

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



北京迪信通商貿股份有限公司

**Beijing Digital Telecom Co., Ltd.**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 6188)**

**ANNOUNCEMENT OF AUDITED FINAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**AUDITED FINANCIAL HIGHLIGHTS**

For the year ended 31 December 2020:

Revenue of the Group was RMB13,550,150,000, representing a decrease of 11.73% from last year. Net profit attributable to the owners of the parent of the Company was RMB114,062,000, representing a decrease of 55.69% from last year. Basic earnings per share was RMB0.16 per share, representing a decrease of RMB0.23 per share from last year.

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

The board (the “**Board**”) of directors (the “**Directors**”) of Beijing Digital Telecom Co., Ltd. (the “**Company**”) is pleased to announce the audited consolidated results for the year ended 31 December 2020 of the Company and its subsidiaries (the “**Group**” or “**we**”), together with comparable audited figures for the same period in 2019.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*Year ended 31 December 2020*

	<i>Notes</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>CONTINUING OPERATIONS</b>			
REVENUE	4	<b>13,550,150</b>	15,350,953
Cost of sales		<u><b>(12,373,459)</b></u>	<u>(13,582,076)</u>
Gross profit		<b>1,176,691</b>	1,768,877
Other income and gains	4	<b>56,060</b>	67,576
Selling and distribution expenses		<b>(618,265)</b>	(858,016)
Administrative expenses		<b>(269,583)</b>	(324,563)
Impairment losses on financial assets		<b>(21,951)</b>	(51,855)
Other expenses		<b>(50,910)</b>	(34,896)
Finance costs		<b>(162,091)</b>	(232,712)
Share of profits and losses of:			
Joint ventures		<b>(6,325)</b>	(679)
Associates		<u><b>2,781</b></u>	<u>(1,586)</u>
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>106,407</b>	332,146
Income tax credit/(expense)	5	<u><b>8,105</b></u>	<u>(71,694)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>114,512</b></u>	<u>260,452</u>
Attributable to:			
Owners of the parent		<b>114,062</b>	257,439
Non-controlling interests		<u><b>450</b></u>	<u>3,013</u>
		<u><b>114,512</b></u>	<u>260,452</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
– Basic and diluted (RMB)			
For profit for the year	7	<u><b>0.16</b></u>	<u>0.39</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>114,512</b></u>	<u>260,452</u>

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 <b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>85,449</b>	114,059
Right-of-use assets		<b>308,607</b>	550,002
Goodwill		<b>50,521</b>	68,119
Other intangible assets		<b>7,057</b>	8,459
Investments in joint ventures		<b>60,646</b>	74,349
Investments in associates		<b>255,187</b>	252,406
Debt instrument at amortised cost		<b>500</b>	500
Equity investments designated at fair value through other comprehensive income		<b>1,158</b>	35,623
Deferred tax assets		<b>64,317</b>	64,381
Loan receivables		<b>–</b>	–
<b>Total non-current assets</b>		<b>833,442</b>	1,167,898
<b>CURRENT ASSETS</b>			
Inventories		<b>2,562,492</b>	2,937,176
Trade and bills receivables	8	<b>2,986,639</b>	2,689,638
Prepayments, other receivables and other assets		<b>1,665,331</b>	1,717,857
Financial assets at fair value through profit or loss		<b>102,171</b>	201,205
Due from related parties		<b>60,187</b>	76,163
Pledged deposits		<b>1,063,341</b>	1,485,075
Cash and cash equivalents		<b>71,413</b>	666,245
<b>Total current assets</b>		<b>8,511,574</b>	9,773,359

