lantern Festival and honey on the National Day.

In addition, each department distributes funds on a quarterly basis to organise team building activities, in order to enrich the spiritual and cultural life of employees, promote emotional communication among employees, enhance cohesion, and develop a teamwork spirit. The team building activities held by the Group in 2021 include spring outing, picking competition and birthday greetings. Various humanistic care and activities allow employees to enjoy the achievements of the Group's development while working hard, conveying the Group's care for employees with practical actions.

4. PROMOTING GREEN OPERATIONS

Under the guidance of the environmental protection policies of the country and the industry, the Group implements the concepts of environmental protection, energy conservation and emission reduction into its daily business operations. It reduces pollutant emissions and optimised resource utilisation to help achieve the national target of "peaking carbon emissions by 2030 and achieving carbon neutrality by 2060". Close attention has been paid to the identification of and response to climate change risks. We strive to avoid related risks and protect green homes.

4.1 Strengthening Emission Management

The Group strictly complies with the relevant national and local laws and regulations, including the *Environmental Protection Law of the PRC*, the *Environmental Impact Assessment Law of the PRC*, the *Law on the Prevention and Control of Noise Pollution of the PRC*, the *Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the PRC*. Efforts were stepped up on the management of pollutant discharge to reduce the negative impact of the Group's operation on the ecological environment. In 2021, there was no administrative penalty imposed on or litigation against the Group arising from environmental pollution.

The Group's emissions are mainly greenhouse gas emissions generated from the consumption of petrol, purchased electricity and other energy resources. In the course of daily operations, the Group carries out diverse energy conservation measures in office areas and outlets to increase the efficiency of resource utilisation and reduce greenhouse gas emissions. In response to the country's call for "energy conservation and emission reduction", the Group reduced the number of vehicles and scrapped old vehicles with high energy consumption. Some stores changed the mode of operation by switching from delivery by drivers to delivery by logistics companies, which reduced the use of vehicles.

The Group's solid waste is mainly the domestic waste, waste paper and waste office supplies generated from its dairy operations. The Group actively advocates green offices to reduce the generation of waste office consumables and increase the use efficiency of office consumables. In 2021, we continuously promoted paperless office and our OA electronic system, and pasted signs near printers to remind employees to check repeatedly to avoid misprinting and repeat printing, so as to reduce paper consumption from the source. In addition, we increased online channels and efforts on publicity to reduce the printing of paper leaflets. Meanwhile, we actively promoted the recycling and reuse of waste paper to improve paper usage efficiency. The Group's paper consumption fell by 16% in 2021. The non-hazardous domestic waste and waste paper produced by the Group in its daily operations were handed over to third-party recyclers for disposal, and hazardous wastes such as waste toner cartridges were recycled by printer manufacturers for harmless treatment. A strict disposal mechanism for domestic waste has been in place, including the establishment of an internal waste classification assessment system, the establishment of a waste classification working group, the designation of persons-in-charge and units' publicists, the formulation of their own waste classification implementation plan, and the waste classification training for employees. In day-to-day operations, containers are placed to collect and classify waste according to the type of waste, with at least four different types of containers placed. Cleaners are assigned for subsequent classification, recycling and disposal.

The Group has limited impact on the environment and natural resources, mainly from the consumption of electricity, water, printing paper and packaging materials in office buildings and stores. In addition to strengthening the management of energy and resource use, we actively promote the separate collection and standardised disposal of e-waste, takeout boxes and packages, waste drinking water bottles and other wastes, in an effort to reduce the negative impact of waste on the ecological environment. Our trade-in service was available in 2021 to recycle old mobile handsets. The service not only benefits consumers, but also promotes the improvement of the ecological environment and effectively boosts the development of the circular economy. Currently, the mobile handset recycling service of the Group covers all provincial and municipal subsidiaries.

A sound management mechanism was laid up to prevent and control noise pollution that may arise in the course of operations. The Group requires stores to apply and explain to the local urban management department the use of amplification equipment in promotional activities, such as loudspeakers and stereos. The decibel level of noises is strictly controlled within a reasonable range during our activities to ensure compliance with laws and regulations in respect of noise pollution and reduce the impact of noises on surrounding enterprises and the public.

KPIs: Emissions[1]

Indicators	**2021**	2020
Total greenhouse gas emissions (Scope 1 and Scope 2) (tonne of CO_2 equivalent)[2]	**1,342.06**	1,046.49
Greenhouse gas emissions intensity (tonne of CO_2 equivalent/sq. m.)	**0.12**	0.07
Greenhouse gas emissions intensity (tonne of CO_2 equivalent/person)	**0.60**	0.43
Direct emissions (Scope 1) (tonne of CO_2 equivalent)	**367.59**	461.20
Petrol	**324.13**	403.94
Diesel	**43.46**	57.26
Indirect emissions (Scope 2) (tonne of CO_2 equivalent)	**974.46**	585.29
Purchased electricity	**974.46**	585.29
Non-hazardous waste (tonne)[3]	**48.16**	54.65
Per capita non-hazardous waste generation (tonne/person)	**0.02**	0.02
Hazardous waste (tonne)[4]	**0.18**	0.16
Per capita hazardous waste generation (tonne/person)	**0.00008**	0.00007
Waste toner cartridges	**0.16**	0.14
Waste fluorescent tubes	**0.01**	0.02

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

2. *Greenhouse gas inventory covers carbon dioxide, methane and nitrous oxide, which are mainly derived from the use of purchased electricity, petrol and diesel. Greenhouse gas emissions are calculated in accordance with the Baseline Emission Factor for Emission Reduction Projects in China's Regional Power Grids in 2019 (2019年減排項目中國區域電網基準綫排放因子) published by Ministry of Ecology and Environment of China and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories (2006年IPCC國家溫室氣體清單指南) published by the Intergovernmental Panel on Climate Change (IPCC) and are presented based on carbon dioxide equivalent. In 2021, as we included stores in some regions into the scope of statistics and disclosure, the total greenhouse gas emissions increased significantly.*

3. *All non-hazardous wastes, mainly including waste paper, waste office stationery and food waste generated in the office area, are handed over to waste collection service providers for disposal.*

4. *Hazardous wastes, mainly including waste toner cartridges, waste ink cartridges and waste fluorescent lamps, are disposed of by qualified third-party recyclers.*

4.2 Optimising Resource Utilisation

In strict compliance with the relevant laws and regulations, including the *Energy Conservation Law of the PRC*, the Group actively promotes green offices and carries out a number of measures to save energy and reduce consumption, in a bid to constantly increase the efficiency of resource utilisation.

In order to save electricity and improve the efficiency of electricity use, the Group formulated relevant management measures, gave priority to the use of energy-efficient equipment, instructed employees to rationally utilise resources, and continuously improved the level of energy management. We purchase and install energy-saving lamps during decoration and replacement, and require employees to actively respond to and follow our energy conservation measures, such as turning off lights in time and reducing standby time of electronic equipment. Apart from that, signs of energy conservation and emission reduction have been posted in major office areas and the places where there are large electronic equipment. We step up efforts on the supervision of employees' electricity consumption in daily work, such as urging employees to turn off computers during non-use period and turn off lights and air conditioners when leaving the office.

In order to avoid the waste of water resources, the Group strengthens the daily maintenance and management of water usage equipment, and regularly repairs the faucets to eliminate the phenomenon of "water seepage". The Company actively cooperated with property management firms to install water-saving faucets in 2021 to reduce the flow rate to save water resources. We strive to raise employees' awareness of water conservation by putting up water conservation slogans in the places where there are water usage equipment and promote practising a green life together. Water consumption was reduced by 32% in 2021 thanks to the Group's advocacy of resource conservation.

KPIs: Use of energy and resources[1]

Indicators	2021	2020
Total energy consumption (MWh)[2]	**2,909.41**	2,827.77
Energy consumption intensity (MWh/sq. m.)	**0.25**	0.19
Energy consumption intensity (MWh/person)	**1.31**	1.17
Direct energy consumption (MWh)	**1,426.82**	1,879.36
Petrol (MWh)	**1,266.44**	1,661.58
Diesel (MWh)	**160.38**	217.78
Indirect energy consumption (MWh)	**1,482.59**	948.41
Electricity (MWh)	**1,482.59**	948.41
Water consumption (tonne)[3]	**6,007.80**	8,849.09
Per capita water consumption (tonne/person)	**2.71**	3.65
Use of paper for printing (tonne)	**8.13**	9.72
Packaging materials (tonne)[4]	**42.88**	50.18
Use of wrapping materials per 10,000 mobile handsets sold (tonne/10,000 set)[5]	**0.12**	0.063

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

2. *The energy consumption data are calculated according to the consumption of electricity and fuel and the relevant conversion factors in the General Principles for Calculation of Total Production Energy Consumption (GB/T 2589-2008)(綜合能耗計算通則 (GB/T 2589–2008)), the national standard of the People's Republic of China. In 2021, the Group changed the usage mode of some of its vehicles, strictly distinguished the units that consumed vehicles according to the purpose of use and altered the transportation mode to pick-up and transportation by logistics firms, which greatly reduced the number and usage of vehicles and thus led to a sharp drop in the consumption of petrol and diesel. Meanwhile, as we included stores in some regions into the scope of statistics and disclosure, the electricity consumption increased significantly.*

3. *The water used by the Group is mainly municipal tap water and purchased bottled drinking water, and there is no issue in sourcing water that is fit for purpose. The water consumption in the headquarters in Beijing and the offices of subsidiaries in Sichuan, Liaoning, Shanxi, Hubei, Guangdong, Jiangxi, Xinjiang, Lishui and Jiangsu is excluded in the calculation as their water rates are included in their property management fees, therefore their water consumption is not available temporarily.*

4. *Due to the nature of our business, the packaging materials mainly include paper bags, plastic bags and non-woven bags given away to consumers for containing mobile handsets sold to them, excluding the packaging materials used to wrap products provided by manufacturers. Data about packaging materials cover all subsidiaries.*

5. *The consumption of packaging materials per 10,000 mobile handsets sold refers to the packaging materials consumed by the sales of 10,000 mobile handsets. In 2021, due to the increase in the sales of mobile phone accessories of some subsidiaries, the consumption of paper packaging for accessories increased, so that the use of wrapping materials per 10,000 mobile handsets sold increased.*

4.3 Responses to Climate Change

As climate change has an increasing impact on economic development and ecological environment, companies further need to explore sustainable development. As a retailer, the Group actively identifies the possible impact of climate change on its own business, and actively takes measures to mitigate the impact of climate change on business operations and explore new business opportunities.

Physical risks of extreme weather caused by climate change, such as floods, snowstorms and typhoons, may threaten the normal operation of our business, resulting in increased energy consumption and higher operating costs. We keep a close eye on the forecast of extreme weather events provided by the climate department, issue relevant reminders and urge all stores to make emergency plans, in order to avoid and reduce property losses and casualties caused by extreme weather. In day-to-day operations, we urge stores to conduct safety inspections during severe weather events, such as rain, snow, fog and ice, and allow employees to work from home when necessary to ensure personal and property safety, in a bid to safely respond to extreme weather.

The Group focuses on the release and interpretation of laws, regulations and policies related to national green development and circular economy, and evaluates possible business operation risks. We actively advocate a green and low-carbon lifestyle, and encourage employees, customers and suppliers to reduce carbon emissions in their daily business, helping raise public awareness of environmental protection and low carbon.

We have set environmental targets for 2022 and will monitor and review progress made against these targets, in a bid to further implement our concept of energy conservation and emission reduction, improve the efficiency of resource utilisation, and contribute to energy conservation and carbon reduction and continuous improvement of the ecological environment.

Energy conservation and emission reduction targets:

- Newly purchased electronic office equipment, such as computers, mobile phones and printers, will meet the level-1 energy consumption requirements;

- LED lamps will be installed in newly renovated office areas or will be used to replace existing lamps;

Water conservation targets:

- Water-saving faucets will be used in the office area;

Waste reduction targets:

- Employees will be urged to classify all domestic waste;

- We will increase paper usage efficiency and reduce paper consumption year by year;

- Hazardous waste will be continuously placed in designated areas to achieve 100% recycling and disposal of plastic packages, printing consumables and other wastes.

