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

2023
INTERIM 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 "**Digital Telecom**") was founded in 2001 and has been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 06188) since 2014.

As at 30 June 2023, the Company had over 100 subsidiaries (collectively referred to as the "**Group**" or "**we**") and had opened more than 620 independently operated outlets and franchised outlets in 20 provinces and 4 municipalities over China. With its extensive offline sales channels and online sales platform, the Company provides a series of comprehensive services to consumers, ranging from the sales of mobile phone hardware and accessories, provision of value-added services for software, and provision of personalized services for mobile phones and aftersales services. To better adapt to the development environment of the retail industry under the new situation at home and abroad, the Group has steadily launched new retail business, diversified merchandise sales business and overseas business through multi-channel operation system and multidimensional service model in recent years, so as to consolidate market competitiveness and brand influence.

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Xu Jili *(Chairwoman)*
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

SUPERVISORS

Mr. Gao Zhiqiang *(Chairman)*
Mr. Li Wanlin
Mr. Liu Zhenlong

JOINT COMPANY SECRETARIES

Mr. Huang Mingqiang
Ms. Ng Sau Mei

AUTHORIZED REPRESENTATIVES

Ms. Xu Liping
Ms. Ng Sau Mei

AUDIT COMMITTEE

Mr. Cai Chun Fai *(Chairman)*
Ms. Pan Anran
Mr. Lv Tingjie

NOMINATION COMMITTEE

Ms. Xu Jili *(Chairwoman)*
Mr. Lv Pingbo
Mr. Cai Chun Fai

REMUNERATION AND ASSESSMENT COMMITTEE

Mr. Cai Chun Fai *(Chairman)*
Ms. Xu Liping
Mr. Lv Pingbo

STRATEGY COMMITTEE

Ms. Xu Jili *(Chairwoman)*
Ms. Xu Liping
Mr. Liu Donghai
Mr. Xie Hui
Mr. Jia Zhaojie

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

REGISTERED OFFICE

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

HEADQUARTER

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18 Building Yi'an Jiayuan
Beiwa West
Haidian District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 828, 8/F., Rykadan Capital Tower
135 Hoi Bun Road
Kwun Tong
Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

6188

COMPANY'S WEBSITE

www.dixintong.com

AUDITOR

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

PRINCIPAL BANKS

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

China Merchants Bank Co., Ltd.
(West Third Ring Sub-branch, Beijing)
1F, Yindu Building
No. 67 Fucheng Road
Haidian District
Beijing
PRC

China Guangfa Bank Co., Ltd.
(Yuetan Sub-branch, Beijing)
1F, Yuetan Building
No. 2 Yuetan North Street, Xicheng District
Beijing
PRC

China Citic Bank Corporation Limited
(Zhuhai Branch)
No. 1, Jingshan Road
Xiangzhou District
Zhuhai, Guangdong Province
PRC

Ping An Bank Co., Ltd.
(Business Department, Zhuhai Branch)
No. 288 Hongshan Road
Xiangzhou District
Zhuhai, Guangdong Province
PRC

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June 2023 Unaudited RMB'000	2022 Unaudited RMB'000
Consolidated Statement of Profit or Loss		
Revenue	**9,149,602**	6,202,947
Gross profit	**348,145**	257,245
(Loss) for the period	**(32,911)**	(168,876)
Attributable to:		
Owners of the parent	**(26,436)**	(167,847)
Non-controlling interests	**(6,475)**	(1,029)
(Loss) per share attributable to ordinary equity holders of the parent		
– Basic and diluted (RMB/share)	**(0.04)**	(0.23)
OTHER COMPREHENSIVE (LOSS) FOR THE PERIOD, NET OF TAX	**(2,137)**	(2,510)
TOTAL OTHER COMPREHENSIVE (LOSS) FOR THE PERIOD	**(35,048)**	(171,386)
Attributable to:		
Owners of the parent	**(28,573)**	(170,357)
Non-controlling interests	**(6,475)**	(1,029)

	30 June 2023	31 December 2022
	Unaudited	Audited
	RMB'000	RMB'000
Consolidated Statement of Financial Position		
Non-current assets	**345,216**	375,330
Current assets	**8,440,614**	6,689,161
Total assets	**8,785,830**	7,064,491
Current liabilities	**8,248,282**	6,455,371
Total assets less current liabilities	**537,548**	609,120
Non-current liabilities	**134,683**	171,207
Net assets	**402,865**	437,913
Share capital	**732,460**	732,460
Reserves	**(332,468)**	(303,895)
Equity attributable to owners of the parent	**399,992**	428,565
Non-controlling interests	**2,873**	9,348

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
Consolidated Statement of Cash Flows		
Net cash flows (used in) operating activities	**(277,188)**	(677,653)
Net cash flows (used in)/from investing activities	**(644,682)**	9,529
Net cash flows from financing activities	**911,827**	678,604
Net (decrease)/increase in cash and cash equivalents	**(10,043)**	10,480
Cash and cash equivalents at the beginning of the period	**224,133**	91,225
Effect of foreign exchange rate changes, net	**328**	(430)
Cash and cash equivalents at the end of the period	**214,418**	101,275

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

In the first half of 2023, after the easing of COVID-19 pandemic control measures, the Company proactively seized market opportunities and strived to expand its business. The several major business operations of the Company gradually recovered and returned to normal, with particular emphasis on its three main subsidiaries located in Shanghai, Beijing, and Henan. Therefore, in the first half of the year, the Company's sales of mobile handsets and operating revenue recorded a significant period-on-period improvement. For the six months ended 30 June 2023, the Group sold 2,207,000 mobile handsets, representing an increase of 205,000 sets, or 10.24%, as compared to the sales of 2,002,000 mobile handsets for the same period in 2022. Operating revenue for the first half of 2023 amounted to RMB9,149,602,000, representing an increase of RMB2,946,655,000 or 47.50%, as compared to that of RMB6,202,947,000 for the same period of 2022. In the first half of 2023, the net loss attributable to owners of the parent of the Company for the six months ended 30 June 2023 amounted to RMB26,436,000, representing a decrease of RMB141,411,000 or 84.25%, as compared to the net loss attributable to owners of the parent of the Company of RMB167,847,000 for the same period of 2022.

