



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

2022

INTERIM REPORT

THE FUTURE of new retail





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COMPANY PROFILE

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

As at 30 June 2022, the Company had over 100 subsidiaries (collectively referred to as the “**Group**” or “**we**”) and had opened more than 700 independently operated outlets and franchised outlets in 21 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 comprehensive services to consumers, ranging from the sales of mobile phone hardware and accessories, provision of value-added services for software, and provision of personalised services for mobile phones and after-sales services. To better adapt to the development environment of the retail industry under the new market situation at home and abroad, the Group has steadily launched new retail business, diversified merchandise sales business and overseas business through multi-channel operation system and multidimensional service model in recent years, so as to consolidate market competitiveness and brand influence.

Leveraging on its core competitive edge gained from its services and innovation, the Group persists in creating excellent experience and true value for the consumers through its high-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*)
(appointed on 22 August 2022)
Mr. Li Wanlin
Mr. Liu Zhenlong
Ms. Yang Hui (resigned on 22 August 2022)

JOINT COMPANY SECRETARIES

Ms. Ng Sau Mei
Mr. Huang Mingqiang
(appointed on 1 August 2022)

AUTHORISED 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

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

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

CORPORATE INFORMATION *(Continued)*

H SHARE REGISTRAR

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

LEGAL ADVISERS

As to Hong Kong law:
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 Province
PRC

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
	RMB'000	RMB'000
Consolidated Statement of Profit or Loss		
Revenue	6,202,947	5,728,172
Gross profit	257,245	347,515
Loss for the period	(168,876)	(3,437,386)
Attributable to:		
Owners of the parent	(167,847)	(3,443,514)
Non-controlling interests	(1,029)	6,128
Loss per share attributable to ordinary equity holders of the parent – Basic and diluted (RMB/share)	(0.23)	(4.72)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(2,510)	(3,679)
TOTAL OTHER COMPREHENSIVE LOSS FOR THE PERIOD	(171,386)	(3,441,065)
Attributable to:		
Owners of the parent	(170,357)	(3,447,231)
Non-controlling interests	(1,029)	6,166

FINANCIAL HIGHLIGHTS (Continued)

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Consolidated Statement of Financial Position		
Non-current assets	612,906	664,327
Current assets	6,060,558	6,710,407
Total assets	6,673,464	7,374,734
Current liabilities	5,914,596	6,416,704
Total assets less current liabilities	758,868	958,030
Non-current liabilities	212,258	240,034
Net assets	546,610	717,996
Share capital	732,460	732,460
Reserves	(197,735)	(27,378)
Equity attributable to owners of the parent	534,725	705,082
Non-controlling interests	11,885	12,914
	For the six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
	RMB'000	RMB'000
Consolidated Statement of Cash Flows		
Net cash flows (used in)/from operating activities	(677,653)	222,218
Net cash flows from investing activities	9,529	22,531
Net cash flows from/(used in) financing activities	678,604	(186,839)
Net increase in cash and cash equivalents	10,480	57,910
Cash and cash equivalents at beginning of period	91,225	71,413
Effect of foreign exchange rate changes, net	(430)	(854)
Cash and cash equivalents at end of period	101,275	128,469

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

In the first half of 2022, the Company's major business regions were seriously affected by the pandemic, in particular its three major subsidiaries in Shanghai, Beijing and Henan. Despite this, in the first half of the year, the Company's sales of mobile handsets and revenue still increased period-on-period. For the six months ended 30 June 2022, the Group sold 2,002,000 mobile handsets, representing an increase of 106,000 sets or 5.59% from 1,896,000 sets for the same period in 2021. Operating revenue for the first half of 2022 amounted to RMB6,202,947,000, representing an increase of RMB474,775,000 or 8.29% from revenue amounted to RMB5,728,172,000 for the same period in 2021. For the first half of 2022, net loss attributable to owners of the parent of the Company for the period amounted to RMB167,847,000, representing a decrease of RMB3,275,667,000 or 95.13% from net loss attributable to owners of the parent of the Company amounted to RMB3,443,514,000 for the same period in 2021.

II. FINANCIAL POSITION AND OPERATING RESULTS

(I) Overview

For the six months ended 30 June 2022, the Group recognised net loss of RMB168,876,000, as compared to net loss amounted to RMB3,437,386,000 for the same period in 2021, a decrease of 95.09%, among which, net loss attributable to owners of the parent of the Company for the period amounted to RMB167,847,000, representing a decrease of RMB3,275,667,000 or 95.13% from net loss attributable to owners of the parent of the Company amounted to RMB3,443,514,000 for the same period in 2021.

1. Operating revenue

For the six months ended 30 June 2022, operating revenue of the Group amounted to RMB6,202,947,000, representing an increase of RMB474,775,000 or 8.29% from the operating revenue of RMB5,728,172,000 for the same period in 2021. The increase in revenue was mainly due to an increase in wholesale business revenue to third parties and an increase in retail business revenue from 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 and store-in-store outlets, stores in cooperation with the mobile carriers, and online sales platforms. Revenue from our franchise business includes revenue from sales of mobile telecommunications devices and accessories to our franchisees. Revenue from our wholesale business includes revenue from sales of mobile telecommunications devices and accessories we distribute to mobile carriers and other third-party retailers.

The Group's revenue from sales of mobile telecommunications devices and accessories amounted to RMB5,969,592,000 for the six months ended 30 June 2022, representing an increase of RMB451,896,000 or 8.19% compared with the revenue from sales of mobile telecommunications devices and accessories of RMB5,517,696,000 for the same period in 2021.

The Group's service income from mobile carriers amounted to RMB135,943,000 for the six months ended 30 June 2022, representing an increase of RMB27,340,000 or 25.17% compared with the service income from mobile carriers of RMB108,603,000 for the same period in 2021.