5. ADHERENCE TO INTEGRITY IN THE WORKPLACE

The Group has always taken integrity as one of the core elements of its smooth operation, and resolutely puts an end to any violation of professional ethics and business ethics. Based on our actual situation, we have formulated relevant administrative rules for preventive and punitive purposes, such as the *Anti-bribery Regulations, Procedures and Measures for Dealing with Fraud* and *Beijing Digital's Rules for Procurement Monitoring*, in accordance with national and local laws and regulations, including the *Anti-unfair Competition Law of the PRC* and the *Interim Regulations on Prohibition of Commercial Bribery*.

In order to consistently facilitate the legal operation of the Group and enhance all employees' professional ethics relating to integrity, the Group has formulated the *Rules for Integrity of Beijing Digital Telecom Co., Ltd*. The rules cover the code of conduct on integrity, including prohibition of duty encroachment and commercial bribery, and prohibition of unauthorised disclosure of trade secrets and rewards and punishments.

In order to prevent misconducts such as corruption, bribery, extortion, fraud and money laundering, the Group has established a sound internal audit and risk control system, and has set up a specific internal audit team comprising employees from the financial, audit and legal departments. All team members have earned a bachelor's degree or an intermediate title in financial accounting, law, auditing, management, etc. The internal audit team is responsible for the annual anti-corruption audit of the subsidiaries to check whether their contract management and financial revenue and expenditure are in compliance with the internal control policies of the Group. If it is determined that any irregularity exists, the internal audit team will carry out an ad hoc inspection and record all actions it has taken and their findings. It will make recommendations on the optimisation of the internal control system and report to the senior management. The senior management is responsible for assessing the effectiveness of anti-corruption measures and weaknesses in the internal control system, and making timely decisions for improvement. The financial department of the Group's headquarters regularly checks the cash outflow of subsidiaries and reviews and follows up on doubtful transactions in a timely manner. For the relatively sensitive positions in the procurement department, we have implemented a job rotation system at different frequencies and with different tenures to prevent potential corruption in business operations.

The Group has implemented a strict supplier cooperation process in order to build an honest and clean partnership. Prior to the establishment of new partnerships, the business department must perform a due diligence on the background of suppliers to ensure that their quoted price is in line with the prevailing market price. Based on the nature of the procurement, relevant supporting documents of suppliers must be verified and confirmed. Unless being properly authorised, purchasers are not permitted to place any order through their personal account, nor are they permitted to request any advance payments from a supplier. In addition, all procurement contracts entered into by the Group and its principal suppliers are approved by the legal department of the Group's headquarters. Such contracts contain explicit terms of applicable laws and regulations on anti-bribery and anti-money laundering. In 2021, the Group refined the terms of transparent and open procurement and commitment to integrity in the model contract for its principal businesses, in which it defined commercial bribery and defined a breach of terms as a breach of contract. The model contract will be officially released in 2022.

In 2021, the Group and its employees were found with no major violations such as corruption, bribery, fraud or money laundering, and no legal cases regarding corrupt practices brought against them.

Publicity and training

The legal department of the Group publicises integrity in morning meetings at the headquarters level and regularly reports at regular management meetings, in order to promote its integrity system more efficiently and improve the professional ethics of employees. Moreover, the Group provides training on laws and policies related to business ethics such as anti-corruption, anti-fraud and anti-money laundering semi-annually for ordinary employees and the Directors. The training is about recent influential anti-corruption cases within the industry, interpretation of relevant anti-corruption laws and regulations, and the promotion of the Group's anti-corruption policies. In the future, continuous efforts will be made to diversify training forms and training materials, increase online training forms such as video courses, with a view to continuously enhance employees' awareness of legal compliance.

Whistleblowing and handling

The Group strives to set up a convenient and efficient communication platform to collect information on potential internal control risks, so as to promptly deal with violations of laws and regulations related to corruption and fraudulent business activities. Currently, the anonymous reporting channels put in place by the Group include a hotline, email, official WeChat account and other "anonymous reporting platforms". Upon receipt of relevant reports, the responsible management of the Group will immediately set up an investigation team to promote the follow-up investigation and seriously deal with those responsible. The above measures provide employees, partners and consumers with a convenient and effective way to give feedback or suggestions, and significantly improve the efficiency of handling reports.

6. PROTECTING BEAUTIFUL HOMES

The Group actively fulfils its social responsibilities as a corporate citizen, coexists and pursues win-win results with communities and residents, and supports the sustainable development of communities. As an active response to the needs of governments, employees and residents for building better homes, we launched diverse charity programmes in 2021, contributing to the building of better communities.

- Conveying warmth in torrential rains

  Henan was hit with torrential rains and floods in July 2021. With the spirit of "putting people first", Beijing Digital mobilised human and material resources to give assistance to people in the disaster-stricken areas. We donated 2,000 boxes of mineral water, 200 boxes of bread and 100 boxes of instant noodles in the flooding. Moreover, nearly 100 of our stores in Henan provided free hot water, rescue calls, mobile phone and electronic device charging service, mobile phone maintenance, and temporary rest places for the affected people during the disaster relief period.


- Joining the fight against the pandemic

  Since the Spring Festival of 2020, in the face of the recurrent COVID-19 outbreaks, nearly 1,000 stores of the Group have offered customers with free masks that meet medical standards to reduce the risk of the spread of the pandemic. At the same time, we also sent employees and outstanding Party members to participate in community volunteer service activities amid the pandemic, including nucleic acid testing services and guarding in communities, to contribute to the pandemic prevention and control in the country and communities, in order to give back to the society and reduce the pressure on medical staff.

- Supporting National College Entrance Examination

  In June, nearly 1,000 stores of Beijing Digital across China provided considerate services both online and offline before and after the National College Entrance Examination, helping tens of millions of students in an all-round way and supporting the families with test takers. Beijing Digital set up a caring point near a test venue on the first day of the examination in 2021, through which it provided three-day services and sent mineral water, fans and other materials free of charge to create a cool and comfortable waiting environment for parents.

- Charity classroom

  In the context of technological progress and the development of the times, smartphones have become an indispensable part of people's life, but for many elderly people, it is difficult to use smartphones. In 2021, Beijing Digital organised a charity classroom to patiently teach the elderly to use mobile phones from basic knowledge, operation demonstration to practical operation training, in a bid to enrich the cultural life of the elderly, let them keep pace with the times, and enhance their happiness and sense of gain. The activity helps the elderly adapt to and better integrate into the smart society, and promotes the social custom of respecting and caring for the elderly.

APPENDIX

The Stock Exchange's ESG Content Index

Area	Issue	Disclosure Requirements	Relevant Section in the Report
Governance Structure	–	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	Board Statement
Reporting Boundary	–	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	About the Report

Area	Issue	Disclosure Requirements	Relevant Section in the Report
Environmental	A1 Emissions	General Disclosure: Information on: (1) the policies; and (2) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	4.1 Strengthening Emission Management
		A1.1 The types of emissions and respective emissions data.	4.1 Strengthening Emission Management
		A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.1 Strengthening Emission Management
		A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.1 Strengthening Emission Management
		A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.1 Strengthening Emission Management
		A1.5 Description of emission target(s) set and steps taken to achieve them.	4.1 Strengthening Emission Management and 4.3 Responses to Climate Change
		A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	4.1 Strengthening Emission Management and 4.3 Responses to Climate Change

Area	Issue	Disclosure Requirements	Relevant Section in the Report
	A2 Use of Resources	General Disclosure: Policies on the efficient use of resources, including energy, water and other raw materials.	4.2 Optimising Resource Utilisation
		A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	4.2 Optimising Resource Utilisation
		A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	4.2 Optimising Resource Utilisation
		A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	4.2 Optimising Resource Utilisation and 4.3 Responses to Climate Change
		A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	4.2 Optimising Resource Utilisation and 4.3 Responses to Climate Change
		A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	4.2 Optimising Resource Utilisation
	A3 The Environment and Natural Resources	General Disclosure: Policies on minimising the issuer’s significant impacts on the environment and natural resources.	4.1 Strengthening Emission Management
		A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	4.1 Strengthening Emission Management
	A4 Climate Change	General Disclosure: Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	4.3 Responses to Climate Change
		A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	4.3 Responses to Climate Change

Area	Issue	Disclosure Requirements	Relevant Section in the Report
Social	B1 Employment	General Disclosure: Information on: (1) the policies; and (2) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	3.1 Attaching Importance to Talent Introduction and 3.2 Protecting Employees' Rights and Interests
		B1.1 Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	3.1 Attaching Importance to Talent Introduction
		B1.2 Employee turnover rate by gender, age group and geographical region.	3.1 Attaching Importance to Talent Introduction
	B2 Health and Safety	General Disclosure: Information on: (1) the policies; and (2) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	3.4 Focus on Physical and Mental Health
		B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	3.4 Focus on Physical and Mental Health
		B2.2 Lost days due to work injury.	3.4 Focus on Physical and Mental Health
		B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	3.4 Focus on Physical and Mental Health

Area	Issue		Disclosure Requirements		Relevant Section in the Report	
	B3	Development and Training	General Disclosure: Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		3.3	Facilitating Coordinated Development
			B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	3.3	Facilitating Coordinated Development
			B3.2	The average training hours completed per employee by gender and employee category.	3.3	Facilitating Coordinated Development
	B4	Labour Standards	General Disclosure: Information on:		3.2	Protecting Employees' Rights and Interests
			(1)	the policies; and		
			(2)	compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		
			B4.1	Description of measures to review employment practices to avoid child and forced labour.	3.2	Protecting Employees' Rights and Interests
			B4.2	Description of steps taken to eliminate such practices when discovered.	3.2	Protecting Employees' Rights and Interests

Area	Issue		Disclosure Requirements		Relevant Section in the Report	
	B5	Supply Chain Management	General Disclosure: Policies on managing environmental and social risks of the supply chain.		2.5	Supplier Management
			B5.1	Number of suppliers by geographical region.	2.5	Supplier Management
			B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	2.5	Supplier Management
			B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	2.5	Supplier Management
			B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	2.5	Supplier Management
	B6	Product Responsibility	General Disclosure: Information on:		2.1	Strict Control over Product Quality,
			(1)	the policies; and	2.2	Improving Service Experience,
			(2)	compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	2.3 2.4	Advertising and Labelling Management and Information and Cybersecurity
			B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	2.1	Strict Control over Product Quality
			B6.2	Number of products and service related complaints received and how they are dealt with.	2.2	Improving Service Experience
			B6.3	Description of practices relating to observing and protecting intellectual property rights.	2.3	Advertising and Labelling Management
			B6.4	Description of quality assurance process and recall procedures.	2.1	Strict Control over Product Quality
			B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	2.4	Information and Cybersecurity

Area	Issue	Disclosure Requirements	Relevant Section in the Report
	B7 Anti-corruption	General Disclosure: Information on: (1) the policies; and (2) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	5. Adherence to Integrity in the Workplace
		B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	5. Adherence to Integrity in the Workplace
		B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	5. Adherence to Integrity in the Workplace
		B7.3 Description of anti-corruption training provided to directors and staff.	5. Adherence to Integrity in the Workplace
	B8 Community Investment	General Disclosure: Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6. Protecting Beautiful Homes
		B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6. Protecting Beautiful Homes
		B8.2 Resources contributed (e.g. money or time) to the focus area.	6. Protecting Beautiful Homes

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Beijing Digital Telecom Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 104 to 192, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables	
As at 31 December 2021, the balance of trade receivables amounted to RMB3,137,229,000 and the provision for impairment amounted to RMB245,609,000. The Group applies the simplified approach to determine the provision for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. This involves management's judgement, which includes checking the ageing of the balance, recent historical payment patterns, and forecasts of future conditions and assessing any other available information concerning the creditworthiness of the counterparties. The Group uses such information to determine whether a provision for impairment is required either for a specific transaction or for the overall balance of a customer category. Related disclosures are included in note 5 and note 26 to the consolidated financial statements.	We obtained and re-tested the ageing analysis prepared by management. We also obtained management's accounting policy and assumptions underlying the loss allowance for impairment of trade receivables. In order to assess these judgements, we considered the overdue period, the customers' historical payment patterns and whether any post year-end payments were received up to the date of completion of our audit procedures. We assessed the appropriateness of the approach and the models along with the key assumptions and parameters used in the matrix of expected credit losses on trade receivables by corroborating to the underlying facts along with other relevant information and performed testing on a sample basis on the receivable balances. In assessing the overall provision for impairment, we also assessed the adequacy of the Group's disclosures in the financial statements in accordance with IFRS 9.

