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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 INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

**FINANCIAL HIGHLIGHTS**

For the six months ended 30 June 2020:

Revenue of the Group was RMB6,125,192,690, representing a decrease of 15.69% as compared to the same period of last year.

Net profit attributable to the owners of the parent of the Company was RMB63,465,900, representing a decrease of 53.95% as compared to the same period of last year.

Basic earnings per share was RMB0.09 per share, representing a decrease of RMB0.12 per share as compared to the same period of last year.

The board (the “**Board**”) of directors (the “**Directors**”) of Beijing Digital Telecom Co., Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated results for the six months ended 30 June 2020 of the Company and its subsidiaries (the “**Group**” or “**we**”), together with comparable figures for the same period in 2019.

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

*For the six months ended 30 June 2020*

	<i>Notes</i>	<b>For the six months ended 30 June</b>	
		<b>2020 Unaudited RMB'000</b>	<b>2019 Unaudited RMB'000</b>
<b>REVENUE</b>	4	<b>6,125,193</b>	7,265,420
Cost of sales		<b>(5,479,408)</b>	(6,421,841)
Gross profit		<b>645,785</b>	843,579
Other income and gains	4	<b>34,404</b>	40,748
Selling and distribution expenses		<b>(321,048)</b>	(401,873)
Administrative expenses		<b>(120,264)</b>	(143,934)
Impairment losses on financial assets		<b>(16,614)</b>	(32,544)
Other expenses		<b>(32,946)</b>	(29,789)
Finance costs		<b>(94,973)</b>	(120,247)
Share of profits and losses of:			
Joint ventures		<b>(11,195)</b>	(4,915)
Associates		<b>(1,941)</b>	2,388
<b>PROFIT BEFORE TAX</b>	5	<b>81,208</b>	153,413
Income tax expense	6	<b>(16,411)</b>	(28,556)
<b>PROFIT FOR THE PERIOD</b>		<b>64,797</b>	124,857
Attributable to:			
Owners of the parent		<b>63,466</b>	137,814
Non-controlling interests		<b>1,331</b>	(12,957)
		<b>64,797</b>	124,857
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted (RMB)			
For profit for the period	7	<b>0.09</b>	0.21

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2020</b>	2019
<i>Notes</i>	<b>Unaudited</b>	Unaudited
	<b>RMB'000</b>	<b>RMB'000</b>
<b>PROFIT FOR THE PERIOD</b>	<b>64,797</b>	124,857
<b>OTHER COMPREHENSIVE LOSS</b>		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Share of other comprehensive (loss)/income of a joint venture	(786)	202
Exchange differences on translation of foreign operations	922	(454)
<i>Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:</i>		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	(19,410)	(1,197)
Income tax effect	4,853	299
	(14,557)	(898)
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>	<b>(14,421)</b>	<b>(1,150)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>50,376</b>	123,707
Attributable to:		
Owners of the parent	49,090	136,798
Non-controlling interests	1,286	(13,091)
	<b>50,376</b>	123,707

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*30 June 2020*

		<b>30 June</b>	31 December
		<b>2020</b>	2019
		<b>Unaudited</b>	Audited
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	<b>98,752</b>	114,059
Right-of-use assets		<b>382,365</b>	550,002
Other intangible assets		<b>7,811</b>	8,459
Goodwill		<b>61,438</b>	68,119
Investments in joint ventures		<b>67,367</b>	74,349
Investments in associates		<b>250,466</b>	252,406
Debt instrument at amortised cost		<b>500</b>	500
Equity investments designated at fair value through other comprehensive income		<b>16,213</b>	35,623
Deferred tax assets		<b>60,646</b>	64,381
		<hr/>	<hr/>
Total non-current assets		<b>945,558</b>	1,167,898
<b>CURRENT ASSETS</b>			
Inventories	9	<b>2,825,641</b>	2,937,176
Trade and bills receivables	10	<b>2,862,670</b>	2,689,638
Prepayments, other receivables and other assets		<b>1,698,454</b>	1,717,857
Financial assets at fair value through profit or loss		<b>304,892</b>	201,205
Due from related parties		<b>66,087</b>	76,163
Pledged deposits		<b>1,261,233</b>	1,485,075
Cash and cash equivalents		<b>194,109</b>	666,245
		<hr/>	<hr/>
Total current assets		<b>9,213,086</b>	9,773,359

		<b>30 June</b>	31 December
		<b>2020</b>	2019
		<b>Unaudited</b>	Audited
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>11</i>	<b>1,077,704</b>	1,097,525
Other payables and accruals		<b>263,059</b>	310,253
Interest-bearing bank and other borrowings		<b>3,146,250</b>	3,968,773
Lease liabilities		<b>154,595</b>	205,276
Due to related parties		<b>426,677</b>	432,309
Tax payable		<b>425,538</b>	426,188
		<hr/>	<hr/>
Total current liabilities		<b>5,493,823</b>	6,440,324
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>3,719,263</b>	3,333,035
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>4,664,821</b>	4,500,933
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		<b>15,922</b>	–
Lease liabilities		<b>230,992</b>	324,428
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>4,417,907</b>	4,176,505
		<hr/>	<hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent:</b>			
Issued capital	<i>12</i>	<b>732,460</b>	666,667
Reserves		<b>3,521,914</b>	3,347,591
		<hr/>	<hr/>
		<b>4,254,374</b>	4,014,258
		<hr/>	<hr/>
<b>Non-controlling interests</b>		<b>163,533</b>	162,247
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>4,417,907</b>	4,176,505
		<hr/>	<hr/>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 30 June 2020

### 1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards ("IFRS") for the first time for the current period's financial information.