II. FINANCIAL POSITION AND OPERATING RESULTS

(I) Overview

For the six months ended 30 June 2023, the Group recorded a net loss of RMB32,911,000, as compared to a net loss of RMB168,876,000 for the same period in 2022, representing a period-on-period decrease of 80.51%, among which, the net loss attributable to owners of the parent of the Company for the six months ended 30 June 2023 amounted to RMB26,436,000, representing a period-on-period decrease of RMB141,411,000 or 84.25%, as compared to the net loss attributable to owners of the parent of the Company of RMB167,847,000 for the same period of 2022. The basic loss per share amounted to RMB0.04/share, representing a decrease of RMB0.19/share, as compared to a basic loss per share of RMB0.23/share for the same period of last year.

1. Operating revenue

The Group's operating revenue for the six months ended 30 June 2023 amounted to RMB9,149,602,000, representing an increase of RMB2,946,655,000, or 47.50%, as compared to that of RMB6,202,947,000 for the same period of 2022. The increase in revenue was mainly due to an increase in revenue from wholesale business to third parties and an increase in revenue from retail business under the livestreaming business. Our sales of mobile telecommunications devices and accessories include (i) sales in our retail business; (ii) sales in our franchise business; and (iii) sales in our wholesale business. Revenue from our retail business includes revenue from sales of mobile telecommunications devices and accessories in our independent stores, store-in-store outlets, stores in cooperation with the mobile carriers, and online sales platforms. Revenue from our franchise business includes revenue from sales of mobile telecommunications devices and accessories to our franchisees. Revenue from our wholesale business includes revenue from sales of mobile telecommunications devices and accessories we distribute to mobile carriers and other third-party retailers.

The Group's revenue from sales of mobile telecommunications devices and accessories amounted to RMB8,779,801,000 for the six months ended 30 June 2023, representing an increase of RMB2,810,209,000 or 47.08%, as compared with that of RMB5,969,592,000 for the same period in 2022.

The Group's service income from mobile carriers amounted to RMB126,625,000 for the six months ended 30 June 2023, representing a decrease of RMB9,318,000 or 6.85%, as compared with that of RMB135,943,000 for the same period in 2022.

The Group's revenue from provision of online and offline sales and marketing services and other services for the six months ended 30 June 2023 amounted to RMB198,072,000 in total, representing an increase of RMB100,660,000, or 103.33%, as compared with that of RMB97,412,000 in total for the six months ended 30 June 2022 from provision of online and offline sales and marketing services and other services. Among which, revenue from online and offline sales and marketing services increased by RMB93,859,000, which was mainly attributable to the synergy of resources within the Group based on the Company's channel strengths. In the future, the Company will expand its channel advantages in an all-round way to provide sales services to more customers.

The Group's new revenue from sales of automobiles for the six months ended 30 June 2023 amounted to RMB45,104,000, which was generated as a result of the Group's active development of new energy vehicle sales business.

2. *Cost of sales*

The Group's cost of sales for the six months ended 30 June 2023 amounted to RMB8,801,457,000, representing an increase of RMB2,855,755,000, or 48.03%, as compared to that of RMB5,945,702,000 for the same period of 2022, which was mainly due to the increase in operating revenue.

3. *Gross profit and gross profit margin*

The Group's gross profit for the six months ended 30 June 2023 amounted to RMB348,145,000, representing an increase of RMB90,900,000, or 35.34%, as compared to that of RMB257,245,000 for the same period in 2022. Our overall gross profit margins for the six months ended 30 June 2023 and 2022 were 3.81% and 4.15%, respectively. Our overall gross profit margins decreased due to lower gross profit margins at both wholesale and retail businesses in the first half of 2023 as compared to the same period in 2022.

4. *Other income and gains*

Other income and gains include (i) interest income; (ii) government grants; and (iii) others. The Group's other income and gains for the six months ended 30 June 2023 amounted to RMB23,769,000, representing a decrease of RMB15,307,000, or 39.17%, as compared to that of RMB39,076,000 for the same period in 2022. The decrease in other income and gains was primarily attributed to the decrease in interest income and government grants in the first half of 2023.

5. *Selling and distribution expenses*

The Group's total selling and distribution expenses for the six months ended 30 June 2023 amounted to RMB206,677,000, representing a decrease of RMB40,759,000, or 16.47%, as compared to that of RMB247,436,000 for the same period in 2022. The decrease in selling and distribution expenses during the period was mainly due to the decrease in staff salaries, rentals and property management expenses.

Staff salaries for the six months ended 30 June 2023 amounted to RMB100,088,000, representing a decrease of RMB22,506,000 or 18.36% from that of RMB122,594,000 for the same period in 2022. The decrease was due to streamlining the labour structure during the period, which resulted in lower salary expenses.

Rentals and property management expenses for the six months ended 30 June 2023 amounted to RMB59,776,000, representing a decrease of RMB17,710,000 or 22.86% from that of RMB77,486,000 for the same period in 2022. The decrease was due to the closure of some stores during the period.

6. *Administrative expenses*

The Group's total administrative expenses for the six months ended 30 June 2023 amounted to RMB98,860,000, representing an increase of RMB2,504,000, or 2.60%, as compared to that of RMB96,356,000 for the same period in 2022. The administrative expenses remained stable as compared to the same period of last year.

7. *Finance costs*

The Group's total finance costs for the six months ended 30 June 2023 amounted to RMB68,774,000, representing a decrease of RMB30,188,000, or 30.50%, as compared to that of RMB98,962,000 for the same period in 2022. The decrease in finance costs was due to a lower capital occupancy cost as compared to the same period of last year.

8. *Other expenses*

Our other expenses mainly include impairment and write-down of inventories, impairment of fixed assets and profit or loss in fair value changes. The Group's other expenses for the six months ended 30 June 2023 amounted to RMB358,000, representing a decrease of RMB28,445,000, or 98.76%, as compared to that of RMB28,803,000 for the same period in 2022. The decrease was mainly due to the decrease in fixed asset impairment and profit or loss in fair value changes.

9. *Income tax credit/(expense)*

The Group's total income tax credit for the six months ended 30 June 2023 amounted to RMB8,401,000, as compared to an income tax expense of RMB227,000 for the same period in 2022. The relevant change was mainly due to losses in income tax credit for the period.