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Provision for impairment of inventories	
The gross balance of inventories as at 31 December 2021 was RMB340,545,000, against which provision for inventories amounting to RMB46,237,000 was made. Inventory balance comprises merchandise for resale and consumable supplies. At the end of the year, inventories were measured at the lower of cost and net realisable value. The Group's management reviews the inventory ageing list to identify slow-moving and obsolete inventories and then estimates the amount of provision for slowing moving and obsolete inventories. The determination of provision for slow-moving and obsolete inventories requires management to exercise judgement in identifying slow-moving and obsolete inventories and make estimates of the appropriate level of provision required. These estimates are based on the current market condition and the historical experience of selling products of a similar nature which could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. The Group's management also assesses the net realisable value of inventories based on the latest invoice prices, and the estimated selling expense and taxes. We focused on this area because it required a high level of management judgement and the amounts involved were significant. Related disclosures are included in note 4, note 5 and note 25 to the consolidated financial statements.	We discussed with management to obtain an understanding of the management's assessment of the provision for impairment of inventories. We examined management's assessment by observing the inventory count and the physical condition of the inventories; checking the accuracy of the inventory ageing list, and comparing the net realisable value of the selling price, and the estimated selling expenses and taxes, with the carrying amount. We also assessed the adequacy of the Group's disclosures of the provision for inventories in the consolidated financial statements.

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

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Company's 2021 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

29 April 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	**2021 RMB'000**	2020 RMB'000
REVENUE	*7*	**10,243,930**	13,550,150
Cost of sales		**(9,668,142)**	(12,373,459)
Gross profit		**575,788**	1,176,691
Other income and gains	*7*	**130,508**	56,060
Selling and distribution expenses		**(508,835)**	(618,265)
Administrative expenses		**(885,110)**	(269,583)
Impairment losses on financial assets		**(943,037)**	(21,951)
Other expenses	*9*	**(2,042,265)**	(50,910)
Finance costs	*10*	**(234,170)**	(162,091)
Share of profits and losses of:			
Joint ventures		**1,504**	(6,325)
Associates		**268**	2,781
(LOSS)/PROFIT BEFORE TAX	*8*	**(3,905,349)**	106,407
Income tax credit	*13*	**308,364**	8,105
(LOSS)/PROFIT FOR THE YEAR		**(3,596,985)**	114,512
Attributable to:			
Owners of the parent		**(3,567,438)**	114,062
Non-controlling interests		**(29,547)**	450
		(3,596,985)	114,512
EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted (RMB) For (loss)/profit for the year	*15*	**(4.87)**	0.16

	2021 RMB'000	2020 RMB'000
(LOSS)/PROFIT FOR THE YEAR	**(3,596,985)**	114,512
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(4,238)**	1,147
Share of other comprehensive loss of joint ventures	**(7,620)**	(9,085)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(11,858)**	(7,938)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive loss:		
Changes in fair value	**(149)**	(35,465)
Income tax effect	**36**	8,866
Impairment of deferred tax assets	**(10,207)**	–
	(10,320)	(26,599)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(10,320)**	(26,599)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(22,178)**	(34,537)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(3,619,163)**	79,975
Attributable to:		
Owners of the parent	**(3,589,431)**	79,776
Non-controlling interests	**(29,732)**	199
	(3,619,163)	79,975

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	**2021 RMB'000**	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*16*	**66,710**	85,449
Right-of-use assets	*17*	**282,565**	308,607
Goodwill	*18*	**–**	50,521
Other intangible assets	*19*	**3,557**	7,057
Investments in joint ventures	*20*	**54,531**	60,646
Investments in associates	*21*	**255,455**	255,187
Debt instrument at amortised cost	*22*	**500**	500
Equity investments designated at fair value through other comprehensive income	*23*	**1,009**	1,158
Deferred tax assets	*24*	**–**	64,317
Total non-current assets		**664,327**	833,442
CURRENT ASSETS			
Inventories	*25*	**294,308**	2,562,492
Trade and bills receivables	*26*	**2,892,151**	2,986,639
Prepayments, other receivables and other assets	*27*	**2,167,047**	1,665,331
Financial assets at fair value through profit or loss	*28*	**104,399**	102,171
Due from related parties	*30*	**431,922**	60,187
Pledged deposits	*29*	**729,355**	1,063,341
Cash and cash equivalents	*29*	**91,225**	71,413
Total current assets		**6,710,407**	8,511,574
CURRENT LIABILITIES			
Trade and bills payables	*31*	**719,194**	784,573
Other payables and accruals	*32*	**1,144,445**	233,843
Interest-bearing bank and other borrowings	*33*	**2,139,954**	2,719,334
Lease liabilities	*17*	**115,354**	133,524
Due to related parties	*30*	**2,289,127**	424,918
Tax payable		**8,630**	392,879
Total current liabilities		**6,416,704**	4,689,071
NET CURRENT ASSETS		**293,703**	3,822,503
TOTAL ASSETS LESS CURRENT LIABILITIES		**958,030**	4,655,945

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Long term borrowings	*33*	**17,970**	21,498
Deferred tax liabilities	*24*	**1,700**	–
Lease liabilities	*17*	**182,622**	186,941
Other long-term liabilities		**37,742**	–
NET ASSETS		**717,996**	4,447,506
EQUITY			
Equity attributable to owners of the parent			
Share capital	*34*	**732,460**	732,460
Reserves	*35*	**(27,378)**	3,552,600
		705,082	4,285,060
Non-controlling interests		**12,914**	162,446
Total equity		**717,996**	4,447,506

Xu Jili
Director

Liu Donghai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the parent									
	Share capital RMB'000 *(Note 34)*	Capital reserve RMB'000 *(Note 35)*	Share-based payment reserve RMB'000	Statutory reserve funds RMB'000 *(Note 35)*	Retained profits RMB'000	Fair value reserve RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	666,667	500,359	25,295	302,359	2,523,559	(3,917)	(64)	4,014,258	162,247	4,176,505
Profit for the year	–	–	–	–	114,062	–	–	114,062	450	114,512
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	–	1,398	1,398	(251)	1,147
Change in fair value of equity investments at fair value through other comprehensive loss, net of tax	–	–	–	–	–	(26,599)	–	(26,599)	–	(26,599)
Share of other comprehensive loss of joint ventures	–	–	–	–	–	–	(9,085)	(9,085)	–	(9,085)
Total comprehensive income for the year	–	–	–	–	114,062	(26,599)	(7,687)	79,776	199	79,975
Transfer from retained profits	–	–	–	11,406	(11,406)	–	–	–	–	–
Issue of shares	65,793	125,233	–	–	–	–	–	191,026	–	191,026
At 31 December 2020	732,460	625,592	25,295	313,765	2,626,215	(30,516)	(7,751)	4,285,060	162,446	4,447,506

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

Year ended 31 December 2021

	Attributable to owners of the parent									
	Share capital RMB'000 *(Note 34)*	Capital reserve RMB'000 *(Note 35)*	Share-based payment reserve RMB'000	Statutory reserve funds RMB'000 *(Note 35)*	Retained profits RMB'000	Fair value reserve RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	732,460	625,592	25,295	313,765	2,626,215	(30,516)	(7,751)	4,285,060	162,446	4,447,506
Loss for the year	–	–	–	–	(3,567,438)	–	–	(3,567,438)	(29,547)	(3,596,985)
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(4,053)	(4,053)	(185)	(4,238)
Change in fair value of equity investments at fair value through other comprehensive loss, net of tax	–	–	–	–	–	(10,320)	–	(10,320)	–	(10,320)
Share of other comprehensive loss of joint ventures	–	–	–	–	–	–	(7,620)	(7,620)	–	(7,620)
Total comprehensive loss for the year	–	–	–	–	(3,567,438)	(10,320)	(11,673)	(3,589,431)	(29,732)	(3,619,163)
Transfer to reserves	–	–	–	–	(2,790)	2,790	–	–	–	–
Disposal of subsidiaries	–	1,375	–	–	–	–	(347)	1,028	(1,375)	(347)
Disposal of partial interests in subsidiaries without a loss of control	–	(18,888)	–	–	–	–	–	(18,888)	18,888	–
Acquisition of non-controlling interests	–	27,313	–	–	–	–	–	27,313	(137,313)	(110,000)
At 31 December 2021	732,460	635,392	25,295	313,765	(944,013)	(38,046)	(19,771)	705,082	12,914	717,996

* These reserve accounts comprise the consolidated reserves of RMB(27,378,000) (2020: RMB3,552,600,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:		**(3,905,349)**	106,407
Adjustments for:			
Finance costs	10	**234,170**	162,091
Interest income		**(3)**	–
Share of profits and losses of joint ventures		**(1,504)**	6,325
Share of profits and losses of associates		**(268)**	(2,781)
Impairment of goodwill	8	**50,521**	17,598
Impairment and write-down of of trade receivables	8	**627,756**	17,373
Reversal for impairment of financial assets at fair value through other comprehensive income	8	**–**	(3,290)
Impairment and write down of other receivables	8	**315,281**	8,031
Provision for impairment of right-of-use assets and lease liabilities	8	**515**	–
Impairment and write-down of inventories	8	**1,956,437**	23,813
Provision for other long-term assets	8	**3,008**	–
Fair value gain on financial assets at fair value through profit or loss	7	**(3,219)**	(966)
Depreciation of property, plant and equipment	8	**28,739**	43,680
Depreciation of right-of-use assets	8	**154,880**	189,315
Covid-19-related rent concessions from lessors	17	**(2,079)**	(16,391)
Amortisation of intangible assets	8	**1,377**	1,507
Gain on disposal of an investment in a joint venture	8	**–**	(407)
Plant and equipment	8	**7,936**	1,927
Loss on disposal of items of intangible assets	8	**14**	–
Foreign exchange (loss)/gain, net		**(1,705)**	485
		(533,493)	554,717
Increase in trade and bills receivables		**(304,359)**	(312,775)
(Increase)/decrease in prepayments, other receivables and other assets		**(683,684)**	46,995
(Increase)/decrease in pledged deposits		**(25,999)**	4,544
Decrease in inventories		**337,661**	350,871
Decrease in trade and bills payables		**(264,592)**	(312,952)
Increase/(decrease) in other payables and accruals		**634,585**	(38,425)
Increase in other long-term payables		**33,349**	–
(Increase)/decrease in amounts due from related parties		**(371,735)**	15,976
Increase in contact liabilities		**66,272**	–
Increase in amounts due to related parties		**140,755**	22,352
Cash generated from operations		**(971,240)**	331,303
Income tax paid		**(21,383)**	(16,274)
Net cash flows (used in)/from operating activities		**(992,623)**	315,029

	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries	**39,792**	–
Disposal of a subsidiary	**–**	200
Purchases of items of property, plant and equipment	**(18,835)**	(17,543)
Purchases of items of other intangible assets	**–**	(105)
Proceeds from disposal of items of property, plant and equipment	**–**	546
Decrease of financial assets at fair value through profit or loss	**991**	100,000
Interest received	**3**	–
Loans to third parties	**(52,429)**	–
Acquisition of interests in joint ventures	**–**	(5,000)
Net cash flows (used in)/from investing activities	**(30,478)**	78,098
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	**5,283,205**	4,380,977
Loan from a related party/(repayment) of a loan	**1,723,454**	(29,716)
Decrease/(increase) in pledged deposits	**359,985**	417,190
Repayment of bank loans and a corporate bond	**(5,947,533)**	(5,609,258)
Principal portion of lease payments	**(163,623)**	(160,735)
Issue capital	**–**	191,026
Acquisition of non-controlling interests	**–**	(5,529)
Interest paid	**(209,694)**	(172,576)
Net cash flows from/(used in) financing activities	**1,045,794**	(988,621)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**22,693**	(595,494)
Cash and cash equivalents at beginning of year	**71,413**	666,245
Effect of foreign exchange rate changes, net	**(2,881)**	662
CASH AND CASH EQUIVALENTS AT END OF YEAR	**91,225**	71,413
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**91,225**	71,413
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF FINANCIAL POSITION	**91,225**	71,413

1. CORPORATE AND GROUP INFORMATION

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

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

In the opinion of the directors, before Zhuhai Huafa Industrial Investment Holding Co., Ltd. and Hong Kong Huafa Investment Holdings Limited (collectively referred to as "Huafa Group") becoming the controlling shareholder, the then 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 acquired 67.77% of the Company's equity interests from the Liu Family and other original shareholders in the first half of 2021, and under a concert party agreement with the Liu Family, controlled a total voting right of 90.76% of the Company.