Amendments to IFRS 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</i> (early adopted)
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

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

- (a) 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.

- (b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. 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 hedge relationships.
- (c) 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 covid-19 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 retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office buildings and retail stores have been reduced or waived by the lessors as a result of the covid-19 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 covid-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB10,539,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

- (d) 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. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

### 3. OPERATING SEGMENT INFORMATION

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

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

#### Information about major customers

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

#### Seasonality of operations

Due to the seasonal nature, higher revenues and operating profits are usually expected in the second half of the year rather than in the first six months. Higher sales during the period from July to early October are mainly attributed to the increased demand for mobile telecommunications devices and accessories during the holiday season, as well as in November and December, due to the increased demand for new series of mobile telecommunications devices. This information is provided to allow for a better understanding of the results, however, management has concluded that the Group's business is not "highly seasonal" in accordance with IAS 34.

### 4. REVENUE, OTHER INCOME AND GAINS

#### (a) Revenue

An analysis of revenue is as follows:

##### Segments

	For the six months ended	
	30 June	
	2020	2019
	Unaudited	Unaudited
	RMB'000	RMB'000
<b>Types of goods or services</b>		
Sales of mobile telecommunications devices and accessories	6,007,489	7,036,106
Including:		
Retail of mobile telecommunications devices and accessories	2,629,016	3,623,864
Sales of telecommunications devices and accessories to franchisees	454,198	1,382,631
Wholesales of mobile telecommunications devices and accessories	2,924,275	2,029,611
Service income from mobile carriers	58,459	181,478
Other service fee income	59,245	47,836
Total revenue from contracts with customers	<b>6,125,193</b>	<b>7,265,420</b>
<b>Geographical markets</b>		
Mainland China	5,840,441	7,186,435
India	115	4,433
Spain	283,765	73,059
Bangladesh	872	1,493
Total revenue from contracts with customers	<b>6,125,193</b>	<b>7,265,420</b>



	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2020</b>	2019
	<b>Unaudited</b>	Unaudited
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	6,007,489	7,036,106
Services transferred over time	117,704	229,314
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>6,125,193</b>	7,265,420
	<hr/>	<hr/>
<b>(b) Other income and gains</b>		
	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2020</b>	2019
	<b>Unaudited</b>	Unaudited
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Other income</b>		
Interest income	9,677	8,095
Government grants ( <i>note (a)</i> )	18,539	23,226
Others	6,188	4,918
	<hr/>	<hr/>
	<b>34,404</b>	36,239
	<hr/>	<hr/>
<b>Gains</b>		
Gain on acquisition of subsidiaries	–	1,929
Gain on disposal of a subsidiary	–	2,580
	<hr/>	<hr/>
	–	4,509
	<hr/>	<hr/>
	<b>34,404</b>	40,748
	<hr/>	<hr/>

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

## 5. PROFIT BEFORE TAX

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

	For the six months ended	
	30 June	
	2020	2019
	Unaudited	Unaudited
	RMB'000	RMB'000
Cost of inventories sold and services provided	5,479,408	6,421,841
Depreciation of property, plant and equipment	22,556	26,871
Amortisation of intangible assets	753	767
Depreciation of right-of-use assets	107,351	112,438
Interest on lease liabilities	16,278	13,363
Impairment of financial assets:		
Impairment of trade receivables	12,759	13,629
Impairment of other receivables	4,037	888
Impairment of loan receivables	–	16,499
Impairment of financial assets at fair value through other comprehensive income	(182)	1,527
Fair value gain on financial assets at fair value through profit or loss	(3,687)	–
Write-down of inventories to net realisable value	23,148	18,144
Impairment of goodwill	6,681	4,527
Impairment of other intangible assets	–	2,356
Loss on disposal of property, plant and equipment	649	928

## 6. INCOME TAX

The provision for current income tax is based on a statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which became effective on 1 January 2008 except for Sichuan Yijialong Communication Technology Chain Co., Ltd. and Dixin Simaier Technology (Guangdong) Co., Ltd., two subsidiaries of the Company, which were subject to tax at preferential rates of 15% and 12.5%, respectively, for the period ended 30 June 2020. The major components of income tax expense are as follows:

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>Unaudited</b>	Unaudited
	<b>RMB'000</b>	RMB'000
Current:		
Charge for the period	<b>7,823</b>	35,068
Deferred tax	<b>8,588</b>	(6,512)
	<hr/>	<hr/>
Total tax charge for the period	<b>16,411</b>	28,556

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

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

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

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>Unaudited</b>	Unaudited
	<b>RMB'000</b>	RMB'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation:	<b>63,466</b>	137,814
	<hr/>	<hr/>
<b>Shares</b>		
Weighted average number of ordinary shares	<b>729,568,382</b>	666,667,000

## 8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment with a cost of RMB8,127,000 (for the six months ended 30 June 2019: RMB21,808,000).