10. *Indebtedness – bank and other borrowings*

As at 30 June 2023, our bank borrowings were primarily bank loans and other borrowings which were short term and long term in nature. The following table sets forth our outstanding borrowings as at the dates indicated:

	As of 30 June 2023 (Unaudited) RMB'000	As of 31 December 2022 (Audited) RMB'000
Current		
Bank loans:		
Unsecured, repayable within one year	**1,429,772**	1,143,915
Secured, repayable within one year	**2,834,730**	1,102,805
Other loans:		
Unsecured, repayable within one year	**10,000**	391,017
Secured, repayable within one year	**–**	50,000
	4,274,502	2,687,737
Long-term		
Unsecured, repayable after one year	**14,557**	14,846
Total	**4,289,059**	2,702,583

As at 30 June 2023, we entered into various loan agreements with banks to finance our business operations and expansion. These bank loans were repayable within one year or on demand. These bank loans were bank loans which carried interest at the benchmark rate of the People's Bank of China plus a premium. We mainly used these bank loans to purchase mobile telecommunications devices and accessories.

As at 30 June 2023, our bank and other borrowings amounted to RMB4,289,059,000, representing an increase of RMB1,586,476,000 or 58.70%, as compared to that of RMB2,702,583,000 as at 31 December 2022.

The board (the "**Board**") of directors (the "**Director(s)**") of the Company confirmed that as at 30 June 2023 and as at the date of this report, we did not have any material default in payment of trade and non-trade payables and bank borrowings, nor did we breach any financial covenants. Save as disclosed herein, the agreements under our bank borrowings do not contain any covenant that will have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. We did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 30 June 2023.

(II) Current assets and financial position

As at 30 June 2023, the Group had cash and cash equivalents in amount of RMB214,418,000, representing a decrease of RMB9,715,000, or 4.33%, as compared to that of RMB224,133,000 as at 31 December 2022.

As at 30 June 2023, the Group's short-term bank and other borrowings amounted to RMB4,274,502,000, representing an increase of RMB1,586,765,000, or 59.04%, as compared to that of RMB2,687,737,000 as at 31 December 2022.

(III) Capital expenditure

For the six months ended 30 June 2023, the Group's capital expenditure amounted to RMB8,184,000, which was incurred mainly in relation to purchase and construction of fixed assets and decoration expenses in connection with the opening of new outlets and the renovation of old ones.

(IV) Key financial ratios

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

Items	**As at 30 June 2023**	As at 31 December 2022	**Change**	**Percentage of change**
Current ratio	**1.02**	1.04	(0.02)	(1.92%)
Gearing ratio	**91.00%**	84.98%	6.02%	7.08%
Net debt-to-equity ratio	**1,011.42%**	565.97%	445.45%	78.71%

Current ratio is current assets divided by current liabilities at the end of each financial period. As at 30 June 2023, our current ratio was 1.02, representing a decrease of 0.02 or 1.92%, as compared to that of 1.04 as at 31 December 2022.

Gearing ratio is net debt divided by the sum of net debt and total equity at the end of each financial period and multiplied by 100%. Net debt includes interest-bearing bank and other borrowings less cash and cash equivalents. As at 30 June 2023, our gearing ratio was 91.00%, representing an increase of 6.02 percentage points, or 7.08%, as compared to that of 84.98% as at 31 December 2022. The increase was mainly due to the increase in bank loans.

Net debt-to-equity ratio equals to net debt divided by total equity at the end of the period and multiplied by 100%. As at 30 June 2023, our net debt-to-equity ratio was 1,011.42%, representing an increase of 445.45 percentage points, or 78.71%, as compared to that of 565.97% as at 31 December 2022. The increase was mainly due to the increase in bank loans.

(V) Material acquisitions and disposals

During the six months ended 30 June 2023, the Group had no material acquisitions and disposals.

(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 liabilities. Based on the information from legal counsel, the Group has made provision for an amount of RMB32,999,000 in the consolidated financial statements. In the opinion of the Directors, based on the information currently available, the amount provided for represented the maximum amount that the Group has to bear in this litigation.

(VII) 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, HKD, Indian Rupee and Bangladeshi Taka. The Group has not hedged its foreign exchange rate risks.

(VIII) Pledge of assets

As at 30 June 2023, the Group had pledged deposits amounting to RMB1,683,949,000 and financial assets at fair value through profit or loss amounting to RMB728,016,000.

(IX) Material investments

For the six months ended 30 June 2023, the Group had no other material investment.

(X) Equity arrangements

For the six months ended 30 June 2023, no equity subscription was conducted by the Group. As at the date of this report, no equity scheme was made by the Group.

(XI) Share capital

During the six months ended 30 June 2023, there were no significant changes in the Company's share capital structure.

(XII) Material events after the reporting period

As at the date of this report, there are no material events affecting the Group which have occurred after 30 June 2023 that are required to be disclosed.

(XIII) Employees and remuneration policy

As at 30 June 2023, the Group had a total of 2,521 employees (30 June 2022: 3,035). Salary expenses and employees' benefit expenses were approximately RMB152,965,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB164,211,000). Remunerations for the Company's existing employees include salaries, performance-based bonus, social insurance and housing provident fund. The Company has also conducted various trainings for employees, including professional qualification training, product and business information training, and management skills training, which are conducted mainly in three ways through online learning, seminars and conferences and skill-specific training programmes.

III. BUSINESS OUTLOOK FOR THE SECOND HALF OF 2023

Looking back at the first half of 2023, both the socio-economic environment and the development of the market sector have experienced changes of downturn and rebound. From experiencing full liberalization and a strong economic recovery at the beginning of 2023, to facing sluggish growth and declining consumption in the second quarter of 2023, Digital Telecom is still encountering a challenging external environment. However, by prioritizing the protection and development of our core business while also actively exploring new business opportunities, Digital Telecom has achieved a performance that surpasses the average market level. In facing the second half of 2023, Digital Telecom is determined to seize opportunities stemming from our core business and further expand the business presence of newly established ventures. This commitment aims to fully achieve the annual target:

(I) By leveraging the government's stimulus measures to boost consumption, we successfully stabilized our offline network while increasing the output of each individual outlet. In the second half of 2023, the central government and other regions will continue to stimulate consumer spending by formulating and announcing favourable policies. These measures are expected to generate a new wave of consumption specifically in the field of large electrical appliances. With our strategic partnerships with JD.com and UnionPay, Digital Telecom will capitalise on the opportunity presented by online and offline consumption coupon activities in various regions. This will enable us to achieve localised performance growth through point-to-point expansion. Following the completion of the screening process during the pandemic, the outlet pattern of Digital Telecom has reached a relatively stable state. In the second half of 2023, Digital Telecom will focus on stabilising and expanding its outlet network appropriately. We will continue to enhance the quality of newly opened outlets and increase the overall percentage of profitable stores. Our aim is to build a more high-quality offline channel network.