Information about subsidiaries

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

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

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

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

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name of the principal subsidiaries	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities	Principal country of operation
Beijing D-phone Fengze Electronic Equipment Co., Ltd. * (北京迪信通豐澤電子設備有限公司)	RMB5,000,000	–	100	(1)	China
Jinan Dixin Electronic Communication Technology Co., Ltd. * (濟南迪信電子通信技術有限公司)	RMB10,500,000	100	–	(1)	China
Nanyang D-phone Electronic Communication Technology Co., Ltd. * (南陽迪信通電子通信技術有限公司)	RMB8,000,000	–	100	(1)	China
Qingdao D-phone Communication Technology Co., Ltd. * (青島迪信通通信技術有限公司)	RMB5,000,000	–	100	(1)	China
Hunan Zhongxuntong Electronic Science and Technology Co., Ltd. * (湖南中訊通電子科技有限公司)	RMB5,000,000	100	–	(1)	China
Zhengzhou D-phone Electronic Communication Technology Co., Ltd. * (鄭州迪信通電子通信技術有限公司)	RMB13,000,000	100	–	(1)	China
Chongqing Digital Intelligent Technology Co., Ltd. * (重慶迪信通智能技術有限公司)	RMB400,000,000	100	–	(1)	China
Henan D-phone Electronic Communication Technology Co., Ltd. * (河南迪信通電子通信技術有限公司)	RMB20,000,000	100	–	(1)	China
Tianjin D-phone Electronic Communication Technology Co., Ltd. * (天津迪信通電子通信技術有限公司)	RMB30,000,000	100	–	(1)	China

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name of the principal subsidiaries	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Principal activities	Principal country of operation
Guangdong D-phone Trading Co., Ltd. * (廣東迪信通商貿有限公司)	RMB10,000,000	100	–	(1)	China
Hebei Dixin Electronic Communication Equipment Co., Ltd. * (河北迪信電子通信設備有限公司)	RMB3,000,000	100	–	(1)	China
Wenzhou D-phone Electronic Communication Technology Co., Ltd. * (溫州迪信通電子通信技術有限公司)	RMB2,000,000	100	–	(1)	China
Henan D-phone Trading Co., Ltd. * (河南迪信通商貿有限公司)	RMB10,000,000	60	–	(1)	China
Wuhan Yitongda Communication Equipment Co., Ltd. * (武漢易通達通訊器材有限公司)	RMB2,000,000	–	100	(1)	China
Yunnan D-phone Electronic Communication Technology Co., Ltd. * (雲南迪信通電子通信技術有限公司)	RMB20,000,000	–	100	(1)	China
Beijing Tailongji Trading Co., Ltd. * (北京市泰龍吉貿易有限公司)	RMB50,000,000	100	–	(2)	China
Shenzhen Hua'aotong Electronic Technology Co., Ltd. * (深圳市華奧通電子有限公司)	RMB20,000,000	–	100	(3)	China
Ningbo Hi-tech District Shunjixin Technology Co., Ltd. * (寧波高新區順吉信科技有限公司)	RMB10,000,000	100	–	(1)	China
Beijing Dixin Alliance Technology Co., Ltd. * (北京迪信雲聚科技有限公司)	RMB10,000,000	80	–	(1)	China

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name of the principal subsidiaries	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities	Principal country of operation
Digitone Mobiles Private Limited	INR287,740	–	65	(1)	India
Guangan Zhuopin Era Technology Co., Ltd. * (廣安卓品時代科技有限公司)	RMB25,000,000	51	–	(2)	China
Beijing Wangju Dixin Youpin Internet Technology Trading Co., Ltd. * (北京網聚迪信優品互聯網科技有限公司)	RMB5,000,000	80	–	(2)	China
Beijing Digital (Spain), S.L	EUR4,800,000	100	–	(1)	Spain
Dixin Simaier Technology (Guangdong) Co., Ltd. * (迪信斯麥爾科技 (廣東) 有限公司)	RMB200,000,000	100	–	(1)	China
Shenzhen Mizuan Network Technology Co., Ltd. * (深圳米鑽網絡科技有限公司)	RMB7,220,500	–	70	(1)	China
Tangshan D-phone Technology Co., Ltd. * (唐山迪信通科技有限公司)	RMB50,000,000	100	–	(1)	China
Hainan D-phone Technology Co., Ltd. * (海南迪信通科技有限公司)	RMB5,000,000	–	100	(1)	China

Notes:

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

(2) Online sale of mobile telecommunications devices and accessories

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IAS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and the 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 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 Group had no interest-bearing bank and other borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("HIBOR") and United States dollars based on the London Interbank Offered Rate ("LIBOR") as at 31 December 2021.

(b) Amendment to IFRS 16 issued in March 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. The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 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 RMB2,079,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2021. There was no impact on the opening balance of equity as at 1 January 2021.

3. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 1 and IAS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[1]

1 *Effective for annual periods beginning on or after 1 January 2022*
2 *Effective for annual periods beginning on or after 1 January 2023*
3 *No mandatory effective date yet determined but available for adoption*

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

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

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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

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

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

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

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

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

Business combinations and goodwill

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

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

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

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

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

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

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

Business combinations and goodwill *(Continued)*

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

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

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

Fair value measurement

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

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

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

Fair value measurement *(Continued)*

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

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

Impairment of non-financial assets *(Continued)*

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

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The annual depreciation of property, plant and equipment is as follows:

Buildings	2.5% to 5%
Motor vehicles	10% to 20%
Office equipment	20% to 33⅓%
Leasehold improvements	Over the shorter of the lease terms and 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software copyrights

Purchased software copyrights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of two to six years.

Distribution network

Distribution network is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 16 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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

Leases *(Continued)*

Group as a lessee (Continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

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

Investments and other financial assets *(Continued)*

Subsequent measurement (Continued)

Financial assets at fair value through other comprehensive income (debt investments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

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

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

Impairment of financial assets *(Continued)*

General approach (Continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related parties and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain industrial products for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Income tax *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

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

Revenue recognition *(Continued)*

Revenue from contracts with customers (Continued)

(a) Sale of goods

Revenue from the sale of mobile telecommunications devices and accessories is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(b) Service income from mobile carriers

Revenue from the provision of services to mobile carriers is recognised over time, using an output method to measure progress towards complete satisfaction of the service according to the underlying contract terms. The output method recognises revenue based on direct measurements of the value to the mobile carriers of the services transferred to date relative to the remaining services promised under the contract.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Renminbi ("RMB"), which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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

Foreign currencies *(Continued)*

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Vendor rebates

Volume-related vendor rebates are recognised as a deduction from cost of sales on an accrual basis according to the expected entitlement earned up to the reporting date for each relevant supplier contract. Rebates relating to items purchased but still held at the reporting date are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Significant judgement in determining the lease terms of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease(e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Significant judgement in determining the lease terms of contracts with renewal options (Continued)

The Group includes the renewal period as part of the lease term for leases of buildings due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., one to three years) and there will be a significant negative effect on sales if a replacement is not readily available.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

(i) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of a similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than the previously estimated lives, or it will write off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(ii) Leases – estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(iii) Provision for expected credit losses on trade receivables and contract assets

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 26 to the financial statements.

(iv) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for sale of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(v) Net realisable value of inventories

Net realisable value of an inventory is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature which could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at the end of the reporting period.

6. OPERATING SEGMENT INFORMATION

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

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

Information about major customers

During the year, the Group had no customers from whom the revenue derived individually accounted for more than 10% of the Group's total revenue.

Geographical information

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

(a) Revenue from external customers

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Mainland China	**9,842,207**	12,951,542
Spain	**393,612**	597,235
Bangladesh	**–**	954
India	**–**	419
Romania	**2,250**	–
Bulgaria	**5,861**	–
	10,243,930	13,550,150

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Mainland China	**621,620**	722,138
Spain	**35,518**	45,147
Bangladesh	**–**	99
India	**–**	83
Romania	**4,209**	–
Bulgaria	**1,471**	–
	662,818	767,467

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

7. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue from contracts with customers		
Sales of mobile telecommunications devices and accessories	**9,787,866**	13,246,324
Including:		
Retail	**3,412,568**	4,956,717
Sales to franchisees	**918,894**	1,017,517
Wholesale	**5,456,404**	7,272,090
Service income from mobile carriers	**250,879**	138,631
Other service fee income	**205,185**	165,195
	10,243,930	13,550,150

Disaggregated revenue information

Segment

Mobile telecommunications devices

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Geographical markets		
Mainland China	**9,842,207**	12,951,542
Spain	**393,612**	597,235
Bangladesh	**–**	954
India	**–**	419
Romania	**2,250**	–
Bulgaria	**5,861**	–
Total revenue from contracts with customers	**10,243,930**	13,550,150
Timing of revenue recognition		
Goods transferred at a point in time	**9,787,866**	13,246,324
Services transferred over time	**456,064**	303,826
Total revenue from contracts with customers	**10,243,930**	13,550,150

7. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Disaggregated revenue information *(Continued)*

Segment (Continued)

Mobile telecommunications devices (Continued)

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Other income		
Interest income	**17,630**	24,133
Government grants *(note (a))*	**6,747**	26,035
Others	**102,884**	4,365
	127,261	54,533
Gains		
Fair value gain on financial assets at fair value through profit or loss	**3,219**	966
Gain on disposal of a joint venture	**–**	407
Gain on financial investment	**3**	–
Gain on foreign exchange	**25**	–
Gain on disposal of items of property, plant and equipment	**–**	154
	3,247	1,527
	130,508	56,060

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

8. PROFIT/LOSS BEFORE TAX

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cost of inventories sold and services provided	**9,668,142**	12,373,459
Depreciation of property, plant and equipment *(note 16)*	**28,739**	43,680
Depreciation of right-of-use assets *(note 17)*	**154,880**	189,315
Amortisation of intangible assets *(note 19)*	**1,377**	1,507
Lease payments not included in the measurement of lease liabilities	**20,919**	13,534
Interest on lease liabilities *(note 17)*	**13,861**	19,967
Auditors' remuneration	**3,450**	3,450
Employee benefit expense (including directors' remuneration as set out in note 11):		
Wages and salaries	**274,945**	344,544
Pension scheme contributions	**35,306**	48,949
	310,251	393,493
Impairment of property, plant and equipment *(note 16)*	**899**	–
Impairment of right-of-use assets *(note 17)*	**515**	–
Impairment of goodwill *(note 18)*	**50,521**	17,598
Impairment of other intangible assets *(note 19)*	**2,109**	–
Impairment of financial assets:		
Impairment and write-down of trade receivables *(note 26)*	**627,756**	17,373
Impairment of financial assets at fair value through other comprehensive income	**–**	(3,290)
Impairment and write-down of financial assets included in prepayments, other receivables and other assets *(note 27)*	**315,281**	8,031
Impairment and write-down of inventories *(note 25)*	**1,956,437**	23,813
Gain on disposal of an investment of a joint venture	**–**	(407)
Loss on disposal of items of property, plant and equipment	**7,936**	1,927

9. OTHER EXPENSES

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Write-down and impairment of inventories	**1,956,437**	23,812
Impairment of goodwill	**50,521**	17,598
Impairment of property, plant and equipment	**899**	–
Impairment of intangible assets	**2,109**	–
Impairment of right-of-use assets	**515**	–
Loss on disposal of property, plant and equipment	**7,936**	861
Exchange loss	**–**	957
Others	**23,848**	7,682
	2,042,265	50,910

10. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Interest on bank loans and other borrowings	**220,309**	142,124
Interest on lease liabilities	**13,861**	19,967
	234,170	162,091

11. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors', supervisors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, sections 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Remuneration:		
Salaries, allowances and benefits in kind	**2,295**	2,152
Pension scheme contributions	**76**	94
	2,371	2,246

(a) Independent non-executive directors

The fees paid to independent non-executive directors were as follows:

		Year ended 31 December	
		2021	2020
	Note	**RMB'000**	RMB'000
Mr. Lv Tingjie		**60**	60
Mr. Lv Pingbo		**60**	60
Mr. Cai Chun Fai	*(i)*	**66**	–
Mr. Zhang Senquan	*(i)*	**131**	261
		317	381

There were no other emoluments payable to the independent non-executive directors during the year.