2. *Cost of sales*

For the six months ended 30 June 2022, the Group's cost of sales amounted to RMB5,945,702,000, representing an increase of RMB565,045,000 or 10.50% from cost of sales of RMB5,380,657,000 for the same period in 2021, 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 2022 amounted to RMB257,245,000, representing a decrease of RMB90,270,000 or 25.98% from the gross profit of RMB347,515,000 for the same period in 2021. Our overall gross profit margins for the six months ended 30 June 2022 and 2021 were 4.15% and 6.07%, respectively. The decrease in our overall gross profit margin was primarily due to the fact that gross profit margins of both our wholesale and retail businesses have dropped in the first half of 2022 as compared to the same period in 2021.

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 2022 amounted to RMB39,076,000, representing a decrease of RMB84,490,000 or 68.38% from other income and gains of RMB123,566,000 for the same period in 2021. The decrease of other income and gains was mainly due to the absence of recognition of other income from writing-off amounts payable to dissolved vendors in the first half of 2022.

5. *Selling and distribution expenses*

Total selling and distribution expenses of the Group for the six months ended 30 June 2022 amounted to RMB247,436,000, representing a decrease of RMB3,592,000 or 1.43% from total selling and distribution expenses of RMB251,028,000 for the same period in 2021. Selling and distribution expenses decreased during the period, mainly due to the decrease in marketing management fees, utilities and other expenses and partially offset by the increase in staff salaries, advertising and business promotion expenses.

The Group's other selling and distribution expenses for the six months ended 30 June 2022 amounted to RMB10,567,000, representing a decrease of RMB21,438,000 or 66.98% from the other selling and distribution expenses of RMB32,005,000 for the same period in 2021. Such decrease was primarily due to the newly implemented refined management after Huafa Group (including Zhuhai Huafa Industrial Investment Holding Co., Ltd. and Hong Kong Huafa Investment Holdings Limited, hereafter refer to as the "Controlling Shareholder") becoming the Controlling Shareholder of the Company, which vigorously promoted cost reduction and expense cutting and reduced miscellaneous expenses, with significant results.

Total staff salaries of the Group for the six months ended 30 June 2022 amounted to RMB122,594,000, representing an increase of RMB12,187,000 or 11.04% from the total staff salaries of RMB110,407,000 for the same period in 2021. The increase was due to the increase in sales revenue in the current period and thus resulting in the increase in sales staff salaries while the staff structure had been streamlined to reduce salary expenses due to the impact of the pandemic for the same period of last year.

6. *Administrative expenses*

The Group's total administrative expenses for the six months ended 30 June 2022 amounted to RMB96,356,000, representing a decrease of RMB750,188,000 or 88.62% from the total administrative expenses of RMB846,544,000 for the same period in 2021. Such decrease in administrative expenses was primarily due to decrease in employee remuneration, bank charges, agency fees, information service fees and other fees.

Agency fees for the six months ended 30 June 2022 amounted to RMB12,635,000, representing a decrease of RMB13,610,000 or 51.86% from the agency fees of RMB26,245,000 for the same period in 2021. Such decrease was mainly due to the high cost of consulting fees of RMB22,317,000 for the same period of last year.

Information service fees for the six months ended 30 June 2022 amounted to RMB7,738,000, representing a decrease of RMB111,296,000 or 93.50% from the information service fees of RMB119,034,000 for the same period in 2021. Such decrease was mainly due to higher expenditures from the update of the Group's systems during the same period of last year.

Other fees for the six months ended 30 June 2022 amounted to RMB10,623,000, representing a decrease of RMB586,666,000 or 98.22% from other fees of RMB597,289,000 for the same period in 2021. The decrease was mainly due to a significant loss incurred from closure of stores for the same period of last year.

7. *Finance costs*

The Group's total finance costs for the six months ended 30 June 2022 amounted to RMB98,962,000, representing a decrease of RMB40,663,000 or 29.12% from the total finance costs of RMB139,625,000 for the same period in 2021. Such decrease in finance costs was due to a lower capital occupancy cost compared to the same period of last year.

8. *Other expenses*

Our other expenses mainly include impairment and write-down of inventories, impairment of goodwill, impairment of fixed assets and impairment of intangible assets. For the six months ended 30 June 2022, the Group's other expenses amounted to RMB28,803,000, representing a decrease of RMB2,037,191,000, or 98.61% as compared to other expenses of RMB2,065,994,000 for the same period in 2021. Such decrease was primarily due to decrease in impairment and write-down of inventories, decrease in impairment of goodwill, decrease in impairment of property, plant and equipment and decrease in impairment of intangible assets.

9. *Income tax credit/(expense)*

For the six months ended 30 June 2022, the Group's total income tax expense amounted to RMB227,000, as compared with income tax credit of RMB313,158,000 for the same period in 2021. Such change was primarily because no tax credit was recognised for the losses in current period.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

10. Indebtedness – bank and other borrowings

As of 30 June 2022, our bank borrowings were primarily bank loans and other borrowings which were short term and long term in nature. The following table sets forth our outstanding borrowings as at the dates indicated:

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Current		
Bank loans:		
Unsecured, repayable within one year	830,387	1,229,604
Secured, repayable within one year	993,857	762,000
Other loans:		
Unsecured, repayable within one year	29,253	68,350
Secured, repayable within one year	81,114	80,000
Long term		
Unsecured, repayable after one year	15,075	17,970
Total	1,949,686	2,157,924

As of 30 June 2022, we entered into various loan agreements with banks to finance our business operations and expansion. These bank loans were repayable within one year or on demand. These bank loans were bank loans which carried interest at the benchmark rate of the People's Bank of China plus a premium. We mainly used these bank loans to purchase mobile telecommunications devices and accessories.

As of 30 June 2022, our bank and other borrowings amounted to RMB1,949,686,000, representing a decrease of RMB208,238,000 or 9.65% from RMB2,157,924,000 as of 31 December 2021.