(II) We are actively adapting to the ever-changing e-commerce landscape and continue to expand our online business scale while optimising our new retail structure. As both TikTok and Kuaishou have made substantial adjustments to their "tens of billions of subsidies" strategy, and JD.com and Taobao have joined the "tens of billions of subsidies" campaign, as well as Meituan has continuously grown its presence in the 3C category, in the first half of 2023, China's e-commerce landscape in the 3C field has witnessed significant changes with evolving trends. During this period, Digital Telecom has consistently made adjustments to its new retail organization and capability structure, positioning itself as a leader in various new business opportunities. In the second half of 2023, Digital Telecom will focus on expanding its omni-channel business scale in collaboration with JD.com. This includes increasing the scale of the "One-Hour Delivery" fulfilment service, resuming the warehouse fulfilment business, and optimising the JD Home Delivery operation. Additionally, we will proactively participate in JD.com's "tens of billions of subsidies" business to enhance the type of cooperation and offer a wider range of services. Digital Telecom will collaborate with Taobao to revive its Taobao business operations, leveraging Taobao's "tens of billions of subsidies" initiative, and aim to become a prominent merchant on this platform. Digital Telecom will collaborate with TikTok and Kuaishou to actively engage in the "tens of billions of subsidies" campaign, as well as shelf malls and other related initiatives. In terms of Meituan, Digital Telecom will systematically optimise store operations, aiming to maximise the benefits from Meituan's rapid growth in the 3C category. Furthermore, Digital Telecom will initiate a nationwide outlet-based livestreaming campaign to bolster its brand influence and garner localized popularity. Digital Telecom will persist in expanding its presence in the government and enterprise e-commerce sector, leveraging its competitive advantage in areas such as banks, airlines, and the military.

(III) We will strengthen core brand partnerships and focus on enhancing revenue growth opportunities in the mobile handset peripheral category. In the second half of 2023, there will be significant changes in the brand landscape of China's mobile handset market. Digital Telecom will proactively prepare for these market shifts by developing comprehensive plans to engage with core brands beforehand. We will focus on adapting our network, staffing, and marketing to align with the changing market dynamics, striving to maximise revenue from our cooperation with these core brands. Simultaneously, we will concentrate on exploring growth opportunities in the mobile handset peripheral categories. Digital Telecom will undergo a comprehensive adjustment of its business development model, with a focus on increasing revenue through the scaling of recycled and used mobile handsets.

(IV) We will expand the presence of household photovoltaic (PV) business and explore opportunities in automobile import and export business. With the launch of household PV business in Dai County, Shanxi Province, Digital Telecom has found out a practical business model for household PV. In the second half of 2023, Digital Telecom will accelerate the development of its household PV business in Sichuan, Anhui and other provinces, and continue to expand its household PV business presence. In the automobile business, with the opening of new energy vehicle outlets in Beijing, Guangzhou and Zhuhai, Digital Telecom has been accumulating experience in the retail and distribution of new energy vehicles, and has begun to activate and utilise the customer resources accumulated through its mobile handset sales network. In the automobile import and export business, Digital Telecom's endeavours in Xinjiang have started to yield positive results. Building upon this success, we will dedicate our efforts in the second half of 2023 to continuous expanding the scale of our automobile procurement and sales, warehousing, agency services, as well as import and export operations for Central Asia.

(V) With a strong focus on systematisation, Digital Telecom will continue to prioritise the standardisation of corporate operations in order to enhance management efficiency. Digital Telecom will spearhead the nationwide promotion of the new version of the Private Domain Operation System to further enhance the effectiveness and output of our integrated online and offline marketing efforts. Furthermore, building upon the system data, Digital Telecom will conduct a comprehensive assessment of the capabilities and productivity of talents at all levels, spanning both IT and human resources domains, aiming to effectively improve human efficiency and output. In conclusion, Digital Telecom is launching internal initiatives for standardized operation consolidation and training across various aspects, including business, capital, finance, internal control, and audit. These efforts aim to minimize the occurrence of "management oversight" at all levels and enhance management efficiency comprehensively.

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2023.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 30 June 2023, the interests and short positions of the Directors, the supervisors (the "**Supervisors**") and chief executive (the "**Chief Executive**") of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

Interests in the Company:

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

Notes:

1. *The percentage is calculated with the total number of 732,460,400 shares in issue of the Company as at 30 June 2023, comprising 337,700,000 domestic shares of the Company and 394,760,400 H shares of the Company.*

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 of the Company held by Digital Science & Technology. In addition, Beijing Di Er Tong Consulting Company Limited ("**Di Er Tong**") and Digital Science & Technology, together with Liu Donghai, Liu Hua, Liu Songshan, Liu Wencui, Liu Yongmei and Liu Wenli (collectively, the "**Liu Family**"), entered into an acting-in-concert agreement with Zhuhai Huafa Technology Industry Group Co., Ltd. ("**Huafa Technology Industry Group**", formerly known as Zhuhai Huafa Industrial Investment Holding Co., Ltd.) on 29 January 2021. Accordingly, pursuant to the SFO, Liu Donghai, Liu Hua, Liu Wencui, Liu Yongmei and Liu Wenli are deemed to be interested in 169,337,902 domestic shares of the Company held by Huafa Technology Industry Group, and Liu Songshan and Di Er Tong are deemed to be interested in 337,700,000 domestic shares of the Company held by Huafa Technology Industry Group.*