Note:

(i) *Mr. Zhang Senquan resigned on 30 June 2021 and was replaced by Mr. Cai Chun Fai as an independent non-executive director.*

11. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors, non-executive directors, supervisors and the chief executive

	Notes	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2021				
Executive directors:				
Mr. Liu Donghai	*(i)*	**995**	**47**	**1,042**
Ms. Liu Wencui	*(ii)*	**296**	**24**	**320**
Mr. Liu Yajun	*(ii)*	**480**	**–**	**480**
Ms. Xu Liping	*(ii)*	**–**	**–**	**–**
Ms. Xu Jili	*(i)*	**–**	**–**	**–**
		1,771	**71**	**1,842**
Non-executive directors:				
Mr. Li Wenzhi	*(iii)*	**30**	**–**	**30**
Mr. Yao Yanzhong	*(iii)*	**–**	**–**	**–**
Mr. Lv Jing	*(iii)*	**30**	**–**	**30**
Mr. Li Guangning	*(iii)*	**–**	**–**	**–**
Ms. Guo Jin	*(iii)*	**–**	**–**	**–**
Mr. Gao Dali	*(iii)*	**–**	**–**	**–**
Mr. Xie Hui	*(iii)*	**–**	**–**	**–**
Mr. Jia Zhaojie	*(iii)*	**–**	**–**	**–**
Ms. Pan Anran	*(iii)*	**–**	**–**	**–**
		60	**–**	**60**
Supervisors:				
Mr. Hu Yuzhong	*(iv)*	**20**	**–**	**20**
Mr. Li Wanlin		**40**	**–**	**40**
Mr. Liu Zhenlong		**87**	**5**	**92**
Ms. Yang Hui	*(iv)*	**–**	**–**	**–**
		147	**5**	**152**
		1,978	**76**	**2,054**

11. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors, non-executive directors, supervisors and the chief executive *(Continued)*

	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2020			
Executive directors:			
Mr. Liu Songshan	302	18	320
Mr. Liu Donghai	266	30	296
Ms. Liu Wencui	411	30	441
Mr. Liu Yajun	477	12	489
	1,456	90	1,546
Non-executive directors:			
Mr. Qi Xiangdong	24	–	24
Mr. Li Wenzhi	37	–	37
Mr. Yao Yanzhong	37	–	37
Mr. Lv Jing	37	–	37
Ms. Xin Xin	24	–	24
	159	–	159
Supervisors:			
Mr. Hu Yuzhong	40	–	40
Mr. Li Wanlin	40	–	40
Mr. Liu Zhenlong	76	4	80
	156	4	160
	1,771	94	1,865

A non-executive director, Mr. Yao Yanzhong waived his remuneration of RMB25,000 during the year.

11. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors, non-executive directors, supervisors and the chief executive *(Continued)*

Notes:

(i) Mr. Liu Donghai resigned as the general manager but remained as executive director and executive president on 10 August 2021.

Ms. Xu Jili was appointed as non-executive director with effect from 30 June 2021. Ms. Xu Jili was re-designated from non-executive director to executive director and president on 10 August 2021.

(ii) Ms. Liu Wencui resigned on 21 May 2021 and Mr. Liu Yajun resigned on 30 June 2021. Ms. Xu Liping was appointed as non-executive director on 30 June 2021.

(iii) Mr. Li Wenzhi, Mr. Yao Yanzhong and Mr. Lv Jing resigned on 30 June 2021 and were replaced by Mr. Li Guangning, Ms. Guo Jin and Mr. Gao Dali as non-executive directors.

Mr. Li Guangning, Ms. Guo Jin and Mr. Gao Dali resigned on 10 September 2021 and were replaced by Mr. Xie Hui, Mr. Jia Zhaojie and Ms. Pan Anran as non-executive directors.

(iv) Mr. Hu Yuzhong resigned on 30 June 2021 and was replaced by Ms. Yang Hui as a supervisor.

12. FIVE HIGHEST PAID EMPLOYEES

An analysis of the five highest paid employees within the Group during the year is as follows:

	Number of employees Year ended 31 December	
	2021	2020
Directors, supervisors and the chief executive	**1**	1
Non-director, non-supervisor and non-chief executive employees	**4**	4
	5	5

Details of directors' remuneration are set out in note 10 above.

12. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

Details of the remuneration of the above highest paid employees who are neither a director, a supervisor nor chief executive of the Company are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,841**	2,438
Equity-settled share-base payment expense	**–**	–
Pension scheme contributions	**212**	140
	3,053	2,578

The number of non-director, non-supervisor and non-chief executive highest paid individuals whose remuneration fell within the following band is as follows:

	Number of employees Year ended 31 December	
	2021	2020
Nil to HK$1,000,000	**4**	4

13. INCOME TAX CREDIT/EXPENSE

The provision for PRC current income tax is based on the statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which became effective on 1 January 2008, except for Sichuan Yijialong Communication Technology Chain Co., Ltd. and Dixin Simaier Technology (Guangdong) Co., Ltd., two subsidiaries of the Company, which were subject to tax at preferential rates of 15% and 12.5%, respectively, for the year ended 31 December 2021. The major components of income tax expense/credit are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current:		
Tax charge/(credit) for the year	**4,597**	(17,035)
Tax credit in respect of losses in the current period	**(368,807)**	–
Deferred: *(note 24)*	**55,846**	8,930
Total tax credit for the year	**(308,364)**	(8,105)

Note: *For losses in the current year, tax credit is recognised up to the expected recoverable amount. No deferred tax assets and accordingly tax credit recognised for current year losses in excess of the recoverable amount as, 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.*

13. INCOME TAX CREDIT/EXPENSE *(Continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of the subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
(Loss)/profit before tax	**(3,905,349)**	106,407
Tax at the statutory tax rate	**(976,337)**	26,602
Lower tax rates for certain entities	**(405)**	(15,867)
Adjustments in respect of current tax of previous periods	**27**	(76,867)
Losses attributable to associates and joint ventures	**1,338**	886
Expenses not deductible for tax	**559**	5,187
Tax losses not recognised	**666,454**	51,954
Tax credit at the Group's effective rate	**(308,364)**	(8,105)

The share of tax attributable to associates and joint ventures amounting to RMB1,294,000 (2020: RMB2,235,000) and RMB44,000 (2020: RMB54,000), respectively, is included in "Share of profits and losses of associates and joint ventures" in the consolidated statement of profit or loss and other comprehensive income.

14. DIVIDENDS

The directors did not propose a dividend for the year ended 31 December 2021.

15. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 732,460,000 (2020: 731,202,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

The calculation of basic earnings/(loss) per share is based on:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Earnings		
(Loss)/profit attributable to ordinary equity holders of the parent used in the basic earnings/(loss) per share calculation	**(3,567,438)**	114,062
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**732,460,000**	731,202,000

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2021					
At 1 January 2021:					
Cost	79,627	507,432	65,085	32,156	684,300
Accumulated depreciation	(36,637)	(486,694)	(52,477)	(23,043)	(598,851)
Net carrying amount	42,990	20,738	12,608	9,113	85,449
At 1 January 2021, net of accumulated depreciation	42,990	20,738	12,608	9,113	85,449
Additions	64	13,651	4,744	376	18,835
Disposals	(1,751)	(1,099)	(3,033)	(2,053)	(7,936)
Depreciation provided during the year	(3,526)	(18,237)	(5,443)	(1,533)	(28,739)
Impairment	–	(333)	(194)	(372)	(899)
At 31 December 2021, net of accumulated depreciation	37,777	14,720	8,682	5,531	66,710
At 31 December 2021:					
Cost	77,940	519,984	66,796	30,479	695,199
Accumulated depreciation and impairment	(40,163)	(505,264)	(58,114)	(24,948)	(628,489)
Net carrying amount	37,777	14,720	8,682	5,531	66,710

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2020					
At 1 January 2020:					
Cost	79,627	495,919	66,041	33,457	675,044
Accumulated depreciation	(32,840)	(457,609)	(48,240)	(22,296)	(560,985)
Net carrying amount	46,787	38,310	17,801	11,161	114,059
At 1 January 2020, net of accumulated depreciation	46,787	38,310	17,801	11,161	114,059
Additions	–	11,513	4,555	1,475	17,543
Disposals	–	–	(1,477)	(996)	(2,473)
Depreciation provided during the year	(3,797)	(29,085)	(8,271)	(2,527)	(43,680)
At 31 December 2020, net of accumulated depreciation	42,990	20,738	12,608	9,113	85,449
At 31 December 2020:					
Cost	79,627	507,432	65,085	32,156	684,300
Accumulated depreciation	(36,637)	(486,694)	(52,477)	(23,043)	(598,851)
Net carrying amount	42,990	20,738	12,608	9,113	85,449

As at 31 December 2021, the Group has not obtained title certificates for certain of its buildings with an aggregate net carrying amount of approximately RMB10,455,000 (2020: RMB11,160,000). Certain of the Group's buildings with an aggregate net carrying amount of approximately RMB22,388,000 as at 31 December 2021 (2020: RMB25,501,000) were pledged as security for the Group's interest-bearing bank borrowings (note 33). The directors were of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2021.

17. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings (offices properties and retail stores) used in its operations. Leases of buildings generally have lease terms between 2 and 16 years. Other leases generally have lease terms of 12 months or less and/or are individually of low value. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(a) Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the year are as follows:

	Buildings RMB'000
As at 1 January 2020	550,002
Additions	98,342
Depreciation charge	(189,315)
Decrease	(150,422)
As at 31 December 2020 and 1 January 2021	**308,607**
Additions	**169,863**
Depreciation charge	**(154,880)**
Decrease	**(40,510)**
Impairment	**(515)**
As at 31 December 2021	**282,565**

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021 **RMB'000**	2020 RMB'000
Carrying amount at 1 January	**320,465**	529,704
New leases	**173,147**	98,342
Accretion of interest recognised during the year	**13,861**	19,967
Covid-19-related rent concessions from lessors	**(2,079)**	(16,391)
Decrease	**(40,453)**	(149,326)
Payments	**(166,965)**	(161,831)
Carrying amount at 31 December 2021	**297,976**	320,465
Analysed into:		
Current portion	**115,354**	133,524
Non-current portion	**182,622**	186,941

17. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 **RMB'000**	2020 RMB'000
Interest on lease liabilities	**13,861**	19,967
Depreciation charge of right-of-use assets	**154,880**	189,315
Expense relating to short-term leases (included in profit and loss)	**12,831**	13,816
Variable lease payments not included in the measurement of lease liabilities (included in selling and distribution expenses)	**7,654**	16,109
Covid-19-related rent concessions from lessors	**(2,079)**	(16,391)
Impairment of right-of-use assets	**515**	–
Total amount recognised in profit or loss	**187,662**	222,816

(d) *Variable lease payments*

The Group leased a number of the retail stores and units in a shopping mall which contain variable lease payment terms that are based on the Group's turnover generated from the retail stores and the units in the shopping mall. Management's objective is to align the lease expense with the revenue earned. The following provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments:

2021

	Fixed payments RMB'000	**Variable payments RMB'000**	**Total RMB'000**
Fixed rent	**162,547**	**–**	**162,547**
Variable rent with minimum payment	**14,340**	**4,386**	**18,726**
Variable rent only	**–**	**3,268**	**3,268**
	176,887	**7,654**	**184,541**

17. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(d) Variable lease payments (Continued)

2020

	Fixed payments RMB'000	Variable payments RMB'000	Total RMB'000
Fixed rent	153,216	–	153,216
Variable rent with minimum payment	12,219	9,763	21,982
Variable rent only	–	6,346	6,346
	165,435	16,109	181,544

A 5% increase in sales produced by the retail stores and units would increase the total lease payments by 0.3% to 0.5% (2020: 0.3% to 0.5%).