Property, plant and equipment with a net book value of RMB878,000 were disposed of by the Group during the six months ended 30 June 2020 (for six months ended 30 June 2019: RMB4,549,000), resulting in a net loss on disposal of RMB649,000 (for the six months ended 30 June 2019: a net loss of RMB928,000).

## 9. INVENTORIES

	<b>30 June 2020 Unaudited RMB'000</b>	31 December 2019 Audited RMB'000
Merchandise for resale	2,848,047	2,958,924
Consumable supplies	742	650
	<hr/>	<hr/>
Less: Provision against inventories	(23,148)	(22,398)
	<hr/>	<hr/>
	<b>2,825,641</b>	<b>2,937,176</b>
	<hr/>	<hr/>

## 10. TRADE AND BILLS RECEIVABLES

	<b>30 June 2020 Unaudited RMB'000</b>	31 December 2019 Audited RMB'000
Trade receivables	2,852,904	2,667,684
Bills receivable	148,628	148,057
Less: Impairment of trade receivables	(138,862)	(126,103)
	<hr/>	<hr/>
	<b>2,862,670</b>	<b>2,689,638</b>
	<hr/>	<hr/>

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

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

	<b>30 June 2020 Unaudited RMB'000</b>	31 December 2019 Audited RMB'000
Within 90 days	2,551,282	2,347,021
91 to 180 days	92,918	184,140
181 to 365 days	169,213	109,487
Over 1 year	49,257	48,990
	<hr/>	<hr/>
	<b>2,862,670</b>	<b>2,689,638</b>
	<hr/>	<hr/>

## 11. TRADE AND BILLS PAYABLES

	<b>30 June 2020 Unaudited RMB'000</b>	31 December 2019 Audited RMB'000
Trade payables	<b>366,754</b>	323,625
Bills payable	<b>710,950</b>	773,900
	<b><u>1,077,704</u></b>	<u>1,097,525</u>

  

	<b>30 June 2020 Unaudited RMB'000</b>	31 December 2019 Audited RMB'000
Within 90 days	<b>641,426</b>	644,121
91 to 180 days	<b>293,182</b>	84,413
181 to 365 days	<b>139,562</b>	365,361
Over 1 year	<b>3,534</b>	3,630
	<b><u>1,077,704</u></b>	<u>1,097,525</u>

## 12. ISSUED CAPITAL

	<b>30 June 2020 Unaudited RMB'000</b>	31 December 2019 Audited RMB'000
Registered, issued and fully paid: 732,460,400 ordinary shares of RMB1 each (2019: 666,667,000)	<b><u>732,460</u></b>	<u>666,667</u>

On 8 January 2020, the Company issued 65,793,400 subscription shares in aggregate at the subscription price of HK\$3.25 per subscription share to Nelson Innovation Limited (the "Subscriber"). The total number of 65,793,400 subscription shares issued represented 16.67% and 8.98% of the total number of issued H shares and the total number of issued shares of the Company as enlarged by the issue of the subscription shares, respectively. The gross proceeds from the subscription were HK\$213,828,550.

## 13. DIVIDENDS

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

## **MANAGEMENT DISCUSSION & ANALYSIS**

### **I. BUSINESS REVIEW**

For the six months ended 30 June 2020, the Group sold 3,774,980 mobile handsets, representing a decrease of 755,140 sets or 16.67% from 4,530,120 sets for the same period in 2019. Operating revenue for the first half of 2020 amounted to RMB6,125,192,690, representing a decrease of RMB1,140,227,600 or 15.69% from RMB7,265,420,290 for the same period in 2019. For the first half of 2020, net profit attributable to equity owners of the Company for the period amounted to RMB63,465,900, representing a decrease of RMB74,348,400 or 53.95% from RMB137,814,300 for the same period in 2019.