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

31 December 2020

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 <b>RMB'000</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	9	<b>784,573</b>	1,097,525
Other payables and accruals		<b>233,843</b>	310,253
Interest-bearing bank and other borrowings		<b>2,719,334</b>	3,968,773
Lease liabilities		<b>133,524</b>	205,276
Due to related parties		<b>424,918</b>	432,309
Tax payable		<b>392,879</b>	426,188
		<hr/>	<hr/>
Total current liabilities		<b>4,689,071</b>	6,440,324
		<hr/>	<hr/>
NET CURRENT ASSETS		<b>3,822,503</b>	3,333,035
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>4,655,945</b>	4,500,933
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings		<b>21,498</b>	–
Lease liabilities		<b>186,941</b>	324,428
		<hr/>	<hr/>
NET ASSETS		<b>4,447,506</b>	4,176,505
		<hr/>	<hr/>
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital		<b>732,460</b>	666,667
Reserves		<b>3,552,600</b>	3,347,591
		<hr/>	<hr/>
		<b>4,285,060</b>	4,014,258
		<hr/>	<hr/>
<b>Non-controlling interests</b>		<b>162,446</b>	162,247
		<hr/>	<hr/>
Total equity		<b>4,447,506</b>	4,176,505
		<hr/>	<hr/>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
*Year ended 31 December 2020*

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

*Year ended 31 December 2020*

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

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

## NOTES

### 1 BASIS OF PREPARATION

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

#### Basis of consolidation

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

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

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



## 2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

- (a) Conceptual Framework for Financial Reporting 2018 (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's plant and machinery have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB16,391,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

- (e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

### 3. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> No mandatory effective date yet determined but available for adoption

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

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

#### 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
<b>Revenue from contracts with customers</b>		
Sales of mobile telecommunications devices and accessories	<b>13,246,324</b>	14,877,308
Including:		
Retail of mobile telecommunications devices and accessories	<b>4,956,717</b>	6,744,884
Sales of telecommunications devices and accessories to franchisees	<b>1,017,517</b>	2,726,784
Wholesale of mobile telecommunications devices and accessories	<b>7,272,090</b>	5,405,640
Service income from mobile carriers	<b>138,631</b>	312,421
Other service fee income	<b>165,195</b>	161,224
	<b>13,550,150</b>	15,350,953

#### Disaggregated revenue information

##### Segment

##### *Mobile telecommunications devices*

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
<b>Geographical markets</b>		
Mainland China	<b>12,951,542</b>	15,023,563
Spain	<b>597,235</b>	322,137
Bangladesh	<b>954</b>	3,183
India	<b>419</b>	2,070
	<b>13,550,150</b>	15,350,953
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<b>13,246,324</b>	14,877,308
Services transferred over time	<b>303,826</b>	473,645
	<b>13,550,150</b>	15,350,953

	<b>Year ended 31 December</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	<i>RMB'000</i>
Other income		
Interest income	<b>24,133</b>	9,143
Government grants ( <i>note (a)</i> )	<b>26,035</b>	46,091
Others	<b>4,365</b>	6,447
	<u><b>54,533</b></u>	<u>61,681</u>
Gains		
Fair value gain on financial assets at fair value through profit or loss	<b>966</b>	1,105
Gain on disposal of a joint venture	<b>407</b>	–
Gain on acquisition of subsidiaries	–	1,929
Gain on disposal of a subsidiary	–	2,580
Gain on disposal of items of property, plant and equipment	<b>154</b>	281
	<u><b>1,527</b></u>	<u>5,895</u>
	<u><b>56,060</b></u>	<u>67,576</u>

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

## 5. INCOME TAX (CREDIT)/EXPENSE

The provision for PRC current income tax is based on the statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which became effective on 1 January 2008, except for Sichuan Yijialong Communication Technology Chain Co., Ltd. and Dixin Simaier Technology (Guangdong) Co., Ltd. two subsidiaries of the Company, which were subject to tax at preferential rates of 15% and 12.5%, respectively, for the year ended 31 December 2020. The major components of income tax expense are as follows:

	<b>Year ended 31 December</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	<i>RMB'000</i>
Current:		
Tax charge for the year	<b>(17,035)</b>	94,411
Deferred	<b>8,930</b>	(22,717)
	<u><b>(8,105)</b></u>	<u>71,694</u>
Total tax (credit)/charge for the year		

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of the subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	<b>Year ended 31 December</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	<b>RMB'000</b>
Profit before tax	<b>106,407</b>	332,146
Tax at the statutory tax rate	<b>26,602</b>	83,037
Lower tax rates for certain entities	<b>(15,867)</b>	(20,828)
Tax rate change effect	–	(10,929)
Adjustments in respect of current tax of previous periods	<b>1) (76,867)</b>	798
Losses attributable to associates and joint ventures	<b>2) 886</b>	566
Expenses not deductible for tax	<b>5,187</b>	18,320
Tax losses utilised from previous periods	–	(1,643)
Tax losses not recognised	<b>51,954</b>	2,373
Tax (credit)/charge at the Group's effective rate	<b>(8,105)</b>	71,694