The directors of the Company (the “**Directors**”) confirmed that as at 30 June 2022 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 securities or equity securities in the future. We did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 30 June 2022.

(II) Current assets and financial position

As at 30 June 2022, the Group had cash and cash equivalents in an amount of RMB101,275,000, representing an increase of RMB10,050,000 or 11.02% as compared to RMB91,225,000 as of 31 December 2021.

As at 30 June 2022, the Group had short term bank and other borrowings in an amount of RMB1,934,611,000, representing a decrease of RMB205,343,000 or 9.60% as compared to RMB2,139,954,000 as of 31 December 2021.

(III) Capital expenditure

For the six months ended 30 June 2022, the Group's capital expenditure amounted to RMB6,721,000, which was incurred mainly in relation to purchase and construction of fixed assets and decoration costs in connection with the opening of new stores and the renovation of existing stores.

(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 2022	As at 31 December 2021	Change	Percentage of change
Current ratio	1.02	1.05	(0.03)	(2.86%)
Gearing ratio	77.18%	74.22%	2.96%	3.99%
Net debt-to-equity ratio	338.16%	287.84%	50.32%	17.48%

Current ratio is current assets divided by current liabilities at the end of each financial period. Our current ratio as at 30 June 2022 was 1.02, down 0.03 or 2.86% as compared to the current ratio of 1.05 as at 31 December 2021. The decrease was primarily due to a decrease in the current assets.

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 2022, our gearing ratio was 77.18%, representing an increase of 2.96 percentage points, or 3.99%, compared to a gearing ratio of 74.22% as at 31 December 2021. The increase was mainly due to the decrease in total equity.

Net debt-to-equity ratio equals net debt divided by total equity as the end of the period and multiplied by 100%. Our net debt-to-equity ratio increased by 50.32 percentage points or 17.48% from 287.84% as at 31 December 2021 to 338.16% as at 30 June 2022. Such increase was mainly due to the decrease in total equity.

(V) Material acquisitions and disposals

For the six months ended 30 June 2022, 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 the legal counsel, the Group has made provision for an amount of RMB28,682,000 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 risk.

(VIII) Pledge of assets

As of 30 June 2022, the Group had the pledged deposits amounting to RMB652,629,000, financial assets at fair value through profit or loss amounting to RMB80,267,000 and the pledged properties amounting to RMB21,783,000.

(IX) Material investments

For the six months ended 30 June 2022, the Group had no other material investment.

(X) Equity arrangements

For the six months ended 30 June 2022, no equity subscription was conducted by the Group. As of the date of this report, no equity scheme was made by the Group.

(XI) Share capital

No material change occurred in the structure of the Company's share capital for the six months ended 30 June 2022.

(XII) Material events after the reporting period

On 1 August 2022, Mr. Huang Mingqiang was appointed as the joint company secretary and the board secretary of the Company. On 22 August 2022, Ms. Yang Hui resigned as the supervisor of the Company (the “**Supervisor**”) and the chairwoman of the board of Supervisors of the Company. On the same day, Mr. Gao Zhiqiang was appointed as the Supervisor and was elected as the chairman of the board of Supervisors. For further details, please refer to the announcements of the Company dated 1 August 2022 and 22 August 2022, respectively.

Save as disclosed above and up to the date of this report, the Group has no subsequent events after 30 June 2022 required to be disclosed.

(XIII) Employees and remuneration policy

As at 30 June 2022, the Group had a total of 3,035 employees (30 June 2021: 3,785). Salary costs and employees’ benefit expenses were approximately RMB164,211,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB171,528,000). Remunerations for the Company’s existing employees include salaries, performance-based bonus, social insurance and housing provident fund. The Company has also arranged various trainings for employees, including professional qualification training, product and business information training, and management skills training, which are conducted mainly through online learning, seminars and conferences and skill-specific training programmes.

III. BUSINESS OUTLOOK FOR THE SECOND HALF OF 2022

In the first half of 2022, the global mobile handset supply chain remained tense and shortages in chips continued. As the increasingly stringent control measures against the pandemic in certain areas were implemented, some key businesses of Beijing Digital were severely impacted. As the supply from manufacturers is resuming and the economy is picking up, we believe that we will improve our performance in the second half of 2022 from the following aspects to seize market opportunities:

- (I) With the continuous improvement of the operating quality of Beijing Digital, in the second half of 2022, the Company will focus on the refined operation of the retail business. On the one hand, we will reduce costs and improve efficiency, and enhance operating quality of each business to realise the stable growth of the Company’s performance. On the other hand, based on the current business development, the Company will continue to strengthen the proportion of after-sales service business in the retail business, and continue to explore and enhance the revenue of service business with higher customer stickiness and profitability, such as insurance, recycling, instalment and maintenance, so as to lay a solid foundation for the long-term improvement of the Company’s retail business.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

- (II) We will continue to tie up with mobile carriers in depth and continue to obtain massive carrier resources in the 5G era in terms of retail business hall and store entry operations, diversified category services and government and enterprise business cooperation.

On the one hand, the business hall and store operation business remains an important source of profit for Beijing Digital. On this basis, the Company will make new breakthroughs in the supply of value-added services and comprehensive intelligent products to mobile carriers in the second half of 2022; at the same time, thanks to the Company's continued deployment in the mobile carrier-related government and enterprise business since 2022, the Company will continue to expand its cooperation with mobile carriers in the government and enterprise business.

On the other hand, Beijing Digital will continue to look for suitable upstream business opportunities in the supply chain and expand the scale of its government and enterprise business. During the COVID-19 pandemic, the participants in the upstream supply chain of the digital communications industry were facing greater pressure on capital and logistics. At the same time, changes in carriers' distribution and retail strategies have also brought new challenges to the upstream supply chain. There was a mismatch in demand between the two parties. As an industry participant with both supply chain and financial resources, Beijing Digital can wait for suitable opportunities and provide funds, products and services for players in the upstream supply chain and carriers in the downstream part, and scale up the distribution business.