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

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

For the six months ended 30 June 2020, the Group recognized net profit of RMB64,797,010, representing a decrease of RMB60,060,360 or 48.10% from RMB124,857,370 for the same period in 2019, among which, net profit attributable to equity owners of the Company for the period amounted to RMB63,465,900, representing a decrease of RMB74,348,400 or 53.95% from RMB137,814,300 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	For the six months ended 30 June			Percentage of change
	2020 RMB'000	2019 RMB'000	Change RMB'000	
Operating revenue	<b>6,125,192.69</b>	7,265,420.29	(1,140,227.60)	(15.69%)
Operating costs	<b>(5,479,407.74)</b>	(6,421,841.46)	942,433.72	(14.68%)
Gross profit	<b>645,784.95</b>	843,578.83	(197,793.88)	(23.45%)
Other income and gains	<b>34,404.09</b>	40,748.19	(6,344.10)	(15.57%)
Selling and distribution expenses	<b>(321,047.80)</b>	(401,872.59)	80,824.79	(20.11%)
Administrative expenses	<b>(120,264.44)</b>	(143,933.84)	23,669.40	(16.44%)
Impairment losses on financial assets	<b>(16,614.31)</b>	(32,543.65)	15,929.34	(48.95%)
Other expenses	<b>(32,945.84)</b>	(29,789.10)	(3,156.74)	10.60%
Finance costs	<b>(94,972.62)</b>	(120,247.50)	25,274.88	(21.02%)
Investment losses	<b>(13,136.25)</b>	(2,527.19)	(10,609.06)	419.80%
Profit before tax	<b>81,207.78</b>	153,413.15	(72,205.37)	(47.07%)
Income tax expenses	<b>(16,410.77)</b>	(28,555.78)	12,145.01	(42.53%)
<b>PROFIT FOR THE PERIOD</b>	<b><u>64,797.01</u></b>	124,857.37	(60,060.36)	<b>(48.10%)</b>
Net profit attributable to the parent	<b><u>63,465.90</u></b>	137,814.30	(74,348.40)	<b>(53.95%)</b>
Attributable to minority interests	<b><u>1,331.11</u></b>	<b><u>(12,956.93)</u></b>	<b><u>14,288.04</u></b>	<b>(110.27%)</b>

## 1. Operating revenue

For the six months ended 30 June 2020, operating revenue of the Group amounted to RMB6,125,192,690, representing a decrease of RMB1,140,227,600 or 15.69% from the operating revenue of RMB7,265,420,290 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 independent stores and store-in-store outlets; 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; (ii) sales in our franchise business; and (iii) sales in our wholesale business. Revenue from our retail business includes revenue from sales of mobile telecommunications devices and accessories in our independent stores and store-in-store outlets, stores in cooperation with the mobile carriers, and online sales platforms. Revenue from our franchise business includes revenue from sales of mobile telecommunications devices and accessories to our franchisees. Revenue from our wholesale business includes revenue from sales of mobile telecommunications devices and accessories we distribute to mobile carriers and other third-party retailers.

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

Items	For the six months ended 30 June					
	2020		2019		Change	Percentage of change
	RMB'000	% of total revenue	RMB'000	% of total revenue		
<b>Sales of mobile telecommunications devices and accessories</b>	<b>6,007,488.69</b>	<b>98.08%</b>	7,036,106.36	96.84%	(1,028,617.67)	(14.62%)
Including: Sales from retail of mobile telecommunications devices and accessories	2,629,015.82	42.92%	3,623,864.33	49.88%	(994,848.51)	(27.45%)
Sales of telecommunications devices and accessories to franchisees	454,197.68	7.42%	1,382,630.66	19.02%	(928,432.98)	(67.15%)
Wholesale of mobile telecommunications devices and accessories	2,924,275.19	47.74%	2,029,611.37	27.94%	894,663.82	44.08%
<b>Service income from mobile carriers</b>	<b>58,458.62</b>	<b>0.95%</b>	181,477.85	2.50%	(123,019.23)	(67.79%)
<b>Other service fee income</b>	<b>59,245.38</b>	<b>0.97%</b>	47,836.08	0.66%	11,409.30	23.85%
<b>Total</b>	<b>6,125,192.69</b>	<b>100%</b>	<b>7,265,420.29</b>	<b>100%</b>	<b>(1,140,227.60)</b>	<b>(15.69%)</b>



The Group's service income from mobile carriers amounted to RMB58,458,620 for the six months ended 30 June 2020, representing a decrease of RMB123,019,230 or 67.79% compared with the service income from mobile carriers of RMB181,477,850 for the same period in 2019. Decrease in the service income from mobile carriers was attributable to a decrease in subsidies granted to retail channel from three major carriers in 2020.

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

Items	For the six months ended 30 June					Percentage of change
	2020		2019		Change	
	RMB'000	% of total revenue	RMB'000	% of total revenue		
China Mobile	37,333.29	63.86%	83,731.65	46.14%	(46,398.36)	(55.41%)
China Unicom	4,254.61	7.28%	17,427.30	9.60%	(13,172.69)	(75.59%)
China Telecom	16,870.72	28.86%	80,141.61	44.16%	(63,270.89)	(78.95%)
Virtual Network Operators	0.00	0.00%	177.29	0.10%	(177.29)	(100%)
<b>Total</b>	<b>58,458.62</b>	<b>100.00%</b>	<b>181,477.85</b>	<b>100.00%</b>	<b>(123,019.23)</b>	<b>(67.79%)</b>

## 2. Operating costs

For the six months ended 30 June 2020, the Group's operating costs amounted to RMB5,479,407,740, representing a decrease of RMB942,433,720 or 14.68% from the operating costs of RMB6,421,841,460 for the same period in 2019, which was mainly due to the decrease in operating revenue.