- 1) Adjustments in respect of current tax of previous periods comprised of a reverse of provision in the amount of RMB77,742,000 for potential tax liability in respect of transactions between subsidiaries of the Group in prior periods. The management is of the view that the tax provision was no longer necessary as the transaction price for these transactions were comparable to prices the Group transact with independent third parties at arm's length.
- 2) The share of tax attributable to associates and joint ventures amounted to RMB2,235,000 (2019: RMB1,245,000) and RMB540,000 (2019: RMB824,000), respectively, is included in "Share of profits and losses of associates and joint ventures" in the consolidated statement of profit or loss and other comprehensive income.

## 6. DIVIDENDS

The Directors did not propose a dividend for the year ended 31 December 2020.

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

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 731,202,000 (2019: 666,667,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

The calculation of basic earnings per share is based on:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	<u>114,062</u>	<u>257,439</u>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	<u>731,202,000</u>	<u>666,667,000</u>

## 8. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables	3,070,587	2,667,684
Bills receivable	57,370	148,057
Impairment	<u>(141,318)</u>	<u>(126,103)</u>
	<u>2,986,639</u>	<u>2,689,638</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 customers of volume sales are considered on a case-by-case basis. The Group maintains strict control over and closely monitors its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

At 31 December 2020, the Group's trade receivables with a carrying amount of approximately RMB58,706,000 (2019: RMB102,089,000) were pledged to secure amount due to related parties.

## Endorsed bills receivable

The Derecognised Bills had maturities ranging from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the “**Continuing Involvement**”). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, the Group has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. As at 31 December 2020, the Group did not endorse any bills receivable to its suppliers.

The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase the Derecognised Bills was equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills were immaterial.

During the year, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The Endorsement has been made evenly throughout the year.

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

	As at 31 December	
	2020	2019
	RMB’000	RMB’000
Within 90 days	2,720,258	2,347,021
91 to 180 days	100,282	184,140
181 to 365 days	117,086	109,487
Over 1 year	49,013	48,990
	<u>2,986,639</u>	<u>2,689,638</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December	
	2020	2019
	RMB’000	RMB’000
At beginning of year	126,103	108,067
Impairment losses	17,373	18,378
Amount written off as uncollectible	(2,158)	(342)
At end of year	<u>141,318</u>	<u>126,103</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

**As at 31 December 2020**

	Current	Past due				Total
		Less than 3 months	3 to 6 months	6 to 12 months	Over 1 year	
Expected credit loss rate	3.67%	4.55%	5.43%	10.58%	75.31%	4.60%
Gross carrying amount (RMB'000)	2,441,970	483,626	63,121	54,658	27,212	3,070,587
Expected credit losses (RMB'000)	89,589	22,024	3,430	5,781	20,494	141,318

**As at 31 December 2019**

	Current	Past due				Total
		Less than 3 months	3 to 6 months	6 to 12 months	Over 1 year	
Expected credit loss rate	3.98%	4.16%	6.67%	12.95%	49.40%	4.73%
Gross carrying amount (RMB'000)	2,141,531	407,571	49,298	37,464	31,820	2,667,684
Expected credit losses (RMB'000)	85,297	16,948	3,286	4,852	15,720	126,103

**9. TRADE AND BILLS PAYABLES**

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Trade payables	294,573	323,625
Bills payable	490,000	773,900
	<b>784,573</b>	<b>1,097,525</b>

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

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Within 90 days	344,770	644,121
91 to 180 days	214,383	84,413
181 to 365 days	221,901	365,361
Over 1 year	3,519	3,630
	<b>784,573</b>	<b>1,097,525</b>

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 45 days.

**10. EVENTS AFTER THE REPORTING PERIOD**

There are no events after the reporting periods that have not been reflected in the financial statements for the period.