(e) The total cash outflow for leases relating to leases that have not yet commenced are disclosed in note 37 to the financial statements.

18. GOODWILL

	As at 31 December	
	2021 RMB'000	2020 RMB'000
At 1 January:		
Cost	**94,687**	94,687
Accumulated impairment	**(44,166)**	(26,568)
Net carrying amount	**50,521**	68,119
Cost at 1 January, net of accumulated impairment	**50,521**	68,119
Impairment during the year	**(50,521)**	(17,598)
Cost and net carrying amount at 31 December	**–**	50,521
At 31 December:		
Cost	**94,687**	94,687
Accumulated impairment	**(94,687)**	(44,166)
Net carrying amount	**–**	50,521

18. GOODWILL *(Continued)*

Impairment testing of goodwill

The carrying amounts of goodwill allocated to each of the cash-generating units which are subsidiaries of the Company are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Changsha 958598 Electronic Communication Equipment Co., Ltd.	–	490
Sichuan Yijialong Communication Technology Chain Co., Ltd.	–	27,637
Luoyang Dphone Electronic Communication Technology Co., Ltd.	–	5,739
Shangqiu Dphone Electronic Communication Technology Co., Ltd.	–	1,729
Yunnan Dphone Electronic Communication Technology Co., Ltd.	–	7,792
Wuhan Yitongda Communication Equipment Co., Ltd.	–	1,235
Xi'an Dphone Electronic Communication Technology Co., Ltd.	–	3,790
Beijing Jinyitongda Communication Equipment Maintenance Co., Ltd.	–	351
Xinyang Beixin Science Trading Co., Ltd.	–	650
Beijing Wangju Dixin Youpin Internet Technology Trading Co., Ltd.	–	1,108
	–	50,521

The recoverable amount of each cash-generating unit has been determined based on a value in use calculation. To calculate this, cash flow projections are prepared based on financial budgets as approved by the directors which cover a period of five years. At 31 December 2021, the pre-tax discount rates applied to the cash flow projections were 22% to 28% (2020: 22% to 28%).

The growth rate used to extrapolate the cash flows of the cash-generating units beyond the five-year period was 3% as at 31 December 2021 (2020: 3%). The directors believe that this growth rate is conservative and reliable for the purpose of impairment testing.

18. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

Assumptions were used in the value-in-use calculation of the cash-generating units noted above for 31 December 2021 and 31 December 2020. The following describes each key assumption on which management has based on in the preparation of cash flow projections to undertake impairment testing of goodwill:

Revenue: the bases used to determine the future earnings potential are historical sales and the expected growth rates of the markets in the PRC and India, adjusted to reflect the impact of the Covid-19 pandemic.

Gross margins: the gross margins are based on the average gross margins achieved in the past three years and the expected trend in the future, adjusted to reflect the impact of the Covid-19 pandemic.

Expenses: the value assigned to the key assumptions reflects past experience and management's commitment to maintain the Group's operating expenses to an acceptable level.

Discount rates: the discount rates used are before tax and reflect management's estimate of the risks specific to the respective units. In determining appropriate discount rates for the units, regard has been given to the applicable borrowing rate of the Group during the year.

The values assigned to the key assumptions on market development, gross margins, expenses and discount rates are consistent with external information sources.

During the year, an impairment of RMB50,521,000 was made against goodwill. The impairment is driven by the downturn in the retail of telecommunications devices sector as well as the retail sector as a whole, resulting in lower recoverable amounts of the cash-generating units of the Group, with lower gross margin and lower or negative estimated growth rate after adjusting for the impact of the Covid-19 pandemic.

19. OTHER INTANGIBLE ASSETS

	Software copyrights RMB'000	Distribution network RMB'000	Total RMB'000
31 December 2021			
Cost at 1 January 2021, net of accumulated amortisation	**2,198**	**4,859**	**7,057**
Amortisation provided during the year	**(247)**	**(1,130)**	**(1,377)**
Disposal	**(14)**	**–**	**(14)**
Impairment	**–**	**(2,109)**	**(2,109)**
At 31 December 2021	**1,937**	**1,620**	**3,557**
At 31 December 2021:			
Cost	**6,996**	**7,242**	**14,238**
Accumulated amortisation	**(4,874)**	**(3,698)**	**(8,572)**
Accumulated impairment	**–**	**(2,109)**	**(2,109)**
Net carrying amount	**2,122**	**1,435**	**3,557**
31 December 2020			
Cost at 1 January 2020, net of accumulated amortisation	2,470	5,989	8,459
Additions	105	–	105
Amortisation provided during the year	(377)	(1,130)	(1,507)
At 31 December 2020	2,198	4,859	7,057
At 31 December 2020:			
Cost	7,354	10,425	17,779
Accumulated amortisation	(5,156)	(3,210)	(8,366)
Accumulated impairment	–	(2,356)	(2,356)
Net carrying amount	2,198	4,859	7,057

20. INVESTMENTS IN JOINT VENTURES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Share of net assets	**50,812**	56,927
Goodwill	**3,719**	3,719
	54,531	60,646

Particulars of the Group's joint ventures are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Guangzhou Zhongqi Energy Technology Co., Ltd.*	Registered capital of RMB1 each	PRC/Mainland China	46	46	46	Sale of mobile telecommunications devices and accessories
Shenzhen Chuanshi Electronic Technology Ltd.*	Registered capital of RMB1 each	PRC/Mainland China	50	50	50	Equity investment and investment consultation

* *English translations of names for identification purposes only*

The above investments are directly held by the Company.

The following table illustrates the financial information of the Group's joint ventures:

	2021	2020
	RMB'000	RMB'000
Share of the joint ventures' profit/(loss) for the year	**1,504**	(6,325)
Share of the joint ventures' other comprehensive loss	**(7,620)**	(9,085)
Share of the joint ventures' total comprehensive loss	**(6,116)**	(15,410)

21. INVESTMENTS IN ASSOCIATES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Share of net assets	**254,931**	254,663
Goodwill on acquisition	**524**	524
	255,455	255,187

Particulars of the Group's associates are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Shenzhen Dixin Nuclear Communications Co., Ltd.*	Ordinary shares	PRC/Mainland China	20	Wholesale and retail of communication equipment
Shanghai Diju Information Technology Co., Ltd.*	Ordinary shares	PRC/Mainland China	45	Technology research and consulting services
Comservice Commercial Factoring Co., Ltd.*	Ordinary shares	PRC/Mainland China	46	Provision of trade finance and credit investigation and evaluation services
Shenzhen Aizuji Technology Co., Ltd.*	Ordinary shares	PRC/Mainland China	14	Provision of leasing and selling services of intelligent devices
Yangzhou D-phone Science and Technology Information Co., Ltd.	Ordinary shares	PRC/Mainland China	43	Wholesale and retail of communication equipment and after-sales services
Beijing Jingdixin Technology Co., Ltd.*	Ordinary shares	PRC/Mainland China	49	Wholesale and retail of communications equipment

21. INVESTMENTS IN ASSOCIATES *(Continued)*

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
China Ocean Intelligent Equipment Manufacturing (Shenzhen) Company Limited*	Ordinary shares	PRC/Mainland China	50	Research and development, production and imports and exports of smart devices and automation equipment
DIMI Technology (Thailand) Co., Ltd.	Ordinary shares	Thailand	49	Sale of mobile telecommunications devices and accessories
Shanghai Cloud Minds Dixin Technology Co., Ltd.	Ordinary shares	PRC/Mainland China	49	Wholesale and retail of communication and imports and exports of technology

* *English translations of names for identification purposes only*

The Group's shareholdings in the associates all comprise equity shares held by the Company, except for Shanghai Diju Information Technology Co., Ltd. and Comservice Commercial Factoring Co., Ltd., the shareholdings in which are held through subsidiaries of the Company.

The following table illustrates the financial information of the Group's associates:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Share of the associates' profit for the year	**268**	2,781

22. DEBT INSTRUMENT AT AMORTISED COST

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Debt instrument at amortised cost		
Government bond	**500**	500

23. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value		
Beijing Chuanmall Huilian Technology Co., Ltd.*	**9**	9
Beijing Rocedar Technology Ltd.*	**–**	12
Beijing Feiying Technology Co., Ltd.*	**–**	137
Yunnan Dphone Investment Co., Ltd.*	**1,000**	1,000
	1,009	1,158

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

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

24. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Deductible temporary differences RMB'000	Unrealised profit RMB'000	Fair value adjustments of equity investments at fair value through other comprehensive income RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2020	49,266	15,851	1,305	66,422
Deferred tax credited to profit or loss during the year	4,313	(13,526)	–	(9,213)
Deferred tax charged to other comprehensive income during the year	–	–	8,866	8,866
Gross deferred tax assets at 31 December 2020 and 1 January 2021	53,579	2,325	10,171	66,075
Deferred tax credited to profit or loss during the year	**(53,579)**	**(2,325)**	**–**	**(55,904)**
Deferred tax charged to other comprehensive income during the year	**–**	**–**	**(10,171)**	**(10,171)**
At 31 December 2021	**–**	**–**	**–**	**–**

24. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	Fair value adjustments of equity investments at fair value through other comprehensive income RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2020	–	2,041	2,041
Deferred tax credited to profit or loss during the year	–	(283)	(283)
Gross deferred tax liabilities at 31 December 2020 and 1 January 2021	–	1,758	1,758
Deferred tax credited to profit or loss during the year	**–**	**(58)**	**(58)**
At 31 December 2021	**–**	**1,700**	**1,700**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2021 RMB'000	2020 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**–**	64,317
Net deferred tax liabilities recognised in the consolidated statement of financial position	**1,700**	–

Deferred tax assets in respect of tax losses and temporary differences amounting to RMB2,675,184,000 (2020: RMB207,816,000) have not been recognised, as it is not considered probable that taxable profits will be available against which the above tax losses can be utilised.

25. INVENTORIES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Merchandise for resale	**339,095**	2,584,547
Consumable supplies	**1,450**	1,758
	340,545	2,586,305
Provision against inventories	**(46,237)**	(23,813)
	294,308	2,562,492

The movements in the loss allowance for impairment of inventories are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
At beginning of year	**23,813**	22,398
Impairment losses *(note 8)*	**1,956,437**	23,813
Amount written off for Inventory losses	**(1,934,013)**	(22,398)
At end of year	**46,237**	23,813

26. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables	**3,137,229**	3,070,587
Bills receivable	**531**	57,370
Impairment	**(245,609)**	(141,318)
	2,892,151	2,986,639

The Group grants different credit periods to customers. The Group's retail sales to consumers are cash sales. Credit periods are offered to customers of volume sales of telecommunications devices and accessories. The credit periods offered to customers of volume sales are considered on a case-by-case basis. The Group maintains strict control over and closely monitors its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

26. TRADE AND BILLS RECEIVABLES *(Continued)*

Endorsed bills receivable

The Derecognised Bills had maturities ranging from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, the Group has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. As at 31 December 2021, the Group did not endorse any bills receivable to its suppliers.

The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase the Derecognised Bills was equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills were immaterial.

During the year, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The Endorsement has been made evenly throughout the year.