Save as disclosed above, as at 30 June 2023, none of the Directors, the Supervisors and the Chief Executive had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2023, to the knowledge of the Directors, the following persons (other than the Directors, the Supervisors and the Chief Executive) had interests or short positions in the shares or underlying shares of the Company which fell to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and were required to be 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
		Person 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
		Person 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
		Person 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
		Person acting in concert	169,337,902 (long position)	50.14	23.12
Liu Songshan *(Note 2)*	Domestic shares	Person acting in concert	337,700,000 (long position)	100.00	46.10
Di Er Tong *(Note 2)*	Domestic shares	Person acting in concert	337,700,000 (long position)	100.00	46.10

Name of shareholder	Type of shares	Nature of interests	Number of shares/ underlying shares held (long position/ short position/ lending pool)	Percentage of the relevant class of share capital (%) *(Note 1)*	Percentage of the total share capital (%) *(Note 1)*
Digital Science & Technology *(Note 2)*	Domestic shares	Beneficial owner	168,362,098 (long position)	49.86	22.99
		Person acting in concert	169,337,902 (long position)	50.14	23.12
Huafa Technology Industry Group *(Note 3)*	Domestic shares	Beneficial owner	169,337,902 (long position)	50.14	23.12
		Person acting in concert	168,362,098 (long position)	49.86	22.99
Zhuhai Huafa Group Co., Ltd. ("**Zhuhai Huafa**") *(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 ("**Hong Kong Huafa**") *(Note 3)*	H shares	Beneficial owner	327,057,912 (long position)	82.85	44.65
Dawn Galaxy International Limited *(Note 4)*	H shares	Beneficial owner	42,000,000 (long position)	10.64	5.73

Notes:

1. *The percentage is calculated with the total number of 732,460,400 shares in issue of the Company as at 30 June 2023, comprising 337,700,000 domestic shares of the Company and 394,760,400 H shares of the Company.*

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 of the Company held by Digital Science & Technology. In addition, Di Er Tong and Digital Science & Technology, together with the Liu Family, entered into an acting-in-concert agreement with Huafa Technology Industry Group on 29 January 2021. Accordingly, pursuant to the SFO, Liu Donghai, Liu Hua, Liu Wencui, Liu Yongmei and Liu Wenli are deemed to be interested in 169,337,902 domestic shares of the Company held by Huafa Technology Industry Group, and Liu Songshan and Di Er Tong are deemed to be interested in 337,700,000 domestic shares of the Company held by Huafa Technology Industry Group.*

3. *Huafa Technology Industry Group directly holds 169,337,902 domestic shares of the Company. In addition, Huafa Technology Industry Group 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 Technology Industry Group is deemed to be interested in 168,362,098 domestic shares of the Company held by Di Er Tong and Digital Science & Technology, together with the Liu Family. Zhuhai Huafa directly holds 93.06% equity interests in Huafa Technology Industry Group. Accordingly, pursuant to the SFO, Zhuhai Huafa is deemed to be interested in 337,700,000 domestic shares of the Company held by Huafa Technology Industry Group. Hong Kong Huafa directly holds a total of 327,057,912 H shares of the Company, while Zhuhai Huafa directly holds 100% equity interest in Hong Kong Huafa. Accordingly, pursuant to the SFO, Zhuhai Huafa is deemed to be interested in 327,057,912 H shares of the Company held by Hong Kong Huafa.*

4. *To the best of the Directors' knowledge after due enquiry, following the closing of the mandatory conditional offer for H shares of the Company 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 30 June 2023.*

Save as disclosed above, as at 30 June 2023, there was no other person (other than the Directors, the Supervisors and the Chief Executive) to the Directors' knowledge who had any interests or short positions in the shares or underlying shares of the Company which fell to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register to be kept by the Company pursuant to Section 336 of the SFO.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

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 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.

The pledged shares are part of the domestic shares of the Company 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 of the Company held by it to Huafa Technology Industry Group, 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 Technology Industry Group.

On 31 December 2020, Digital Science & Technology pledged 67,062,098 domestic shares of the Company (representing approximately 9.16% of the total issued shares of the Company as at 31 December 2020) to Bank of Tangshan Co., Ltd. (the "**Bank of Tangshan**") as a guarantee for the RMB800 million loan provided by the Bank of Tangshan to the Company. On 23 April 2023, the aforesaid pledge of 67,062,098 domestic shares of the Company has been fully released. For further details, please refer to the announcements of the Company dated 31 December 2020 and 26 April 2023.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, during the six months ended 30 June 2023, neither the Company nor any of its subsidiaries is a party to any arrangement that would enable the Directors or the Supervisors to acquire benefits by means of acquisition of any shares or debentures in the Company 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.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance. During the six months ended 30 June 2023, save as disclosed below, the Company complied with all applicable code provisions as set out in the CG Code and adopted most of the recommended best practices.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Ms. Xu Jili ("**Ms. Xu**") as the chairwoman and president of the Company (a position which serves the same role and responsibility as the chief executive officer but with different job title). The Board considers that it is appropriate and in the best interests of the Company for Ms. Xu to hold both positions which are conducive to maintaining the operational efficiency 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 practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' and Supervisors' securities transactions. Specific enquiries have been made to all Directors and Supervisors, and each of the Directors and Supervisors has confirmed that he/she has complied with the standard requirements set out in the Model Code during the six months ended 30 June 2023.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

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

The Audit Committee, together with the management of the Company, have reviewed the unaudited interim condensed consolidated results of the Group for the six months ended 30 June 2023 and this interim report.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Ms. Xu Jili, the executive Director, has resigned as the executive vice president of Zhuhai Huafa Investment Holdings Group Co., Ltd. since March 2023.

Mr. Xie Hui, the non-executive Director, has resigned as a director of Huafa Property Services Group Company Limited, a company listed on the Stock Exchange (stock code: 0982) with effect from 20 April 2023.

Save as disclosed in this report, as at the date of this report, there is no change in any information of the Directors, Supervisors and Chief Executive which were required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

ACKNOWLEDGEMENT

The Company would like to express its sincere gratitude to its customers and shareholders for their continued support and trust, and would like to take this opportunity to thank the Board, the management team and staff of the Group for their outstanding contributions and tireless efforts.