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

Items	For the six months ended 30 June					Percentage of change
	2020		2019		Change RMB'000	
	RMB'000	% of total costs	RMB'000	% of total costs		
<b>Sales of mobile telecommunications devices and accessories</b>	<b>5,467,810.02</b>	<b>99.78%</b>	6,400,071.20	99.66%	(932,261.18)	(14.57%)
Including: Sales from retail of mobile telecommunications devices and accessories	2,177,154.11	39.73%	3,086,590.55	48.06%	(909,436.44)	(29.46%)
Sales of telecommunications devices and accessories to franchisees	442,391.85	8.07%	1,343,297.86	20.92%	(900,906.01)	(67.07%)
Wholesale of mobile telecommunications devices and accessories	2,848,264.06	51.98%	1,970,182.79	30.68%	878,081.27	44.57%
Service income from mobile carriers	8,531.03	0.16%	19,234.06	0.30%	(10,703.03)	(55.65%)
Other service fee income	3,066.69	0.06%	2,536.20	0.04%	530.49	20.92%
<b>Total</b>	<b>5,479,407.74</b>	<b>100.00%</b>	<b>6,421,841.46</b>	<b>100.00%</b>	<b>(942,433.72)</b>	<b>(14.68%)</b>

### 3. Gross profit and gross profit margin

Gross profit represents operating revenue net of operating costs. The Group's gross profit for the six months ended 30 June 2020 amounted to RMB645,784,950, representing a decrease of RMB197,793,880 or 23.45% from the gross profit of RMB843,578,830 for the same period in 2019. Our overall gross profit margins for the six months ended 30 June 2020 and 2019 were 10.54% and 11.61%, respectively. Overall gross profit margin was basically the same as that for the previous period.

Items	2020		For the six months ended 30 June			Change RMB'000	Percentage of change	
	RMB'000	% of total	Gross profit	RMB'000	2019			Gross profit
		gross profit						
<b>Sales of mobile telecommunications devices and accessories</b>	<b>539,678.67</b>	<b>83.57%</b>	<b>8.98%</b>	636,035.16	75.40%	9.04%	(96,356.49)	(15.15%)
Including: Sales from retail of mobile telecommunications devices and accessories	451,861.71	69.97%	17.19%	537,273.78	63.70%	14.83%	(85,412.07)	(15.90%)
Sales of telecommunications devices and accessories to franchisees	11,805.83	1.83%	2.60%	39,332.80	4.66%	2.84%	(27,526.97)	(69.98%)
Wholesale of mobile telecommunications devices and accessories	76,011.13	11.77%	2.60%	59,428.58	7.04%	2.93%	16,582.55	27.90%
<b>Service income from mobile carriers</b>	<b>49,927.59</b>	<b>7.73%</b>	<b>85.41%</b>	162,243.79	19.23%	89.40%	(112,316.20)	(69.23%)
<b>Other service fee income</b>	<b>56,178.69</b>	<b>8.70%</b>	<b>94.82%</b>	45,299.88	5.37%	94.70%	10,878.81	24.02%
<b>Total</b>	<b>645,784.95</b>	<b>100.00%</b>	<b>10.54%</b>	843,578.83	100.00%	11.61%	(197,793.88)	(23.45%)

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 six months ended 30 June			Percentage of change
	2020	2019	Change	
Sales of mobile handsets (in RMB thousands)	<b>5,781,455.02</b>	6,763,089.53	(981,634.51)	(14.51%)
Sales volume of mobile handsets (in sets)	<b>3,774,978.00</b>	4,530,122.00	(755,144.00)	(16.67%)
Average selling price (RMB/per set)	<b>1,531.52</b>	1,492.92	38.60	2.59%

5. *Other income and gains*

Other income and gains include: (i) interest income; (ii) government grants; and (iii) others. The Group's other income and gains for the six months ended 30 June 2020 amounted to RMB34,404,090, representing a decrease of RMB6,344,100 or 15.57% from other income and gains of RMB40,748,190 for the same period in 2019. The decrease of other income and gains was mainly attributable to the decrease in government grants for the first half of 2020.

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

Items	For the six months ended 30 June			Percentage of change
	2020 RMB'000	2019 RMB'000	Change RMB'000	
Interest income	<b>9,676.09</b>	8,095.07	1,581.02	19.53%
Government grants	<b>21,040.14</b>	23,226.41	(2,186.27)	(9.41%)
Others	<b>3,687.86</b>	9,426.71	(5,738.85)	(60.88%)
<b>Total</b>	<b>34,404.09</b>	40,748.19	(6,344.10)	(15.57%)