- (III) We will actively respond to the changes in the brand landscape and continue to adjust and improve our strategic cooperation with upstream brands to explore the potential based on our forecasts of the market trend, so as to match the manufacturers' strategies to position ourselves on the retail sector and reap development dividends. In 2022, the domestic mobile phone brand landscape is still undergoing continuous restructuring and change. In the process of change, Beijing Digital will continue to strengthen its all-round cooperation with rising brands based on its industry insight and forecasting ability, and lay out its resources for the next stage of performance growth.
- (IV) We will strengthen omni-channel contract fulfilment capabilities to help Beijing Digital better serve major e-commerce companies' thousands of front-end warehouses and standardized fulfilment systems, so as to establish an omni-channel common platform for orders and inventory. In the past three years, Beijing Digital has been exploring cooperation with online e-commerce companies to build up the order fulfilment capability of its shops. At present, the Company has achieved high growth with platforms such as JD.com, Tik Tok, Kuaishou (快手), Vipshop (唯品會), Meituan and Eleme (餓了麼). We expect such business will continue to expand and maintain the momentum of high growth of the Group in the second half of 2022.

OTHER INFORMATION

INTERIM DIVIDEND

The board of Directors (the “**Board**”) does not recommend any interim dividend for the six months ended 30 June 2022.

DIRECTORS’, SUPERVISORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2022, the interests and short positions of the Directors, 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 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:

Interest in the Company:

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
		Person acting in concert	169,337,902 (long position)	50.14	23.12

Notes:

- The percentage is calculated with the number of the relevant class of shares of the Company issued as at 30 June 2022 divided by the total number of shares.
- 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 30 June 2022, none of the Directors, the Supervisors and the Chief Executives had any interests or short positions in any 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.

OTHER INFORMATION *(Continued)*

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

As at 30 June 2022, 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 and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and were recorded in the register to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Type of Shares	Nature of Interests	Number of shares/ underlying shares held (long position/short position/ lending pool)	Percentage of the relevant class of share capital (%) <i>(Note 1)</i>	Percentage of the total share capital (%) <i>(Note 1)</i>
Liu Yongmei <i>(Note 2)</i>	Domestic shares	Interest of controlled corporation	168,362,098 (long position)	49.86	22.99
		Person acting in concert	169,337,902 (long position)	50.14	23.12
Liu Hua <i>(Note 2)</i>	Domestic shares	Interest of controlled corporation	168,362,098 (long position)	49.86	22.99
		Person acting in concert	169,337,902 (long position)	50.14	23.12
Liu Wenli <i>(Note 2)</i>	Domestic shares	Interest of controlled corporation	168,362,098 (long position)	49.86	22.99
		Person acting in concert	169,337,902 (long position)	50.14	23.12
Liu Wencui <i>(Note 2)</i>	Domestic shares	Interest of controlled corporation	168,362,098 (long position)	49.86	22.99
		Person acting in concert	169,337,902 (long position)	50.14	23.12
Liu Songshan <i>(Note 2)</i>	Domestic shares	Person acting in concert	337,700,000 (long position)	100.00	46.10
Di Er Tong <i>(Note 2)</i>	Domestic shares	Person acting in concert	337,700,000 (long position)	100.00	46.10

OTHER INFORMATION *(Continued)*

Name of Shareholder	Type of Shares	Nature of Interests	Number of shares/ underlying shares held (long position/short position/ lending pool)	Percentage of the relevant class of share capital (%) <i>(Note 1)</i>	Percentage of the total share capital (%) <i>(Note 1)</i>
Digital Science & Technology <i>(Note 2)</i>	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 Industrial Investment Holding <i>(Note 3)</i>	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. <i>(Note 3)</i>	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 <i>(Note 3)</i>	H shares	Beneficial owner	327,057,912 (long position)	82.85	44.65
Dawn Galaxy International Limited <i>(Note 4)</i>	H shares	Beneficial owner	42,000,000 (long position)	10.64	5.73

OTHER INFORMATION (Continued)

Notes:

1. The percentage is calculated with the number of the relevant class of shares of the Company issued as at 30 June 2022 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 of the Company held by Digital Science & Technology. In addition, Di Er Tong and Digital Science & Technology, together with the Liu Family, entered into an acting-in-concert agreement with Huafa Industrial Investment Holding on 29 January 2021. Accordingly, pursuant to the SFO, Liu Donghai, Liu Hua, Liu Wencui, Liu Yongmei and Liu Wenli are deemed to be interested in 169,337,902 domestic shares of the Company held by Huafa Industrial Investment Holding, and Liu Songshan and Di Er Tong are deemed to be interested in 337,700,000 domestic shares of the Company held by Huafa Industrial Investment Holding.
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 of the Company 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 of the Company 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 30 June 2022.

Save as disclosed above, as at 30 June 2022, 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 any shares or underlying shares of the Company which fell to be noticed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or which have been recorded in the register to be kept by the Company pursuant to Section 336 of the SFO.

OTHER INFORMATION *(Continued)*

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

On 18 December 2019, Di Er Tong pledged 63,270,000 domestic shares of the Company (representing approximately 9.5% of the total issued shares of the Company as at 18 December 2019) to Beijing Jingdixin Technology Company Limited (“**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.

DIRECTORS’ AND SUPERVISORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, during the six months ended 30 June 2022, neither the Company nor any of its subsidiaries is a party to any arrangement that would enable the Directors or the Supervisors to acquire benefits by means of acquisition of any shares or debentures in the Company, and none of the Directors or the Supervisors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or had exercised any such right.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules as its own code of corporate governance. During the six months ended 30 June 2022, 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 chief executive officer, 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.