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 90 days	**861,280**	2,720,258
91 to 180 days	**1,403,683**	100,282
181 to 365 days	**227,237**	117,086
Over 1 year	**399,951**	49,013
	2,892,151	2,986,639

26. TRADE AND BILLS RECEIVABLES *(Continued)*

Endorsed bills receivable *(Continued)*

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
At beginning of year	**141,318**	126,103
Impairment losses *(note 8)*	**627,756**	17,373
Amount written off as uncollectible	**(523,465)**	(2,158)
At end of year	**245,609**	141,318

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2021

		Past due				
	Current	**Less than 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**Total**
Expected credit loss rate	**3.34%**	**4.68%**	**13.35%**	**24.39%**	**36.73%**	**7.83%**
Gross carrying amount (RMB'000)	**1,984,778**	**658,040**	**113,147**	**53,453**	**327,811**	**3,137,229**
Expected credit losses (RMB'000)	**66,277**	**30,789**	**15,109**	**13,036**	**120,398**	**245,609**

As at 31 December 2020

		Past due				
	Current	Less than 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Expected credit loss rate	3.67%	4.55%	5.43%	10.58%	75.31%	4.60%
Gross carrying amount (RMB'000)	2,441,970	483,626	63,121	54,658	27,212	3,070,587
Expected credit losses (RMB'000)	89,589	22,024	3,430	5,781	20,494	141,318

27. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Prepayments	**563,938**	1,457,079
Deposits and other receivables	**1,960,810**	251,825
	2,524,748	1,708,904
Impairment allowance	**(357,701)**	(43,573)
	2,167,047	1,665,331

The movements in the loss allowance for impairment of other receivables are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
At beginning of year	**43,573**	37,205
Addition during the year *(note 8)*	**315,281**	8,031
Amount written off as uncollectible	**(1,153)**	(1,663)
At end of year	**357,701**	43,573

The Group performed specific collectability review and applied the ECL model to estimate the impairment provision. The Group had established a provision matrix to recognise loss allowance for expected credit losses of unsecured deposit and other receivables. No provision had been made for secured other receivables as at 31 December 2021. The Group had applied the following provision rates to the unsecured deposit and other receivables as at 31 December 2021:

Nature and grouping by type	**Provision rate applied (approximate)**
Deposit	1%
Other receivables (within 1 year)	9%
Other receivables (1 – 2 years)	38%
Other receivables (2 – 3 years)	85%
Deposit and other receivables (Low recoverability)	100%

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Other unlisted investments, at fair value	**104,399**	102,171

The above unlisted investments were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

At 31 December 2021, the Group's financial assets at fair value through profit or loss with a carrying amount of approximately RMB104,399,000 were pledged to secure bank borrowings, as set out in note 33 to the financial statements.

29. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Cash and bank balances	**91,225**	71,413
Time deposits	**729,355**	1,063,341
	820,580	1,134,754
Less: Pledged time deposits:		
Pledged for bank borrowings	**482,500**	703,985
Pledged for bank acceptance notes	**219,000**	357,500
Other pledged deposits	**27,855**	1,856
Cash and cash equivalents, denominated in RMB	**91,225**	71,413

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between three months and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

30. BALANCES WITH RELATED PARTIES

Except the balances due to/from Zhuhai Huafa Group Finance Co., Ltd, Comservice Commercial Factoring Co., Ltd., the amounts due from/to related parties of the Group and subsidiaries of the Company are trade in nature, interest-free and repayable on demand.

31. TRADE AND BILLS PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade payables	**276,234**	294,573
Bills payable	**442,960**	490,000
	719,194	784,573

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 90 days	**204,830**	344,770
91 to 180 days	**153,440**	214,383
181 to 365 days	**313,738**	221,901
Over 1 year	**47,186**	3,519
	719,194	784,573

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

32. OTHER PAYABLES AND ACCRUALS

		As at 31 December	
		2021	2020
	Note	**RMB'000**	RMB'000
Payroll and welfare payable		**43,193**	33,300
Contract liabilities in respect of Sales of goods		**136,386**	70,114
Accrued expenses		**70,944**	5,869
Other payables	*(a)*	**848,695**	124,560
Accrued liabilities		**45,227**	–
		1,144,445	233,843

Note:

(a) Other payables are non-interest-bearing and have an average term of three months.

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

		2021		2020	
		Maturity	**RMB'000**	Maturity	RMB'000
Current	*Notes*				
Bank loans:					
Unsecured, repayable within one year	*(a)*	**2022**	**1,229,604**	2021	833,773
Secured, repayable within one year	*(b)*	**2022**	**762,000**	2021	1,726,135
Other loans:					
Unsecured, repayable within one year	*(c)*	**2022**	**68,350**	2021	66,106
Secured, repayable within one year	*(d)*	**2022**	**80,000**	2021	93,320
			2,139,954		2,719,334
Non-current					
Bank loans, unsecured	*(a)*	**2023-2027**	**17,970**	2022-2025	21,498
			2,157,924		2,740,832

Notes:

(a) *The bank loans bear interest at rates ranging from 1.45% to 10.80% (2020: 2.20% to 10.80%) per annum.*

(b) *The Group's bank loans were secured by pledged deposits, which had an aggregate carrying value of RMB482,500,000 (2020: RMB703,985,000), and financial assets at fair value through profit or loss with a carrying amount of RMB104,399,000 (2020: RMB102,171,000) at the end of the reporting period.*

(c) *The unsecured other loans bear interest at rates ranging from 2.95% to 6.20% (2020: 3.00% to 14.40%) per annum.*

(d) *The Group's other loans are secured by the Group's buildings, which had an aggregate carrying value of RMB22,388,000 (2020: RMB25,501,000).*

34. SHARE CAPITAL

Shares

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Issued and fully paid:		
732,460,400 (2020: 732,460,400) ordinary shares	**732,460**	732,460

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital** RMB'000
At 1 January 2020	666,667,000	666,667
Capital issue	65,793,400	65,793
At 31 December 2020 and 31 December 2021	732,460,400	732,460

35. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Statutory reserve funds

Pursuant to the relevant PRC laws and regulations, Sino-foreign equity joint ventures registered in the PRC are required to transfer a certain percentage, as approved by the board of directors, of their profit after income tax, as determined in accordance with the PRC accounting rules and regulations, to the reserve funds, the enterprise expansion fund and the employee bonus and welfare fund. These funds are restricted as to use.

In accordance with the relevant PRC laws and regulations, each of the PRC domestic companies is required to transfer 10% of its profit after income tax, as determined in accordance with the PRC accounting regulations, to the statutory common reserve fund, until the balance of the fund reaches 50% of its registered capital. Subject to certain restrictions as set out in the relevant PRC laws and regulations, the statutory common reserve fund may be used to offset against accumulated losses, if any.

Distributable reserves

For dividend purposes, the amounts which the PRC companies can legally distribute by way of a dividend are determined by reference to the distributable profits as reflected in their PRC statutory financial statements which are prepared in accordance with PRC GAAP.

In accordance with the Company Law of the PRC, profit after tax of the PRC companies can be distributed as dividends after the appropriation to the statutory reserve funds as set out above.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB173,147,000 and RMB173,147,000, respectively, in respect of lease arrangements for buildings (2020: RMB98,342,000 and RMB98,342,000).

(b) Changes in liabilities arising from financing activities

2021

	Bank and other loans RMB'000	Lease liabilities RMB'000	Due to related parties RMB'000
At 1 January 2021	**2,740,832**	**320,465**	**424,918**
Changes from financing cash flows	**(664,328)**	**(166,965)**	**1,723,454**
New leases	**–**	**173,147**	**–**
Interest expense	**–**	**13,861**	**–**
Covid-19 related rent concessions from lessors	**–**	**(2,079)**	**–**
Increase in operating cash flow	**–**	**–**	**140,755**
Increase in investing cash flow	**81,420**	**–**	**–**
Decrease	**–**	**(40,453)**	**–**
At 31 December 2021	**2,157,924**	**297,976**	**2,289,127**

2020

	Bank and other loans RMB'000	Lease liabilities RMB'000	Due to related parties RMB'000
At 1 January 2020	3,968,773	529,704	432,309
Changes from financing cash flows	(1,227,941)	(161,831)	(29,743)
New leases	–	98,342	–
Interest expense	–	19,967	–
Covid-19 related rent concessions from lessors	–	(16,391)	–
Increase in operating cash flow	–	–	22,352
Decrease	–	(149,326)	–
At 31 December 2020	2,740,832	320,465	424,918

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 RMB'000	2020 RMB'000
Within operating activities	**20,485**	19,712
Within financing activities	**166,965**	161,831
	187,450	181,543

37. CONTINGENCY

A subsidiary of the Group is currently a joint defendant in a litigation brought by a third party for breach of contract whereby the subsidiary of the Group has to bear joint and several liabilities. Based on the information from legal counsel, the Group has provided for an amount of RMB26,541,000 in the consolidated financial statements. In the opinion of the directors, the amount provided for represented maximum the exposure of the Group in this litigation.

38. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in note 33 to the financial statements.

39. RELATED PARTY TRANSACTIONS

(a) The following table presents the total amounts of transactions that were entered into with related parties during the years ended 31 December 2021 and 2020, as well as the balances with related parties as at 31 December 2021 and 2020:

		Sales to related parties[i] RMB'000	Purchases from related parties[i] RMB'000	Other transactions with related parties RMB'000	Amounts owed by related parties RMB'000	Amounts owed to related parties RMB'000
Predecessor controlling shareholder[1]						
Digital Science & Technology	**2021**	**–**	**–**	**–**	**31,792**	**–**
Group Limited	2020	–	–	–	–	–
Associates:						
Shenzhen Dixin Nuclear	**2021**	**–**	**–**	**–**	**6,365**	**–**
Communications Co., Ltd.	2020	–	–	–	997	–
Shanghai Diju Information Technology	**2021**	**–**	**28,020**	**–**	**–**	**26,459**
Co., Ltd.	2020	–	8,019	–	–	17,073
Comservice Commercial Factoring	**2021**	**–**	**–**	**–**	**–**	**–**
Co., Ltd.[3]	2020	–	–	(32,879)	–	44,470
Dimi Technology (Thailand) Co., Ltd.	**2021**	**–**	**–**	**–**	**1,565**	**–**
	2020	–	–	–	1,576	–
Joint ventures:						
Guangzhou Zhongqi Energy	**2021**	**44,437**	**50,265**	**–**	**60,867**	**9,035**
Technology Co., Ltd.	2020	40,887	16,347	–	38,503	–
Beijing Jingdixin Technology Co., Ltd.	**2021**	**–**	**1,609,744**	**–**	**99**	**118,725**
	2020	–	758,761	–	–	342,939
Companies controlled by the original controlling shareholder:						
Beijing Dphone Communication	**2021**	**–**	**–**	**–**	**5**	**16,561**
Services Co., Ltd.[2]	2020	5	–	–	4,649	16,297
Sichuan Dixintong Real Estate Co., Ltd.[2]	**2021**	**–**	**–**	**–**	**–**	**14,960**
	2020	–	–	–	–	–
Shenzhen Dixintong Investment	**2021**	**–**	**–**	**–**	**297,146**	**–**
Holding Co., Ltd.[2]	2020	–	–	–	–	–

39. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

		Sales to related parties(i) RMB'000	Purchases from related parties(i) RMB'000	Other transactions with related parties RMB'000	Amounts owed by related parties RMB'000	Amounts owed to related parties RMB'000
Companies controlled by the original controlling shareholder: *(Continued)*						
Dixintong (Sanmenxia) Business Management Co., Ltd.[2]	**2021**	**–**	**–**	**–**	**447**	**–**
	2020	–	–	–	–	–
Companies significantly influenced by the predecessor/incoming controlling shareholders:						
Beijing Di Er Tong Consulting Company Limited[2]	**2021**	**–**	**–**	**–**	**–**	**302,756**
	2020	–	–	–	–	–
Huajin International Commercial Factoring (Zhuhai) Co., Ltd[5]	**2021**	**–**	**–**	**592,350**	**–**	**244,924**
	2020	–	–	–	–	–
Zhuhai Huafa Group Finance Co., Ltd.[1]	**2021**	**–**	**–**	**1,623,000**	**–**	**1,523,000**
	2020	–	–	–	–	–
Tangshan Dixintong Supply Chain Management Co., Ltd.[2]	**2021**	**–**	**1,238,747**	**–**	**2,709**	**31,000**
	2020	–	–	–	–	–
Yunnan Dixintong Investment Co., Ltd.	**2021**	**–**	**–**	**–**	**–**	**300**
	2020	–	–	–	–	–
Tangshan Dixintong Internet of Things research institute Co., Ltd	**2021**	**–**	**–**	**–**	**30**	**–**
	2020	–	–	–	–	–
Beijing Dixin Chuangtong Technology Co., Ltd.[2]	**2021**	**–**	**–**	**–**	**–**	**63**
	2020	–	–	–	–	–
Shanghai Dixin Intelligent Technology Co., Ltd.[2]	**2021**	**–**	**–**	**–**	**533**	**–**
	2020	–	–	–	–	–
A subsidiary of a joint venture:						
Yunfu Zhongqi Communication Technology Co., Ltd.[4]	**2021**	**2,378**	**2,010**	**–**	**26,194**	**1,345**
	2020	1,742	5	–	2,489	–

39. RELATED PARTY TRANSACTIONS *(Continued)*

(b) In order to ensure the smooth transition from the then controlling shareholder to the management team under the new management, and to facilitate the collection of accounts receivables and other receivables, the then controlling shareholder and his controlled companies have entered into a series of pledge of assets and guarantee contracts with the Company on 15 March 2022, whereby the then controlling shareholder and his controlled companies together have together provided guarantees in an aggregate amount of approximately RMB1.2 billion to secure the collection of a list of accounts receivables and other receivables as at 31 December 2021 with an aggregate amount of approximately RMB2.3 billion.