## 6. Selling and distribution expenses

Items	For the six months ended 30 June					
	Selling and distribution expenses		% of total expenses		Change	Percentage of change
	2020	2019	2020	2019		
	RMB'000	RMB'000			RMB'000	
Staff salaries	138,805.45	181,906.53	43.24%	45.26%	(43,101.08)	(23.69%)
Office expenses	4,362.17	5,487.00	1.36%	1.37%	(1,124.83)	(20.50%)
Travelling expenses	2,518.47	3,199.13	0.78%	0.80%	(680.66)	(21.28%)
Transportation expenses	5,861.47	7,361.51	1.83%	1.83%	(1,500.04)	(20.38%)
Business entertainment expenses	1,068.37	1,346.85	0.33%	0.34%	(278.48)	(20.68%)
Communication expenses	1,258.48	1,579.74	0.39%	0.39%	(321.26)	(20.34%)
Rentals and property management expenses	113,060.62	135,927.72	35.22%	33.82%	(22,867.10)	(16.82%)
Repair expenses	1,892.47	2,360.86	0.59%	0.59%	(468.39)	(19.84%)
Advertising and promotion expenses	17,536.98	19,533.61	5.46%	4.86%	(1,996.63)	(10.22%)
Depreciation expenses	2,922.34	3,189.94	0.91%	0.79%	(267.60)	(8.39%)
Amortisation of long-term deferred expenses	15,771.66	18,614.80	4.91%	4.63%	(2,843.14)	(15.27%)
Amortisation of low-cost consumables	573.56	1,428.25	0.18%	0.36%	(854.69)	(59.84%)
Market management fees	3,133.47	4,397.24	0.98%	1.09%	(1,263.77)	(28.74%)
Utilities	8,025.79	11,068.03	2.50%	2.75%	(3,042.24)	(27.49%)
Others	4,256.50	4,471.38	1.32%	1.11%	(214.88)	(4.81%)
<b>Total</b>	<b>321,047.80</b>	<b>401,872.59</b>	<b>100.00%</b>	<b>100.00%</b>	<b>(80,824.79)</b>	<b>(20.11%)</b>

Total selling and distribution expenses of the Group for the six months ended 30 June 2020 amounted to RMB321,047,800, representing a decrease of RMB80,824,790 or 20.11% from the total selling and distribution expenses of RMB401,872,590 for the same period in 2019, which was mainly due to combined effect of the decrease in rentals and property management expenses and market management fees as well as the decrease in staff number and total amount of staff salaries.

Total rentals and property management expenses for the six months ended 30 June 2020 amounted to RMB113,060,620, representing a decrease of RMB22,867,100 or 16.82% from the total rentals and property management expenses of RMB135,927,720 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 under the impact of the pandemic.

Total market management fees for the six months ended 30 June 2020 amounted to RMB3,133,470, representing a decrease of RMB1,263,770 or 28.74% from total market management fees of RMB4,397,240 for the same period in 2019. Such decrease was mainly due to the reduction in marketing promotion activities under the impact of the pandemic.

Total staff salaries for the six months ended 30 June 2020 amounted to RMB138,805,450, representing a decrease of RMB43,101,080 or 23.69% from the total staff salaries of RMB181,906,530 for the same period in 2019. Such decrease was mainly due to the streamlining of the staffing structure of the Group during the current period for saving expenses as well as the decrease in the number of stores and salespersons under the impact of the pandemic.

## 7. Administrative expenses

Items	For the six months ended 30 June					
	Administrative expenses		% of total expenses		Change	Percentage of change
	2020	2019	2020	2019		
RMB'000	RMB'000			RMB'000		
Staff salaries	61,355.96	65,530.63	51.02%	45.53%	(4,174.67)	(6.37%)
Tax expenses	0.00	2.16	0.00%	0.00%	(2.16)	(100.00%)
Office expenses	1,143.66	3,363.32	0.95%	2.34%	(2,219.66)	(66.00%)
Depreciation expenses	4,146.94	4,823.37	3.45%	3.35%	(676.43)	(14.02%)
Amortisation of intangible assets	188.45	435.12	0.16%	0.30%	(246.67)	(56.69%)
Amortisation of long-term deferred expenses	280.30	575.30	0.23%	0.40%	(295.00)	(51.28%)
Amortisation of low-cost consumables	537.63	1,913.29	0.45%	1.33%	(1,375.66)	(71.90%)
Travelling expenses	3,508.58	4,309.94	2.92%	2.99%	(801.36)	(18.59%)
Rentals and property management fees	5,770.29	6,060.35	4.80%	4.21%	(290.06)	(4.79%)
Business entertainment expenses	2,287.33	3,339.59	1.90%	2.32%	(1,052.26)	(31.51%)
Communication expenses	1,059.16	1,721.84	0.88%	1.20%	(662.68)	(38.49%)
Agency fees	8,343.94	9,232.52	6.94%	6.41%	(888.58)	(9.62%)
Transportation expenses	3,410.82	4,961.83	2.84%	3.45%	(1,551.01)	(31.26%)
Financial institution charges	19,681.85	32,458.79	16.37%	22.55%	(12,776.94)	(39.36%)
Others	8,549.53	5,205.79	7.09%	3.62%	3,343.74	64.23%
<b>Total</b>	<b>120,264.44</b>	<b>143,933.84</b>	<b>100.00%</b>	<b>100.00%</b>	<b>(23,669.40)</b>	<b>(16.44%)</b>

The Group's total administrative expenses for the six months ended 30 June 2020 amounted to RMB120,264,440, representing a decrease of RMB23,669,400 or 16.44% from the total administrative expenses of RMB143,933,840 for the same period in 2019. Such decrease in administrative expenses was primarily attributable to the comprehensive impact of the significant decrease in financial institution charges and the decrease in the amount of staff salaries.