OTHER INFORMATION *(Continued)*

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' and Supervisors' securities transactions. Specific enquiries have been made to all Directors and Supervisors, and each of the Directors and Supervisors has confirmed that he/she has complied with the standard requirements set out in the Model Code during the six months ended 30 June 2022.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

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

The Audit Committee, together with the management of the Company and the external auditor, has reviewed the Group's unaudited interim condensed consolidated results for the six months ended 30 June 2022.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY

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

By order of the Board

Xu Jili

Chairwoman

Beijing, 26 August 2022

INDEPENDENT REVIEW REPORT

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

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 22 to 49, which comprises the condensed consolidated statement of financial position of Beijing Digital Telecom Co., Ltd. (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2022 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young
Certified Public Accountants
Hong Kong
26 August 2022

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

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 Unaudited RMB'000	2021 Unaudited RMB'000
REVENUE	5	6,202,947	5,728,172
Cost of sales		(5,945,702)	(5,380,657)
Gross profit		257,245	347,515
Other income and gains	5	39,076	123,566
Selling and distribution expenses		(247,436)	(251,028)
Administrative expenses		(96,356)	(846,544)
Reversal/(impairment losses) on financial assets		10,635	(931,182)
Other expenses		(28,803)	(2,065,994)
Finance costs		(98,962)	(139,625)
Share of losses and profits of:			
Joint ventures		(2,595)	3,369
Associates		(1,453)	9,379
LOSS BEFORE TAX	6	(168,649)	(3,750,544)
Income tax (expense)/credit	7	(227)	313,158
LOSS FOR THE PERIOD		(168,876)	(3,437,386)
Attributable to:			
Owners of the parent		(167,847)	(3,443,514)
Non-controlling interests		(1,029)	6,128
		(168,876)	(3,437,386)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)			
For loss for the period	8	(0.23)	(4.72)

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

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 Unaudited RMB'000	2021 Unaudited RMB'000
LOSS FOR THE PERIOD	(168,876)	(3,437,386)
OTHER COMPREHENSIVE LOSS		
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>		
Share of other comprehensive loss of a joint venture	(433)	(2,918)
Exchange differences on translation of foreign operations	(2,077)	(2,855)
<i>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:</i>		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	–	30,516
Income tax effect	–	(28,422)
	–	2,094
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(2,510)	(3,679)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(171,386)	(3,441,065)
Attributable to:		
Owners of the parent	(170,357)	(3,447,231)
Non-controlling interests	(1,029)	6,166
	(171,386)	(3,441,065)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

		30 June 2022	31 December 2021
	<i>Notes</i>	Unaudited RMB'000	Audited RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	62,221	66,710
Right-of-use assets		241,192	282,565
Other intangible assets		2,979	3,557
Investments in joint ventures		51,502	54,531
Investments in associates		254,003	255,455
Debt instrument at amortised cost		–	500
Equity investments designated at fair value through other comprehensive income		1,009	1,009
		<hr/>	<hr/>
Total non-current assets		612,906	664,327
CURRENT ASSETS			
Inventories	10	285,817	294,308
Trade and bills receivables	11	2,781,664	2,892,151
Prepayments, other receivables and other assets		1,689,616	2,167,047
Financial assets at fair value through profit or loss		81,066	104,399
Due from related parties	18	468,491	431,922
Pledged deposits	12	652,629	729,355
Cash and cash equivalents	12	101,275	91,225
		<hr/>	<hr/>
Total current assets		6,060,558	6,710,407
CURRENT LIABILITIES			
Trade and bills payables	14	179,749	719,194
Other payables and accruals		580,552	1,144,445
Interest-bearing bank and other borrowings	13	1,934,611	2,139,954
Lease liabilities		97,731	115,354
Due to related parties	18	3,116,339	2,289,127
Tax payable		5,614	8,630
		<hr/>	<hr/>
Total current liabilities		5,914,596	6,416,704
		<hr/>	<hr/>
NET CURRENT ASSETS		145,962	293,703
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		758,868	958,030
		<hr/>	<hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

30 June 2022

		30 June 2022	31 December 2021
	<i>Notes</i>	Unaudited RMB'000	Audited RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	15,075	17,970
Deferred tax liability		1,360	1,700
Lease liabilities		161,612	182,622
Other long term payable		34,211	37,742
		<hr/>	<hr/>
NET ASSETS		546,610	717,996
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent:			
Issued capital	15	732,460	732,460
Reserves		(197,735)	(27,378)
		534,725	705,082
		<hr/>	<hr/>
Non-controlling interests		11,885	12,914
		<hr/>	<hr/>
TOTAL EQUITY		546,610	717,996
		<hr/>	<hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the parent									Total equity RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Statutory reserve funds RMB'000	Retained profits RMB'000	Fair value reserve of financial assets at fair value through other comprehensive loss RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests 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 CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2022

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 Unaudited RMB'000	2021 Unaudited RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax:		
from continuing operations	(168,649)	(3,750,544)
Adjustments for:		
Finance costs	98,961	139,625
Interest income	(4,088)	–
Share of profits and losses of joint ventures and associates	4,048	(12,748)
Loss on disposal of a subsidiary	1,627	–
Loss on disposal of an associate	–	1,020
Impairment and write down of trade receivables	106,416	645,882
Impairment of financial assets at fair value through other comprehensive income	–	1,340
Impairment of available-for-sale investments	–	(2,230)
Impairment and write down of other receivables	(117,051)	283,960
Impairment and write-down of inventories	17,109	1,967,382
Impairment of property, plant and equipment	838	4,974
Impairment of right-of-use assets	172	–
Impairment of intangible assets	–	1,816
Impairment of goodwill	–	50,521
Fair value loss/(gain) on financial assets at fair value through profit or loss	2,952	(1,155)
Depreciation of property, plant and equipment	8,989	20,831
Depreciation of right-of-use assets	64,891	73,962
Amortisation of intangible assets	577	96
Loss on disposal of items of property, plant and equipment	1,384	745
Foreign exchange (gain)/loss, net	(1,649)	789
Decrease/(increase) in trade and bills receivables	4,274	(46,531)
Decrease/(increase) in prepayments, other receivables and other assets	630,831	(1,468,207)
(Increase)/decrease in pledged deposits	(694)	–
(Increase)/decrease in inventories	(8,618)	354,070
Increase/(decrease) in trade and bills payables	(539,445)	223,454
Increase/(decrease) in other payables and accruals	(587,164)	1,374,482
Increase/(decrease) in other long-term payables	(9,512)	33,935
Increase in amounts due from related parties	(36,570)	(7,598)
Increase/(decrease) in amounts due to related parties	(143,699)	338,027
Cash generated from/(used in) operations	(674,070)	227,898
Income tax paid	(3,583)	(5,680)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	(677,653)	222,218