1 *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.*

The loan from Zhuhai Huafa Group Finance Co., Ltd as at 31 December 2021 was RMB1,523,000,000, bearing interest at rate of 5.60% per annum.

2 *The investment in the companies, Beijing Dphone Communication Services Co., Ltd., Shenzhen DiXinTong Investment Holding Co., Ltd., DiXinTong (Sanmenxia) Business Management Co., Ltd. and Sichuan DiXinTong Real Estate Co., Ltd., Tangshan Dixintong Supply Chain Management Co., Ltd., Beijing Dixin Chuangtong Technology Co., Ltd., Shanghai Dixin Intelligent Technology Co., Ltd. are directly held by the original controlling shareholder of the Company.*

3 *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.*

4 *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.*

5 *The loan from Huajin International Commercial Factoring (Zhuhai) Co., Ltd as at 31 December 2021 was RMB244,924,000, bearing interest at rates ranging from 5.70% to 6.00% per annum.*

Note:

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

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

As at 31 December 2021

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income			
	Mandatorily designated as such RMB'000	Debt investments RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	1,009	–	1,009
Trade and bills receivables	–	531	–	2,891,620	2,892,151
Debt instrument at amortised cost	–	–	–	500	500
Financial assets at fair value through profit or loss	104,399	–	–	–	104,399
Financial assets included in prepayments, other receivables and other assets	–	–	–	1,585,156	1,585,156
Due from the related parties	–	–	–	431,922	431,922
Pledged deposits	–	–	–	729,355	729,355
Cash and cash equivalents	–	–	–	91,225	91,225
	104,399	531	1,009	5,729,778	5,835,717

As at 31 December 2020

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income			
	Mandatorily designated as such RMB'000	Debt investments RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	1,158	–	1,158
Trade and bills receivables	–	57,370	–	2,929,269	2,986,639
Debt instrument at amortised cost	–	–	–	500	500
Financial assets at fair value through profit or loss	102,171	–	–	–	102,171
Financial assets included in prepayments, other receivables and other assets	–	–	–	208,252	208,252
Due from the related parties	–	–	–	60,187	60,187
Pledged deposits	–	–	–	1,063,341	1,063,341
Cash and cash equivalents	–	–	–	71,413	71,413
	102,171	57,370	1,158	4,332,962	4,493,661

40. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost as at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade and bills payables	**719,194**	784,573
Financial liabilities included in other payables and accruals	**818,636**	31,744
Due to related parties	**2,289,127**	424,918
Lease liabilities	**297,976**	320,465
Interest-bearing bank and other borrowings	**2,157,924**	2,740,832
	6,282,857	4,302,532

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

The fair values of the non-current portion of lease liabilities and interest-bearing loans and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 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.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Equity investments designated at fair value through other comprehensive income	**–**	**–**	**1,009**	**1,009**
Financial assets at fair value through profit or loss	**–**	**104,399**	**–**	**104,399**
Bills receivable	**–**	**531**	**–**	**531**
	–	**104,930**	**1,009**	**105,939**

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	1,158	1,158
Financial assets at fair value through profit or loss	–	102,171	–	102,171
Bills receivable	–	57,370	–	57,370
	–	159,541	1,158	160,699

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing loans, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets and liabilities such as trade receivables and trade and bills payables as well as other receivables and payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. Generally, the Group introduces conservative strategies on its risk management. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to both fair value and cash flow interest rate risks. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank borrowings with a floating interest rate.

At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** RMB'000
2021	**100**	**(59)**
	(100)	**59**
2020	100	–
	(100)	–

Foreign currency risk

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

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

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk *(Continued)*

2021

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit after tax and equity RMB'000
If RMB weakens against USD	**5**	**63**
If RMB strengthens against USD	**(5)**	**(63)**
If RMB weakens against EUR	**5**	**4,167**
If RMB strengthens against EUR	**(5)**	**(4,167)**
If RMB weakens against HKD	**5**	**2,633**
If RMB strengthens against HKD	**(5)**	**(2,633)**
If RMB weakens against BGN	**5**	**121**
If RMB strengthens against BGN	**(5)**	**(121)**
If RMB weakens against RON	**5**	**98**
If RMB strengthens against RON	**(5)**	**(98)**

2020

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit after tax and equity RMB'000
If RMB weakens against USD	5	1,940
If RMB strengthens against USD	(5)	(1,940)
If RMB weakens against EUR	5	2,997
If RMB strengthens against EUR	(5)	(2,997)
If RMB weakens against HKD	5	(1)
If RMB strengthens against HKD	(5)	1

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	2,891,620	2,891,620
Bills receivable	531	–	–	–	531
Financial assets included in prepayments, other receivables and other assets**					
– Normal	1,585,156	–	–	–	1,585,156
Due from related parties	431,922	–	–	–	431,922
Pledged deposits					
– Not yet past due	729,355	–	–	–	729,355
Cash and cash equivalents					
– Not yet past due	91,225	–	–	–	91,225
	2,838,189	–	–	2,891,620	5,729,809

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging (Continued)

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	2,929,269	2,929,269
Bills receivable	57,370	–	–	–	57,370
Financial assets included in prepayments, other receivables and other assets**					
– Normal	208,252	–	–	–	208,252
Due from related parties	60,187	–	–	–	60,187
Pledged deposits					
– Not yet past due	1,063,341	–	–	–	1,063,341
Cash and cash equivalents					
– Not yet past due	71,413	–	–	–	71,413
	1,460,563	–	–	2,929,269	4,389,832

* *For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 26 to the financial statements.*

** *The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".*

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 26 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings and lease liabilities. In addition, banking facilities have been put in place for contingency purposes.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

31 December 2021	**On demand RMB'000**	**Less than 3 months RMB'000**	**3 to 12 months RMB'000**	**More than 12 months RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings	**–**	**823,068**	**1,338,320**	**24,035**	**2,185,423**
Lease liabilities	**–**	**36,492**	**89,287**	**203,153**	**328,932**
Trade and bills payables	**–**	**204,830**	**467,178**	**47,186**	**719,194**
Financial liabilities included in other payables and accruals	**–**	**541,847**	**467,223**	**210,396**	**1,219,466**
Due to related parties	**–**	**222,963**	**2,082,171**	**43,341**	**2,348,476**
	–	**1,829,200**	**4,444,180**	**528,111**	**6,801,490**

31 December 2020	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	More than 12 months RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	803,938	1,955,224	24,317	2,783,479
Lease liabilities	9,635	34,194	101,534	212,095	357,458
Trade and bills payables	–	344,770	439,803	–	784,573
Financial liabilities included in other payables and accruals	–	26,062	5,682	–	31,744
Due to related parties	–	360,813	64,105	–	424,918
	9,635	1,569,777	2,566,348	236,412	4,382,172

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 31 December 2020.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, loans from an associate included in amounts due to related parties, and lease liabilities, less cash and cash equivalents. Capital represents total equity.

During the year, the Group's strategy was to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The gearing ratios at the end of the reporting periods are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Interest-bearing bank and other borrowings	**2,157,924**	2,740,832
Loans from related parties	**1,767,924**	44,470
Lease liabilities	**297,977**	320,465
Less: Cash and cash equivalents	**(91,225)**	(71,413)
Net debt	**4,132,600**	3,034,354
Total equity	**717,996**	4,447,506
Net debt and total equity	**4,850,596**	7,481,860
Gearing ratio	**85%**	41%

43. 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 shut down of retail shops as the pandemic is prolonged. The massive shut down of retail shops during the year resulted in significant write-down and impairment provision of inventories, trade receivables and other receivables. 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.

With further waves of the pandemic subsequent to 31 December 2021, travel restrictions remain and certain cities introduced lockdown measures in order to contain the pandemic. These measures have a significant negative impact on the Group's business, and the retail sector as a whole which include all of the Group's customers. A number of the Group's retail shops were operating at an "on-and-off" basis, and may also shut down ultimately. However, the management is of the view that the Group's retail shops remaining are all with good quality and with better ability to sustain the downturn, and therefore the management is of the view that there will not be a massive shut down of retail shops of the scale of current year in the near future. It is challenging for the management to estimate, on the balance sheet date, whether further retail shops will be closed as the pandemic is prolonged. The management used its best estimate based on information available at that time in assessing impairment provisions on the balance sheet date.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021	2020
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**25,007**	29,133
Right-of-use assets	**10,700**	876
Intangible assets	**8**	157
Investments in subsidiaries	**1,036,622**	1,023,713
Investments in joint ventures	**51,392**	60,646
Investments in associates	**229,405**	229,122
Equity investments designated at fair value through other comprehensive income	**9**	158
Deferred tax assets	**–**	16,478
Total non-current assets	**1,353,143**	1,360,283
CURRENT ASSETS		
Inventories	**11,921**	209,543
Trade and bills receivables	**1,046,530**	1,352,592
Prepayments, other receivables and other assets	**777,488**	136,415
Financial assets at fair value through profit or loss	**103,219**	102,071
Due from subsidiaries	**2,366,608**	2,154,980
Due from related parties	**36,326**	29,996
Pledged deposits	**24,000**	201,222
Cash and cash equivalents	**24,191**	845
Total current assets	**4,390,283**	4,187,664

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	2021 **RMB'000**	2020 RMB'000
CURRENT LIABILITIES		
Trade and bills payables	**434,229**	261,766
Other payables and accruals	**674,460**	237,907
Interest-bearing bank and other borrowings	**3,314,800**	2,163,170
Lease liabilities	**2,663**	1,184
Due to subsidiaries	**–**	892,457
Due to related parties	**410,552**	406,100
Tax payable	**635**	44,427
Total current liabilities	**4,837,339**	4,007,011
NET CURRENT ASSETS/(LIABILITIES)	**(447,056)**	180,653
TOTAL ASSETS LESS CURRENT LIABILITIES	**906,087**	1,540,936
NON-CURRENT LIABILITIES		
Provisions	**39,001**	–
Other long term liabilities	**39,711**	–
Lease liabilities	**9,907**	146
Total non-current liabilities	**88,619**	146
NET ASSETS	**994,706**	1,541,082
EQUITY		
Share capital	**732,460**	732,460
Reserves *(note)*	**85,008**	808,330
Total equity	**817,468**	1,540,790

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Statutory reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Retained profits RMB'000	Total RMB'000
1 January 2020	520,974	45,338	(209)	(3,917)	108,270	670,456
Profit for the year					48,325	48,325
Change in fair value of equity investments at fair value through other comprehensive	–	–	–	(26,598)	–	(26,598)
Share of other comprehensive income of a joint venture	–	–	(9,086)	–	–	(9,086)
Total comprehensive income for the year	–	–	(9,086)	(26,598)	48,325	12,641
Transfer from retained profits	–	4,833	–	–	(4,833)	–
Issue of shares	125,233	–	–	–	–	125,233
At 31 December 2020 and 1 January 2021	**646,207**	**50,171**	**(9,295)**	**(30,515)**	**151,762**	**808,330**
Loss for the year	**–**	**–**	**–**	**–**	**(730,185)**	**(730,185)**
Change in fair value of equity investments at fair value through other comprehensive	**–**	**–**	**–**	**1,980**	**–**	**1,980**
Share of other comprehensive income of a joint venture	**–**	**–**	**4,883**	**–**	**–**	**4,883**
Total comprehensive income for the year	**–**	**–**	**4,883**	**1,980**	**(730,185)**	**(723,322)**
At 31 December 2021	**646,207**	**50,171**	**(4,412)**	**(28,535)**	**(578,423)**	**85,008**

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 April 2022.