## **MANAGEMENT DISCUSSION & ANALYSIS**

### **I. BUSINESS REVIEW**

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

### **II. FINANCIAL POSITION AND OPERATING RESULTS**

#### **(I) Overview**

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

## (II) Consolidated comprehensive income statement

The following table sets forth the selected items in our consolidated comprehensive income statement for the periods indicated. Our operating results have fluctuated in the past and may continue to fluctuate in the future. Hence, direct comparison of our operating results for different periods may not be appropriate, and our past performance may not be a reliable indicator of our future operating results.

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

## ***1. Operating revenue***

For the year ended 31 December 2020, operating revenue of the Group amounted to RMB13,550,150,070, representing a decrease of RMB1,800,802,830 or 11.73% from the operating revenue of RMB15,350,952,900 for the same period in 2019. Revenue decreased mainly for two reasons: first, there was a decrease in retail revenue resulted from the decrease in the number of our stores; second, there was a reduction in service income from carriers. Our sales of mobile telecommunications devices and accessories include (i) sales in our retail business including our independently operated outlets and online channels; (ii) sales in our franchise business; and (iii) sales in our wholesale business. Revenue from our retail business includes revenue from sales of mobile telecommunications devices and accessories in our independent stores and store-in-store outlets, stores in cooperation with the mobile carriers, and online sales platforms. Revenue from our franchise business includes revenue from sales of mobile telecommunications devices and accessories to our franchisees. Revenue from our wholesale business includes revenue from sales of mobile telecommunications devices and accessories we distribute to mobile carriers and other third-party retailers. Our service income from mobile carriers primarily represents call services subscriptions from the mobile carriers. Other service fee income includes (i) management and service fees received from suppliers of products; (ii) income from value-added services; (iii) the rental fees we earn by renting counter space to third parties who provide repair services; (iv) repair and maintenance fees; and (v) income from franchisees' services.

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

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

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

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

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

## 2. Cost of sales

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

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

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

### 3. *Gross profit and gross profit margin*

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

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

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

#### 4. Sales volume and average selling price of mobile handsets

The following table sets forth information about our sales, sales volume and average selling price of mobile handsets for the periods indicated:

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

#### 5. Other income and gains

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

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

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

## 6. Selling and distribution expenses

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

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



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

Total rentals and property management expenses for the year ended 31 December 2020 amounted to RMB209,670,860, representing a decrease of RMB73,589,120 or 25.98% from RMB283,259,980 for the same period in 2019. Such decrease was mainly due to the decrease in the number of self-owned stores and store-in-store outlets, and the effort of the Company in actively seeking rental reduction from the landlords.

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

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

## 7. Administrative expenses

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

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

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

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

Total travelling expenses for the year ended 31 December 2020 amounted to RMB3,977,210, representing a decrease of RMB3,899,950 or 49.51% from total travelling expenses of RMB7,877,160 for the same period in 2019. Such decrease was primarily attributable to less travelling due to the impact of COVID-19.

#### 8. *Other expenses*

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

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

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

## 9. Finance costs

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

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

## 10. Income tax expenses

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

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

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

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

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

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

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

**1. *Net cash generated from operating activities***

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

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

**2. *Net cash generated from investing activities***

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

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

### 3. *Net cash used in financing activities*

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

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

## (IV) Balance Sheet Items

### 1. *Trade and bills receivables*

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

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

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

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

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

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

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

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



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

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

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

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

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

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

<b>Item</b>	<b>For the year ended 31 December</b>			
	<b>2020</b>	<b>2019</b>	<b>Change in</b>	<b>Percentage</b>
	<b><i>Number of days</i></b>	<b><i>Number of days</i></b>	<b><i>number of days</i></b>	<b><i>of change</i></b>
Average trade receivables turnover days	<b><u>74</u></b>	<b><u>59</u></b>	<b><u>15</u></b>	<b><u>25.42%</u></b>

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

## 2. *Prepayments and other receivables*

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

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

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

## 3. *Impairment of trade and other receivables*

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

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

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

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

#### 4. *Inventories*

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

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

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

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

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

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

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

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

##### 5. Trade and bills payables

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

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

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

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

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

Item	As at 31 December			Percentage of change
	2020 <i>Number of days</i>	2019 <i>Number of days</i>	Change in number of days	
Average trade and bills payables turnover days	<b><u>27</u></b>	<u>21</u>	<u>6</u>	<u>28.57%</u>

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

## 6. *Other payables and accruals*

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

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

Our contract liabilities represent advance payments by customers for their procurements. Our contract liabilities as of 31 December 2020 amounted to RMB70,113,770, representing a decrease of RMB47,522,520 or 40.41% from RMB117,666,290 as of 31 December 2019. The decrease was mainly due to the decrease in advanced payment from clients of the Group.