By order of the Board
Xu Jili
Chairwoman

Beijing, 25 August 2023

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

For the six months ended 30 June 2023

		For the six months ended 30 June	
		2023	2022
		Unaudited	Unaudited
	Notes	**RMB'000**	RMB'000
REVENUE	*5*	**9,149,602**	6,202,947
Cost of sales		**(8,801,457)**	(5,945,702)
Gross profit		**348,145**	257,245
Other income and gains	*5*	**23,769**	39,076
Selling and distribution expenses		**(206,677)**	(247,436)
Administrative expenses		**(98,860)**	(96,356)
(Impairment losses)/reversal on financial assets		**(30,032)**	10,635
Other expenses		**(358)**	(28,803)
Finance costs		**(68,774)**	(98,962)
Share of losses and profits of:			
Joint ventures		**(4,674)**	(2,595)
Associates		**(3,851)**	(1,453)
(LOSS) BEFORE TAX	*6*	**(41,312)**	(168,649)
Income tax credit/(expense)	*7*	**8,401**	(227)
(LOSS) FOR THE PERIOD		**(32,911)**	(168,876)
Attributable to:			
Owners of the parent		**(26,436)**	(167,847)
Non-controlling interests		**(6,475)**	(1,029)
		(32,911)	(168,876)
(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)			
For (loss) for the period	*8*	**(0.04)**	(0.23)

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
(LOSS) FOR THE PERIOD	**(32,911)**	(168,876)
OTHER COMPREHENSIVE LOSS		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income/(loss) of a joint venture	**5,242**	(433)
Exchange differences on translation of foreign operations	**(7,379)**	(2,077)
OTHER COMPREHENSIVE (LOSS) FOR THE PERIOD, NET OF TAX	**(2,137)**	(2,510)
TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD	**(35,048)**	(171,386)
Attributable to:		
Owners of the parent	**(28,573)**	(170,357)
Non-controlling interests	**(6,475)**	(1,029)
	(35,048)	(171,386)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	**30 June 2023 Unaudited RMB'000**	31 December 2022 Audited RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**49,006**	52,892
Right-of-use assets		**175,437**	197,543
Other intangible assets		**1,916**	2,414
Investments in joint ventures		**42,181**	41,613
Investments in associates		**56,676**	60,527
Equity investments designated at fair value through other comprehensive income		**20,000**	20,341
Total non-current assets		**345,216**	375,330
CURRENT ASSETS			
Inventories		**283,033**	275,887
Trade and bills receivables	*10*	**2,548,016**	2,320,654
Prepayments, other receivables and other assets		**2,394,926**	1,963,591
Financial assets at fair value through profit or loss		**729,084**	81,937
Investment in an associate classified as held for sale		**–**	179,000
Due from related parties	*17*	**587,188**	600,350
Pledged deposits	*11*	**1,683,949**	1,043,609
Cash and cash equivalents	*11*	**214,418**	224,133
Total current assets		**8,440,614**	6,689,161
CURRENT LIABILITIES			
Trade and bills payables	*13*	**284,246**	313,051
Other payables and accruals		**668,772**	466,776
Interest-bearing bank and other borrowings	*12*	**4,274,502**	2,687,737
Lease liabilities		**69,339**	80,523
Due to related parties	*17*	**2,933,720**	2,879,743
Tax payable		**17,703**	27,541
Total current liabilities		**8,248,282**	6,455,371
NET CURRENT ASSETS		**192,332**	233,790
TOTAL ASSETS LESS CURRENT LIABILITIES		**537,548**	609,120

	Notes	**30 June 2023 Unaudited RMB'000**	31 December 2022 Audited RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*12*	**14,557**	14,846
Deferred tax liability		**490**	605
Lease liabilities		**119,636**	133,901
Other long term payable		**–**	21,855
Total non-current liabilities		**134,683**	171,207
NET ASSETS		**402,865**	437,913
EQUITY			
Equity attributable to owners of the parent:			
Share capital	*14*	**732,460**	732,460
Reserves		**(332,468)**	(303,895)
		399,992	428,565
Non-controlling interests		**2,873**	9,348
TOTAL EQUITY		**402,865**	437,913

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent									
	Share capital RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Statutory reserve funds RMB'000	Retained profits RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Six months ended 30 June 2023:										
At 31 December 2022 (As audited)	732,460	635,392	25,295	313,765	(1,219,592)	(38,707)	(20,048)	428,565	9,348	437,913
(Loss) for the period	–	–	–	–	(26,436)	–	–	(26,436)	(6,475)	(32,911)
Other comprehensive (loss) for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(7,379)	(7,379)	–	(7,379)
Share of other comprehensive income of a joint venture	–	–	–	–	–	–	5,242	5,242	–	5,242
Total comprehensive (loss) for the period	–	–	–	–	(26,436)	–	(2,137)	(28,573)	(6,475)	(35,048)
At 30 June 2023 (Unaudited)	732,460	635,392	25,295	313,765	(1,246,028)	(38,707)	(22,185)	399,992	2,873	402,865

	Attributable to owners of the parent									
	Share capital RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Statutory reserve funds RMB'000	Retained profits RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Six months ended 30 June 2022:										
At 31 December 2021 (As audited)	732,460	635,392	25,295	313,765	(944,013)	(38,046)	(19,771)	705,082	12,914	717,996
(Loss) for the period	–	–	–	–	(167,847)	–	–	(167,847)	(1,029)	(168,876)
Other comprehensive (loss) for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(2,077)	(2,077)	–	(2,077)
Share of other comprehensive (loss) of a joint venture	–	–	–	–	–	(433)	–	(433)	–	(433)
Total comprehensive (loss) for the period	–	–	–	–	(167,847)	(433)	(2,077)	(170,357)	(1,029)	(171,386)
Dissolution of a subsidiary	–	–	–	(1,883)	1,883	–	–	–	–	–
At 30 June 2022 (Unaudited)	732,460	635,392	25,295	311,882	(1,109,977)	(38,479)	(21,848)	534,725	11,885	546,610