Total financial institution charges for the six months ended 30 June 2020 amounted to RMB19,681,850, representing a decrease of RMB12,776,940 or 39.36% from the total financial institution charges of RMB32,458,790 for the same period in 2019. Such decrease was primarily attributable to the decrease in outlets business and therefore the decrease in handling fees under the impact of the pandemic.

For the six months ended 30 June 2020, total amount of staff salaries amounted to RMB61,355,960, representing a decrease of RMB4,174,670 or 6.37% from the staff salaries of RMB65,530,630 for the same period in 2019. Such decrease was mainly attributable to the decrease in the number of supporting staff under the impact of the pandemic.

#### 8. Finance costs

Item	For the six months ended 30 June			Percentage of change
	2020 RMB'000	2019 RMB'000	Change RMB'000	
Finance costs – interest expenses	<b>94,972.62</b>	120,247.50	(25,274.88)	(21.02%)

The Group's total finance costs for the six months ended 30 June 2020 amounted to RMB94,972,620, representing a decrease of RMB25,274,880, or 21.02% from the total finance costs of RMB120,247,500 for the same period in 2019. Such decrease in finance costs was primarily attributable to the decrease in total borrowings.

#### 9. Other expenses

Our other expenses include impairment losses on assets, non-operating expenses, exchange loss and investment loss. For the six months ended 30 June 2019 and 2020, our other expenses amounted to RMB29,789,100 and RMB32,945,840, respectively.

Items	For the six months ended 30 June			Percentage of change
	2020 RMB'000	2019 RMB'000	Change RMB'000	
Impairment losses on assets	<b>29,828.58</b>	25,026.34	4,802.24	19.19%
Non-operating expenses	<b>2,271.01</b>	1,752.93	518.08	29.56%
Exchange loss	<b>846.25</b>	146.08	700.17	479.31%
Investment loss	<b>–</b>	2,863.75	(2,863.75)	(100.00%)
<b>Total</b>	<b>32,945.84</b>	29,789.10	3,156.74	10.60%

## 10. *Income tax expenses*

Our income tax expenses for the stated periods included PRC corporate income tax and deferred income tax during the year. The following table sets forth information relating to our income tax expenses for the periods indicated:

Items	For the six months ended 30 June			Percentage of change
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	Change <i>RMB'000</i>	
Current tax:				
Income tax in the PRC				
for the year	<b>7,822.74</b>	35,067.74	(27,245.00)	(77.69%)
Deferred tax	<b>8,588.03</b>	(6,511.96)	15,099.99	(231.88%)
<b>Total</b>	<b><u>16,410.77</u></b>	<b><u>28,555.78</u></b>	<b><u>(12,145.01)</u></b>	<b><u>(42.53%)</u></b>

For the six months ended 30 June 2020, the Group's total income tax amounted to RMB7,822,740, representing a decrease of RMB27,245,000 or 77.69% as compared with RMB35,067,740 for the same period in 2019. Such decrease was primarily attributable to the decrease of profit before tax.



## 11. Indebtedness – bank and other borrowings

As of 30 June 2020, our bank borrowings were primarily bank loans and other borrowings which were short term and long term in nature. The following table sets forth our outstanding borrowings as at the dates indicated:

	<b>As at 30 June 2020 RMB'000</b>	As at 31 December 2019 RMB'000
<b>Current</b>		
Bank loans:		
Unsecured, repayable within one year	<b>980,817.19</b>	710,984.69
Secured, repayable within one year	<b>2,140,069.52</b>	2,615,621.00
Corporate bond:		
Current portion	–	576,660.46
Other loans:		
Unsecured, repayable within one year	<b>25,363.19</b>	65,506.80
<b>Long term</b>		
Unsecured, repayable after one year	<b>15,922.00</b>	–
<b>Total</b>	<b><u>3,162,171.90</u></b>	<b><u>3,968,772.95</u></b>

As of 30 June 2020, we entered into various loan agreements with banks to finance our business operations and expansion. These bank loans were repayable within one year or on demand. These bank loans were bank loans which carried interest at the benchmark rate of the People's Bank of China plus a premium. We mainly used these bank loans to purchase mobile telecommunications devices and accessories.

As of 30 June 2020, our bank and other borrowings amounted to RMB3,162,171,900, representing a decrease of RMB806,601,050 or 20.32% from RMB3,968,772,950 as of 31 December 2019. Such decrease was attributable to the increase in capital for routine operation as compared to last year as the Group acquired capital injection from JD.