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

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

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

## 7. *Net current assets position*

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

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

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

## 8. Capital expenditure

For the year ended 31 December 2020, the Group's capital expenditure amounted to RMB17,649,220, which was incurred mainly in relation to purchase and construction of fixed assets and decoration costs in connection with the opening of new outlets and the renovation of old ones.

## 9. Related party transactions

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

	Year	Sales to related parties RMB'000	Purchases from related parties RMB'000	Other transactions with related parties RMB'000	Amounts owed by related parties RMB'000	Amounts owed to related parties RMB'000
<b>Associates:</b>						
Shenzhen Dixin Nuclear	2020	-	-	-	996.67	-
Communications Co., Ltd. <sup>1</sup>	2019	-	-	-	707.25	-
Shenzhen Aizuji Technology Co., Ltd. <sup>1</sup>	2020	10,619.47	-	-	-	-
	2019	11,058.17	-	-	-	-
Yangzhou D-phone Science and	2020	-	-	-	-	-
Technology Information Co., Ltd. <sup>1</sup>	2019	771.25	-	-	-	-
Shanghai Dijiu Information Technology	2020	-	13,228.20	-	-	17,073.10
Co., Ltd. <sup>3</sup>	2019	-	33,571.04	-	-	2,095.27
Comservice Commercial Factoring Co., Ltd. <sup>4</sup>	2020	-	-	(29,716.36)	-	44,470.00
	2019	-	-	74,186.36	-	74,213.36
Beijing Jingdixin Technology	2020	-	1,454,657.44	-	-	342,939.03
Co., Ltd. <sup>5</sup>	2019	-	619,618.90	-	-	349,081.74
Dimi Technology (Thailand)	2020	78,843.10	-	-	1,575.90	-
Co. Ltd. <sup>2</sup>	2019	-	-	-	-	-



	Year	Sales to related parties <i>RMB'000</i>	Purchases from related parties <i>RMB'000</i>	Other transactions with related parties <i>RMB'000</i>	Amounts owed by related parties <i>RMB'000</i>	Amounts owed to related parties <i>RMB'000</i>
<b>Joint ventures:</b>						
Hollard-D.Phone (Beijing)	2020	1,046.10	6,361.98	–	–	4,034.66
Technology Development Co., Ltd. <sup>5</sup>	2019	–	13,002.92	–	–	6,717.53
Guangzhou Zhongqi Energy Technology Co., Ltd. <sup>5</sup>	2020	66,269.05	31,238.40	–	38,502.63	–
	2019	48,308.06	28,226.38	–	52,497.31	–
Yunnan Dphone Investment Co., Ltd. <sup>6</sup>	2020	–	–	–	–	–
	2019	186.19	–	–	–	–
<b>A subsidiary of joint venture:</b>						
Yunfu Zhongqi Communication Technology Co., Ltd. <sup>7</sup>	2020	2,136.61	206.61	–	2,488.73	–
	2019	292.55	–	–	464.85	–
<b>Fellow subsidiaries:</b>						
Beijing Dphone Communication Services Co., Ltd. <sup>8</sup>	2020	5.47	–	–	4,649.11	16,297.43
	2019	–	26.55	–	11,227.04	112.54
Guang'an Dixin Cloud Communication Technology Co., Ltd. <sup>8</sup>	2020	4,942.65	4,926.63	–	1,179.86	–
	2019	231.51	–	–	459.80	–

	Year	Sales to related parties <i>RMB'000</i>	Purchases from related parties <i>RMB'000</i>	Other transactions with related parties <i>RMB'000</i>	Amounts owed by related parties <i>RMB'000</i>	Amounts owed to related parties <i>RMB'000</i>
<b>Companies significantly influenced by the controlling shareholders:</b>						
Beijing Tianxingyuanjing Technology Development Co., Ltd. <sup>9</sup>	2020	1.06	-	-	-	104.33
	2019	-	-	-	-	88.06
Luzhou Digital Science and Technology Co., Ltd. <sup>10</sup>	2020	-	-	-	-	-
	2019	10.99	-	-	-	-
<b>A subsidiary of non-controlling shareholder:</b>						
Beijing Digital China Limited <sup>11</sup>	2020	-	-	-	-	-
	2019	-	6.28	-	-	-

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

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

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

<sup>4</sup> The Group entered into trade receivable factoring arrangement and transferred certain trade receivables to Comservice Commercial Factoring Co., Ltd. The secured other loans bear interest at a rate ranging from 7.65% to 12.00% and are secured by trade receivables amounting to RMB58,706,180.