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

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries	–	31,731
Purchases of items of property, plant and equipment	(6,721)	(11,917)
Purchases of items of other intangible assets	–	5,363
Proceeds from disposal of items of property, plant and equipment	–	(4,333)
Sale of financial products by bank	20,881	1,687
Interest received	4,088	–
Loans to third parties	(8,719)	–
	<hr/>	<hr/>
NET CASH FLOWS FROM INVESTING ACTIVITIES	9,529	22,531
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
New bank loans	3,402,969	2,022,453
Loan from related parties	2,245,167	589,418
Acquisition of non-controlling interests	–	(40,000)
Decrease in pledged deposits	77,420	326,628
Repayment of bank loans and other borrowings	(3,611,208)	(2,846,505)
Repayment of loan from related parties	(1,274,257)	(39,870)
Principal portion of lease payments	(68,585)	(67,067)
Interest paid	(92,902)	(131,896)
	<hr/>	<hr/>
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	678,604	(186,839)
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	10,480	57,910
Cash and cash equivalents at beginning of period	91,225	71,413
Effect of foreign exchange rate changes, net	(430)	(854)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	101,275	128,469

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

1. CORPORATE AND GROUP INFORMATION

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

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

Huafa Group (including Zhuhai Huafa Industrial Investment Holding Co., Ltd. and Hong Kong Huafa Investment Holdings Limited, hereinafter refer to as "Huafa Group" or the "Controlling Shareholder") acquired 67.77% of the Company's equity interests from the Liu Family (comprising Mr. Liu Donghai, the then controlling shareholder and hereinafter refer to as "the then controlling shareholder", and his siblings, Mr. Liu Songshan, Ms. Liu Hua, Ms. Liu Wenli, Ms. Liu Wencui and Ms. Liu Yongmei) and other original shareholders in 2021, and together with a concert party agreement with the Liu Family, controlled a total voting right of 90.76% of the Company.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 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 2021.

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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 2021, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRSs 2018-2020	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41</i>

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

- (a) Amendments to IFRS 3 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

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

- (b) 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 Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are 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. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - 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.

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4. OPERATING SEGMENT INFORMATION

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

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

Information about major customers

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

Seasonality of operations

Due to the seasonal nature, historically higher revenues and operating profits are usually expected in the second half of the year rather than in the first six months. Higher sales during the period from July to early October are mainly attributable to the increased demand for mobile telecommunications devices and accessories during the holiday season, as well as in November and December, due to the increased demand for new series of mobile telecommunications devices. However, due to the prolonged COVID-19 pandemic and subsequent waves of further outbreaks, this has a significant negative impact on the Group's business, further details are set out in note 21, Events After The Reporting Period. This information is provided to allow for a better understanding of the results, however, management has concluded that the Group's business is not "highly seasonal" in accordance with IAS 34.

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5. REVENUE, OTHER INCOME AND GAINS

(a) Revenue

An analysis of revenue is as follows:

Segments

	For the six months ended 30 June	
	2022 Unaudited RMB'000	2021 Unaudited RMB'000
Types of goods or services		
Sales of mobile telecommunications devices and accessories	5,969,592	5,517,696
Including:		
Retail of mobile telecommunications devices and accessories	1,744,193	1,533,415
Sales of telecommunications devices and accessories to franchisees	306,789	397,932
Wholesales of mobile telecommunications devices and accessories	3,918,610	3,586,349
Service income from mobile carriers	135,943	108,603
Other service fee income	97,412	101,873
	<hr/>	<hr/>
Total revenue from contracts with customers	6,202,947	5,728,172
	<hr/>	<hr/>
Geographical markets		
Mainland China	6,020,922	5,588,665
Spain	179,129	138,977
Hong Kong	2,896	–
India	–	530
	<hr/>	<hr/>
Total revenue from contracts with customers	6,202,947	5,728,172
	<hr/>	<hr/>

30 June 2022

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	
	2022 Unaudited RMB'000	2021 Unaudited RMB'000
Timing of revenue recognition		
Goods transferred at a point in time	5,969,592	5,517,696
Services transferred over time	233,355	210,476
	<hr/>	<hr/>
Total revenue from contracts with customers	6,202,947	5,728,172

(b) Other income and gains

	For the six months ended 30 June	
	2022 Unaudited RMB'000	2021 Unaudited RMB'000
Other income		
Interest income	27,338	11,916
Government grants (note (a))	2,416	3,797
Others	9,322	107,853
	<hr/>	<hr/>
	39,076	123,566