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) before tax	**(41,312)**	(168,649)
Adjustments for:		
Finance costs	**68,774**	98,961
Interest income	**(20)**	(4,088)
Share of profits and losses of joint ventures and associates	**8,525**	4,048
Loss on disposal of a subsidiary	**–**	1,627
Impairment and write-down of trade receivables	**4,805**	106,894
Impairment/(reversal) and write-down of other receivables	**16,853**	(116,565)
Provision for impairment of amount due from related party	**8,374**	(964)
(Reversal)/impairment and write-down of inventories	**(801)**	17,109
Impairment of property, plant and equipment	**89**	838
Impairment of right-of-use assets	**225**	172
Fair value (gain)/loss on financial assets at fair value through profit or loss	**(9,241)**	2,952
Depreciation of property, plant and equipment	**10,503**	8,989
Depreciation of right-of-use assets	**49,460**	64,891
Amortisation of intangible assets	**567**	577
Loss on disposal of items of property, plant and equipment	**18**	1,384
Foreign exchange (gain)/loss, net	**(328)**	(1,649)
Loss on disposal of items of		
(increase)/decrease in trade and bills receivables	**(232,166)**	4,274
(Increase)/decrease in prepayments, other receivables and other assets	**(269,189)**	630,831
Decrease/(increase) in pledged deposits	**760**	(694)
Increase in inventories	**(6,344)**	(8,618)
Decrease in trade and bills payables	**(28,805)**	(539,445)
Increase/(decrease) in other payables and accruals	**170,453**	(587,164)
Increase/(decrease) in other long-term payables	**1,668**	(9,512)
Decrease/(increase) in amounts due from related parties	**4,787**	(36,570)
Decrease in amounts due to related parties	**(33,406)**	(143,699)
Cash (used in) operations	**(275,751)**	(674,070)
Income tax paid	**(1,437)**	(3,583)
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	**(277,188)**	(677,653)

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(8,184)**	(6,721)
Additions to other intangible assets	**(69)**	–
Proceeds from disposal of items of property, plant and equipment	**1,457**	–
(Purchase)/sale of financial products by bank	**(637,906)**	20,881
Interest received	**20**	4,088
Loans to third parties	**–**	(8,719)
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES	**(644,682)**	9,529
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	**3,160,015**	3,402,969
Loan from related parties	**1,188,996**	2,245,167
(Increase)/decrease in pledged deposits	**(641,100)**	77,420
Repayment of bank loans and other borrowings	**(1,573,539)**	(3,611,208)
Repayment of loan from related parties	**(1,101,376)**	(1,274,257)
Principal portion of lease payments	**(58,026)**	(68,585)
Interest paid	**(63,143)**	(92,902)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**911,827**	678,604
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(10,043)**	10,480
Cash and cash equivalents at beginning of period	**224,133**	91,225
Effect of foreign exchange rate changes, net	**328**	(430)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**214,418**	101,275

1. CORPORATE AND GROUP INFORMATION

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

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

During the reporting period, Huafa Group (including Zhuhai Huafa Technology Industry Group Co., Ltd. and Hong Kong Huafa Investment Holdings Limited, hereinafter refer to as "**Huafa Group**") held 67.77% of the Company's equity interests, and together with a concert party agreement with the Liu Family (comprising Mr. Liu Donghai, and his siblings, Mr. Liu Songshan, Ms. Liu Hua, Ms. Liu Wencui, Ms. Liu Yongmei and Ms. Liu Wenli), controlled a total voting right of 90.76% of the Company.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("**IFRSs**")for the first time for the current period's financial information.

Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities rising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 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. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) 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 Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

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

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 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 (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any. The amendments did not have any significant impact on the Group's financial statements.

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact on the Group.

4. OPERATING SEGMENT INFORMATION

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

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

Information about major customers

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

5. REVENUE, OTHER INCOME AND GAINS

(a) Revenue

An analysis of revenue is as follows:

Segments

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
Types of goods or services		
Sales of mobile telecommunications devices and accessories	**8,779,801**	5,969,592
Including:		
Retail of mobile telecommunications devices and accessories	**1,788,547**	1,744,193
Sales of mobile telecommunications devices and accessories to franchisees	**247,313**	306,789
Wholesales of mobile telecommunications devices and accessories	**6,743,941**	3,918,610
Sales of automobiles	**45,104**	–
Service income from mobile carriers	**126,625**	135,943
Revenue from provision of online and offline sales and marketing services*	**122,161**	28,302
Other service fee income	**75,911**	69,110
Total revenue from contracts with customers	**9,149,602**	6,202,947

* *The Group generated service income from providing services to the Huafa Group.*

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

(a) Revenue *(Continued)*

An analysis of revenue is as follows: (Continued)

Segments (Continued)

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
Timing of revenue recognition		
Goods transferred at a point in time	**8,824,905**	5,969,592
Services transferred over time	**324,697**	233,355
Total revenue from contracts with customers	**9,149,602**	6,202,947
Geographical markets		
Mainland China	**9,050,755**	6,020,922
Spain	**94,700**	179,129
Hong Kong	**4,147**	2,896
Total revenue from contracts with customers	**9,149,602**	6,202,947

(b) Other income and gains

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
Other income		
Interest income	**21,134**	27,338
Government grants *(Note (a))*	**2,030**	2,416
Others	**605**	9,322
	23,769	39,076

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

6. (LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
Cost of inventories sold and services provided	**8,801,457**	5,945,702
Depreciation of property, plant and equipment	**10,503**	8,989
Amortisation of intangible assets	**567**	577
Depreciation of right-of-use assets	**49,460**	64,891
Interest on lease liabilities	**4,997**	6,261
Impairment of financial assets:		
Impairment and write-down of trade receivables	**4,805**	106,894
Impairment/(reversal) and write-down of other receivables	**16,853**	(116,565)
Impairment/(reversal) of amount due from related parties	**8,374**	(964)
Fair value (gain)/loss on financial assets at fair value through profit or loss	**(9,241)**	2,952
(Reversal)/impairment and write-down of inventories	**(801)**	17,109
Impairment of property, plant and equipment	**89**	838
Impairment of right-of-use assets	**225**	172
Loss on disposal of property, plant and equipment	**18**	1,384

7. INCOME TAX

The provision for current income tax is based on a statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which became effective on 1 January 2008 except for Sichuan Yijialong Communication Technology Chain Co., Ltd., a subsidiary of the Company, which was subject to tax at preferential rate of 15%, for the six months ended 30 June 2023. The major components of income tax (credit)/expense are as follows:

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
Current:		
Charge for the period	**(8,286)**	567
Deferred tax	**(115)**	(340)
Total tax (credit)/charge for the period	**(8,401)**	227

Note: *For losses in the prior period, tax credit is recognised up to the recoverable amount which represent unpaid tax provision brought forward. No deferred tax assets and accordingly tax credit was recognised for the losses in excess of the amount in the prior period. 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.*

8. (LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

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

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent used in the basic loss per share calculation	**(26,436)**	(167,847)
Shares		
Weighted average number of ordinary shares	**732,460,400**	732,460,400

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property, plant and equipment with a cost of RMB8,184,000 (for the six months ended 30 June 2022: RMB6,721,000).