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

<sup>6</sup> The investment in the joint venture, Yunnan Dphone Investment Co., Ltd. is indirectly held by the Company.

<sup>7</sup> The joint venture, Yunfu Zhongqi Communication Technology Co., Ltd. is a wholly-owned subsidiary of Guangzhou Zhongqi Energy Technology Limited Company which is a joint venture entity of the Group.

- <sup>8</sup> The investments in the fellow subsidiaries, Beijing Dphone Communication Services Co., Ltd. and Guang'an Dixin Cloud Communication Technology Co., Ltd. are directly held by the controlling shareholders of the Company.
- <sup>9</sup> The investment in the entity, Beijing Tianxingyuanjing Technology Development Co., Ltd. is respectively held by Mr. Liu Donghai, the controlling shareholder of the Company, and Mr. Jin Xin, the former CEO. They directly and indirectly hold 19.51% equity interests in aggregate and have significant influence over the entity.
- <sup>10</sup> 40% of equity interests in Luzhou Digital Science and Technology Co., Ltd. are held by the controlling shareholders of the Company.
- <sup>11</sup> Beijing Digital China Limited and the non-controlling shareholder of the Company, Digital China (HK) Limited, are all controlled by Digital China Group Co., Ltd. and Digital China (HK) Limited holds 21.62% equity interests of the Company.

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

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

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

## 10. Interest-bearing bank and other borrowings

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

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

## (V) Key financial ratios

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

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

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

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

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

#### (VI) Material acquisitions and disposals

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

#### (VII) Contingent liabilities

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

#### (VIII) Use of proceeds

In 2014, we had completed the global public offering of 166,667,000 H shares in Hong Kong at an offer price of HK\$5.30 per share, raising proceeds with an aggregate amount of HK\$883,335,100 (the "**Proceeds from the Initial Public Offering**") which had been placed in a special account.

In January 2020, we had completed the directed non-public offering of 65,793,400 H shares in Hong Kong to Nelson Innovation Limited at an offer price of HK\$3.25 per share, raising proceeds with an aggregate amount of HK\$213,828,550 (the "**Proceeds from the Directed Non-public Offering**") which had been placed in a special account.

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

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

As of 31 December 2020, HK\$1,097,102,280 out of the net proceeds had been utilized cumulatively. The Proceeds from the Initial Public Offering have been fully utilized. As of 31 December 2020, the balance of the proceeds in the special account amounted to HK\$61,370 (including accrued interest of HK\$12,480). The abovementioned balance will be fully utilized as daily working capital in the coming two years.

To regulate the management of proceeds of the Company and protect investors' interests, the Company has formulated the "Regulations for the Management of Proceeds of Beijing Digital Telecom Co., Ltd." to set out specific provisions for the deposit, utilization, management of fund application and supervision of use.

In accordance with the plan for the public offering, the Proceeds from the Initial Public Offering were applied as to approximately 53.48% in the expansion of our retail and distribution network, approximately 13.44% in the repayment of bank loans, approximately 6.29% in the upgrade of information systems for further enhancement of our management ability, approximately 3.9% in the upgrade of existing outlets and establishment of new call centers and new after-sales services system in the PRC, approximately 4.99% in multi-functional mobile internet projects, approximately 9.01% as working capital and for general corporate purpose and approximately 8.89% as payment of listing agency fees. The applications of the Proceeds from the Initial Public Offering as of 31 December 2020 are set out in the following table:

<b>Items</b>	<b>Amount paid</b> <i>HK\$'000</i>	<b>Percentage</b>
Expansion of retail and distribution network	472,414.94	53.48%
Repayment of bank loans	118,703.28	13.44%
Upgrade of information system to further improve management capability	55,584.09	6.29%
Upgrade of existing outlets and establishment of new call centers and new after-sales services system in the PRC	34,472.32	3.9%
Undertaking multi-functional mobile internet projects	44,060.18	4.99%
Working capital and other general corporate purpose	79,538.25	9.01%
Payment of listing agency fees	78,562.04	8.89%
<b>Total</b>	<b>883,335.10</b>	<b>100.00%</b>

In accordance with the disclosure set out in the announcement of the Company dated 26 July 2019, the Proceeds from the Directed Non-public Offering, after deducting issuance expenses payable by the Company, will be used for goods procurement and daily operations. Our usage of the Proceeds from the Directed Non-public Offering as at 31 December 2020 is set out below:

<b>Item</b>	<b>Amount paid</b> <i>HK\$'000</i>	<b>Account Balance</b> <i>HK\$'000</i>
Issuance expenses	2,368.57	
Goods procurement and daily operations	211,398.61	
		<b>61.37</b>

## (IX) Foreign exchange rate risks

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

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

### 2020

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

### 2019

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



**(X) Restricted assets**

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

**(XI) Material investments**

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

**(XII) Equity arrangements**

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

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

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

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

**(XIV) Capital**

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

**(XV) Future material investment**

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

## (XVI) Possible Mandatory Conditional Cash Offer

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

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

### III. BUSINESS OUTLOOK FOR 2021

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

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

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

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

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

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

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

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

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

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

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

## **FINAL DIVIDEND**

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

## **CLOSURE OF REGISTER OF MEMBERS**

The register of shareholders of the Company will be closed from 16 May 2021 to 15 June 2021 (both days inclusive), for the purpose of determining shareholders' entitlement to attend the forthcoming annual general meeting to be held on 15 June 2021. Shareholders are required to lodge all transfer documents, accompanied by relevant share certificates and transfer forms, with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, No. 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on 14 May 2021.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") as its own code of corporate governance. During the year ended 31 December 2020, save as disclosed in this announcement, the Company has complied with all the code provisions of the CG Code and adopted most of the best practices.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Given Mr. Liu Donghai's background, qualifications and experience in the Company, he is considered the most suitable person to take both roles under the current circumstances. The Board is of the view that it is appropriate and in the best interests of the Company that Mr. Liu Donghai holds both positions at the current stage, as it helps to maintain the continuity of the policies and the stability and efficiency of the operation of the Company. The Board also meets regularly on a quarterly basis to review the operation of the Company led by Mr. Liu Donghai. Accordingly, the Board believes that this arrangement will not affect the balance of power and authorizations between the Board and the management of the Company. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors’ and supervisors’ securities transactions. Having made specific enquiry with the Directors and supervisors of the Company, all of the Directors and supervisors of the Company confirmed that they have complied with the standards for securities transactions as set out in the Model Code during the year ended 31 December 2020.

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

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

## **AUDIT COMMITTEE**

The Audit Committee, together with the management and the external auditor, has reviewed the accounting principles and practices adopted by the Group and reviewed the audited annual results for the year ended 31 December 2020.

This annual results announcement is based on the audited consolidated financial statements of the Group for the year ended 31 December 2020 which have been agreed with the auditor of the Company.

The Board has considered and approved the audited consolidated results of the Group for the year ended 31 December 2020 as set out in this announcement.

## **PUBLICATION OF AUDITED ANNUAL RESULTS AND 2020 ANNUAL REPORT**

This audited annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.dixintong.com](http://www.dixintong.com)). The Company’s 2020 annual report containing all the information required under the Listing Rules will be dispatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course and no later than 30 April 2021.

By order of the Board  
**Beijing Digital Telecom Co., Ltd.**  
**LIU Donghai**  
*Chairman and executive Director*

Beijing, 31 March 2021

*As at the date of this announcement, the executive Directors are Mr. LIU Donghai, Mr. LIU Yajun and Ms. LIU Wencui; the non-executive Directors are Mr. LI Wenzhi, Mr. YAO Yanzhong and Mr. LV Jing; and the independent non-executive Directors are Mr. LV Tingjie, Mr. LV Pingbo and Mr. ZHANG Senquan.*