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

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6. 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	
	2022	2021
	Unaudited	Unaudited
	RMB'000	RMB'000
Cost of inventories sold and services provided	5,945,702	5,380,657
Depreciation of property, plant and equipment	8,989	20,831
Amortisation of intangible assets	577	96
Depreciation of right-of-use assets	64,891	73,962
Interest on lease liabilities	6,261	7,301
Impairment of financial assets:		
Impairment and write down of trade receivables	106,416	645,882
(Reversal)/impairment and write down of other receivables	(117,051)	283,960
Impairment of financial assets at fair value through other comprehensive income	–	1,340
Fair value loss/(gain) on financial assets at fair value through profit or loss	2,952	(1,155)
Impairment and write-down of inventories	17,109	1,967,382
Impairment of goodwill	–	50,521
Impairment of property, plant and equipment	838	4,974
Impairment of right-of-use assets	172	–
Impairment of intangible assets	–	1,816
Loss on disposal of property, plant and equipment	1,384	745

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7. INCOME TAX

The provision for current income tax is based on a statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which became effective on 1 January 2008 except for Sichuan Yijialong Communication Technology Chain Co., Ltd. and Dixin Simaier Technology (Guangdong) Co., Ltd., two subsidiaries of the Company, which were subject to tax at preferential rates of 15% and 12.5%, respectively, for the period of six months ended 30 June 2022. The major components of income tax expense are as follows:

	For the six months ended	
	30 June	
	2022	2021
	Unaudited	Unaudited
	RMB'000	RMB'000
Current:		
Charge for the period	567	1,503
Tax credit in respect of losses in current period	–	(368,807)
Deferred tax	(340)	54,146
	<hr/>	<hr/>
Total tax charge/(credit) for the period	227	(313,158)

Note: for losses in 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 current period losses in excess of this amount. In the opinion of the directors, it is not probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized.

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8. 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	
	2022 Unaudited RMB'000	2021 Unaudited RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent used in the basic loss per share calculation:	(167,847)	(3,443,514)
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 2022, the Group acquired property, plant and equipment with a cost of RMB6,721,000 (for the six months ended 30 June 2021: RMB11,917,000).

Property, plant and equipment with a net book value of RMB2,554,000 were disposed of by the Group during the six months ended 30 June 2022 (for six months ended 30 June 2021: RMB3,505,000), resulting in a net loss on disposal of RMB1,384,000 (for the six months ended 30 June 2021: a net loss of RMB745,000).

10. INVENTORIES

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Merchandise for resale	328,286	339,095
Consumable supplies	548	1,450
Less: provision against inventories	(43,017)	(46,237)
	285,817	294,308

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11. TRADE AND BILLS RECEIVABLES

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Trade receivables	3,086,098	3,137,229
Bills receivable	47,591	531
Less: impairment of trade receivables	(352,025)	(245,609)
	<u>2,781,664</u>	<u>2,892,151</u>

The Group grants different credit periods to customers. The Group's retail sales to consumers are cash sales. Credit periods are offered to customers of volume sales of telecommunications devices and accessories. The credit periods offered to unincorporated customers are considered on a case-by-case basis. The Group maintains strict control over and closely monitors its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and bills receivables are non-interest-bearing.

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

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Within 90 days	993,716	861,280
91 to 180 days	293,354	1,403,683
Over 181 days	1,494,594	627,188
	<u>2,781,664</u>	<u>2,892,151</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2022

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

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

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Cash and bank balances	101,275	91,225
Pledged time deposits	652,629	729,355
	753,904	820,580
Less: Pledged time deposits		
Pledged for bank borrowings	543,080	482,500
Pledged for bank acceptance notes	81,000	219,000
Other pledged deposits	28,549	27,855
	652,629	729,355
Cash and cash equivalents, denominated in RMB	101,275	91,225

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13. INTEREST-BEARING BANK AND OTHER BORROWINGS

		30 June 2022	31 December 2021
	<i>Notes</i>	Unaudited RMB'000	Audited RMB'000
Current			
Bank loans:			
Unsecured, repayable within one year	<i>(a)</i>	830,387	1,229,604
Secured, repayable within one year	<i>(b)</i>	993,857	762,000
Other loans:			
Unsecured, repayable within one year	<i>(c)</i>	29,253	68,350
Secured, repayable within one year		81,114	80,000
		1,934,611	2,139,954
Non-current			
Unsecured, repayable after one year	<i>(d)</i>	15,075	17,970
		1,949,686	2,157,924

Note (a): The bank loans bear interest at rates ranging from 1.60% to 7.50% (2021: 2.20% to 10.80%) per annum.

Note (b): The Group's bank loans are secured by pledged deposits, which had an aggregate carrying value of RMB543,080,000 (2021: RMB380,000,000), and financial assets at fair value through profit or loss with a carrying amount of RMB81,065,000 (2021: RMB101,639,000) at the end of the reporting period.

Note (c): The unsecured other loans bear interest at 5.50% to 6.20% (2021: 3.00% to 10.00%) per annum.

Note (d): The bank loans bear interest at rates ranging from 2.20% to 3.00% (2021: 2.20% to 10.80%) per annum.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

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14. TRADE AND BILLS PAYABLES

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Trade payables	179,749	276,234
Bills payable	–	442,960
	179,749	719,194

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

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Within 90 days	131,592	204,830
91 to 180 days	11,264	153,440
Over 181 days	36,893	360,924
	179,749	719,194

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15. ISSUED CAPITAL

	30 June 2022 Unaudited RMB'000	31 December 2021 Audited RMB'000
Registered, issued and fully paid: 732,460,400 ordinary shares of RMB1 each (2021: 732,460,400)	732,460	732,460

16. 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 the legal counsel, the Group has made provision for an amount of RMB28,682,000 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.