Property, plant and equipment with a net book value of RMB1,475,000 were disposed of by the Group during the six months ended 30 June 2023 (for the six months ended 30 June 2022: RMB2,554,000), resulting in a net loss on disposal of RMB18,000 (for the six months ended 30 June 2022: a net loss on disposal of RMB1,384,000).

10. TRADE AND BILLS RECEIVABLES

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Trade receivables	**2,849,077**	2,723,024
Bills receivable	**106,176**	63
Less: impairment of trade receivables	**(407,237)**	(402,433)
	2,548,016	2,320,654

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 mobile 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.

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

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Within 90 days	**659,658**	613,661
91 to 180 days	**189,217**	133,762
Over 180 days	**1,699,141**	1,573,231
	2,548,016	2,320,654

11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

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

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Cash and bank balances	**214,418**	224,133
Pledged time deposits	**1,683,949**	1,043,609
	1,898,367	1,267,742
Less: Pledged time deposits		
Pledged for bank borrowings	**50,000**	10,000
Pledged for bank acceptance notes	**1,604,079**	1,002,979
Other pledged deposits	**29,870**	30,630
	1,683,949	1,043,609
Cash and cash equivalents, denominated in RMB	**214,418**	224,133

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	**30 June 2023 Unaudited RMB'000**	31 December 2022 Audited RMB'000
Current			
Bank loans:			
Unsecured, repayable within one year	*(a)*	**1,429,772**	1,143,915
Secured, repayable within one year	*(b)*	**2,834,730**	1,102,805
Other loans:			
Unsecured, repayable within one year	*(c)*	**10,000**	391,017
Secured, repayable within one year		**–**	50,000
		4,274,502	2,687,737
Non-current			
Unsecured, repayable after one year	*(d)*	**14,557**	14,846
		4,289,059	2,702,583

Note (a): The unsecured bank loans bear interest at rates ranging from 1.60% to 5.40% (2022: 1.27% to 5.40%) per annum.

Note (b): The Group's bank loans are secured by pledged deposits, which had an aggregate carrying value of RMB1,604,079,000 (2022: RMB1,002,979,000).

Note (c): The unsecured other loans bear interest at 1.36% (2022: 1.95% to 5.50%) per annum.

Note (d): The unsecured bank loans bear interest at rates ranging from 1.75% to 3.00% (2022: 2.20% to 3.00%) per annum.

13. TRADE AND BILLS PAYABLES

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Trade payables	**284,246**	313,051

An ageing analysis of the balance of trade and bills payables as at the end of each of the reporting periods, based on the invoice date, is as follows:

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Within 90 days	**138,027**	236,312
91 to 180 days	**9,669**	14,820
Over 180 days	**136,550**	61,919
	284,246	313,051

14. SHARE CAPITAL

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Registered, issued and fully paid:		
732,460,400 ordinary shares of RMB1 each (2022: 732,460,400 shares)	**732,460**	732,460

15. 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 RMB32,999,000 in the consolidated financial statements. In the opinion of the directors, based on the information currently available, the amount provided for represented maximum amount of exposure that the Group has to bear in this litigation.

16. COMMITMENTS

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

17. RELATED PARTY TRANSACTIONS

(a) The Group had the following main transactions with related parties during the period:

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
Companies controlled/significantly influenced by Huafa Group:		
Sales of goods	**43,392**	–
Purchases of automobiles	**45,089**	–
Revenue from provision of online and offline sales and marketing services	**122,161**	28,302
Financing received *(Note ii)*	**1,188,996**	2,245,167
Financing repaid *(Note ii)*	**1,101,376**	1,274,257
Associates:		
Beijing Jingdixin Technology Co., Ltd.		
Purchases of goods *(Note iii)*	**–**	1,394,399
Joint ventures:		
Guangzhou Zhongqi Energy Technology Co., Ltd.		
Purchases of goods	**261,785**	14,267
Sales of goods	**–**	22,372

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

Note (ii): The interest rate ranged from 2.75% to 6%, which approximately is market interest rate.

Note (iii): On 23 September 2022, the Group disposed of 44% equity interest in Beijing Jingdixin Technology Co., Ltd., and it is no longer a related party thereafter.

17. RELATED PARTY TRANSACTIONS *(Continued)*

(b) The main outstanding balances with related parties:

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Trade in nature balances		
Due from:		
Companies controlled/significantly influenced by Huafa Group	**202,199**	216,510
Companies controlled/significantly influenced by the Liu Family	**1,478**	1,481
Guangzhou Zhongqi Energy Technology Co., Ltd.	**51,103**	38,561
Due to:		
Beijing Jingdixin Technology Co., Ltd.	**–**	23,265
Financing in nature balances		
Due to:		
Companies controlled/significantly influenced by the Huafa Group	**2,636,076**	2,548,456
Other non-trade in nature balances		
Due from:		
Companies controlled/significantly influenced by the Liu Family	**360,445**	358,910
Guangzhou Zhongqi Energy Technology Co., Ltd.	**11,875**	16,904
Due to:		
Companies controlled/significantly influenced by the Liu Family	**272,787**	283,152
Shanghai Diju Information Technology Co., Ltd.	**22,789**	22,789

Note (iv): Other than the loan from Huajin International Commercial Factoring (Zhuhai) Co., Ltd. and Zhuhai Huafa Group Finance Co., Ltd., all other related party balances are unsecured, interest free, payable on demand.

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

The fair values of the non-current portion of lease liabilities and interest-bearing loans and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2023 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 interim condensed 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.

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2023

	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	–	–	20,000	20,000
Financial assets at fair value through profit or loss	–	729,084	–	729,084
Bills receivable	–	106,176	–	106,176
	–	835,260	20,000	855,260

As at 31 December 2022

	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	–	–	20,341	20,341
Financial assets at fair value through profit or loss	–	81,937	–	81,937
Bills receivable	–	63	–	63
	–	82,000	20,341	102,341

19. DIVIDENDS

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

20. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 25 August 2023.