17. COMMITMENTS

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

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18. RELATED PARTY TRANSACTIONS

- (a) The following table illustrates the total amounts of transactions that have been entered into with related parties during the six months ended 30 June 2022 and 2021, as well as balances with related parties as at 30 June 2022 and 31 December 2021:

		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
The then controlling shareholder¹						
Digital Science & Technology Group Limited	2022	–	–	–	46,297	–
	2021	–	–	–	31,792	–
Beijing D-phone Consulting Co., Ltd.	2022	–	–	–	–	257,366
	2021	–	–	–	–	257,366
Associates:						
Shenzhen Dixin Nuclear Communications Co., Ltd.	2022	–	–	–	6,087	–
	2021	–	–	–	6,365	–
Shanghai Dijun Information Technology Co., Ltd.	2022	–	2,490	–	–	26,626
	2021	–	28,020	–	–	26,459
Dimi Technology (Thailand) Co., Ltd.	2022	–	–	–	–	–
	2021	–	–	–	1,565	–
Beijing Jingdixin Technology Co., Ltd.	2022	–	1,394,399	–	93	42,642
	2021	–	1,609,744	–	99	118,725
Joint ventures:						
Guangzhou Zhongqi Energy Technology Co., Ltd.	2022	22,372	14,267	–	51,883	–
	2021	44,437	50,265	–	60,867	9,035

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18. RELATED PARTY TRANSACTIONS (Continued)

- (a) The following table illustrates the total amounts of transactions that have been entered into with related parties during the six months ended 30 June 2022 and 2021, as well as balances with related parties as at 30 June 2022 and 31 December 2021: (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 then controlling shareholder:						
Beijing Dphone Communication Services Co., Ltd.	2022 2021	– –	– –	– –	5 5	19,871 16,561
Guang'an Dixin Cloud Communication Technology Co., Ltd.	2022 2021	– 73	– –	– –	– 1,180	– –
Sichuan Dixintong Real Estate Co., Ltd.	2022 2021	– –	– –	– –	– –	– 14,960
Shenzhen Dixintong Investment Holding Co., Ltd.	2022 2021	– –	– –	3,153 –	300,299 297,146	– –
Dixintong (Sanmenxia) Management Co., Ltd.	2022 2021	– –	– –	– –	447 447	– –

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18. RELATED PARTY TRANSACTIONS (Continued)

- (a) The following table illustrates the total amounts of transactions that have been entered into with related parties during the six months ended 30 June 2022 and 2021, as well as balances with related parties as at 30 June 2022 and 31 December 2021: (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 significantly influenced by the then controlling shareholders/ the Controlling Shareholder:						
Beijing Tianxingyuanjing Technology Development Co., Ltd. ²	2022	–	–	–	–	–
	2021	–	–	–	–	104
Huajin International Commercial Factoring (Zhuhai) Co., Ltd ⁴	2022	–	–	235,210	–	480,134
	2021	–	–	592,350	–	244,924
Zhuhai Huafa Group Finance Co., Ltd. ¹	2022	–	–	735,700	–	2,258,700
	2021	–	–	1,623,000	–	1,523,000
Tangshan Dixintong Supply Chain Management Co., Ltd.	2022	–	10	31,000	59,923	31,000
	2021	–	1,238,747	–	2,709	2,709
Yunnan Dixintong Investment Co., Ltd.	2022	–	–	–	–	–
	2021	–	–	–	–	300
Tangshan Dixintong Internet of Things research institute Co., Ltd	2022	–	–	–	–	–
	2021	–	–	–	30	–
Beijing Dixin Chuangtong Technology Co., Ltd.	2022	–	–	–	–	–
	2021	–	–	–	–	63
Shanghai Dixin Intelligent Technology Co., Ltd.	2022	–	–	–	–	–
	2021	–	–	–	533	–
A subsidiary of a joint venture:						
Yunfu Zhongqi Communication Technology Co., Ltd. ³	2022	–	45	–	3,266	–
	2021	2,378	2,010	–	26,194	1,345

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18. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

¹ Zhuhai Huafa Group Finance Co., Ltd. is the fellow subsidiary of the Huafa Group. The loans from Zhuhai Huafa Group Finance Co., Ltd. as at 30 June 2022 bear interest at rates ranging from 2.80% to 5.60% per annum.

² Beijing Tianxingyuanjing Technology Development Co., Ltd. is held by Mr. Liu Donghai, the then controlling shareholder, and Mr. Jinxin, the CEO of the Group before 13 July 2018. They directly and indirectly hold 20.53% equity interests in aggregate and have significant influence over the entity.

³ Yunfu Zhongqi Communication Technology Co., Ltd. is directly held by Guangzhou Zhongqi Energy Technology Co., Ltd., a joint venture of the Group.

⁴ The loans from Huajin International Commercial Factoring (Zhuhai) Co., Ltd as at 30 June 2022 amounted to RMB480,134,000 bear interest at rates ranging from 5.70% to 6.00% per annum.

Notes:

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

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

(b) In order to ensure the smooth transition from the then controlling shareholder to the new management team under the Controlling Shareholder, 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. The balances of the guaranteed receivables were approximately RMB2.2 billion as at 30 June 2022.

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

	For the six months ended	
	30 June	
	2022	2021
	Unaudited	Unaudited
	RMB'000	RMB'000
Salaries, allowances, bonuses and other expenses	2,231	2,417

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19. 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 2022 were assessed to be insignificant.

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

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19. 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 2022

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investments designated at fair value through other comprehensive income	–	–	1,009	1,009
Financial assets at fair value through profit or loss	–	81,066	–	81,066
Bills receivable	–	47,591	–	47,591
	–	128,657	1,009	129,666

As at 31 December 2021

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investments designated at fair value through other comprehensive income	–	–	1,009	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

30 June 2022

20. DIVIDENDS

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

21. EVENTS AFTER THE REPORTING PERIOD

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

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

For retail shops as at 30 June 2022 which were operating on an "on and off" basis, or on temporary suspension looking for resumption of business when the pandemic is over/controlled, it is challenging for the management to estimate, on the balance sheet date, whether these retail shops will be closed as the pandemic is prolonged with subsequent waves of further outbreaks. The management used its best estimate based on information available at that time.

22. 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 26 August 2022.