We are subject to certain customary restrictive covenants pursuant to our loan agreements with banks. Subject to certain exceptions and waivers, these covenants may restrict our ability to (i) incur additional indebtedness; (ii) make major change to our corporate structure (such as to undertake or encourage joint venture, mergers and acquisitions, reduction of registered share capital and reorganisation or to make other changes such as liquidation or dissolution); (iii) sell, transfer or dispose of material assets; and (iv) make investments and engage in certain transactions with affiliates or subsidiaries.

The directors confirmed that as of 30 June 2020 and up to the date of this announcement, we did not have any material default in payment of trade and non-trade payables and bank borrowings, nor did we breach any financial covenants. Save as disclosed herein, the agreements under our bank borrowings do not contain any covenant that will have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. We did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 30 June 2020.

### **(III) Current assets and financial position**

As at 30 June 2020, the Group had cash and cash equivalents in an amount of RMB194,109,350, representing a decrease of RMB472,135,690 or 70.87% as compared to RMB666,245,040 as of 31 December 2019.

As at 30 June 2020, the Group had bank and other borrowings in an amount of RMB3,162,171,900, representing a decrease of RMB805,601,050 or 20.32% as compared to RMB3,968,772,950 as of 31 December 2019.

### **(IV) Capital expenditure**

For the six months ended 30 June 2020, the Group's capital expenditure amounted to RMB8,233,120, which was incurred mainly in relation to purchase and construction of fixed assets and decoration costs in connection with the opening of new outlets and the renovation of old ones.

## (V) Related party transactions

The following table sets forth the total amounts of transactions with related parties during the six months ended 30 June 2020 and 30 June 2019 as well as the balance with the related parties as of 30 June 2020 and 31 December 2019:

Items	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 Communications Co., Ltd. <sup>1</sup>	2020	-	-	-	1,007.25	-
	2019	-	-	-	707.25	-
Shenzhen Aizuji Technology Co., Ltd. <sup>1</sup>	2020	2,018.46	-	-	-	9,719.15
	2019	-	-	-	-	-
Shanghai Diju Information Technology Co., Ltd. <sup>2</sup>	2020	-	8,018.87	-	-	2,156.48
	2019	-	20,893	-	-	2,095.27
Comservice Commercial Factoring Co., Ltd. <sup>3</sup>	2020	-	-	(32,878.70)	-	43,240.20
	2019	-	-	57,652	-	74,213.36
Beijing Jingdixin Technology Co., Ltd. <sup>1</sup>	2020	-	758,760.95	-	100.00	364,244.58
	2019	-	-	-	-	349,081.74
<b>Joint ventures:</b>						
Hollard-D.Phone (Beijing) Technology Development Co., Ltd. <sup>4</sup>	2020	1,018.50	3,288.64	-	-	7,142.04
	2019	-	8,975	-	-	6,717.53
Guangzhou Zhongqi Energy Technology Co., Ltd. <sup>4</sup>	2020	40,886.98	16,347.18	-	41,361.54	-
	2019	26,228	8,549	-	52,497.31	-
Yunnan Dphone Investment Co., Ltd. <sup>5</sup>	2020	-	-	-	-	-
	2019	214	-	-	-	-
<b>A subsidiary of a joint venture:</b>						
Yunfu Zhongqi Communication Technology Co., Ltd. <sup>6</sup>	2020	1,741.57	5.44	-	1,895.65	-
	2019	-	-	-	464.85	-
<b>Fellow subsidiaries:</b>						
Beijing Dphone Communication Services Co., Ltd. <sup>7</sup>	2020	5.47	-	-	9,957.93	70.62
	2019	-	30	-	11,227.04	112.54
Guang'an Dixin Cloud Communication Technology Co., Ltd. <sup>7</sup>	2020	72.63	-	-	487.79	-
	2019	251	-	-	459.80	-

Items	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>Companies significantly influenced by the controlling shareholders:</b>						
Beijing Tianxingyuanjing Technology Development Co., Ltd. <sup>8</sup>	2020	-	-	-	-	103.67
	2019	-	-	-	-	88.06
Luzhou Digital Science and Technology Co., Ltd. <sup>9</sup>	2020	-	-	-	-	-
	2019	13	-	-	-	-

**A subsidiary of non-controlling shareholder:**

Beijing Digital China Limited <sup>10</sup>	2020	-	-	-	0.15	-
	2019	-	7	-	0.15	-

- 1 The investment in the associates, Shenzhen Dixin Nuclear Communications Co., Ltd., Shenzhen Aizuji Technology Co., Ltd. and Beijing Jingdixin Technology Co., Ltd., are directly held by the Company.
- 2 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.
- 3 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 6.65% to 10.8% and are secured by trade receivables amounting to RMB61,494,470.
- 4 The investments in the joint venture entities, Hollard-D.Phone (Beijing) Technology Development Co., Ltd. and Guangzhou Zhongqi Energy Technology Co., Ltd., are directly held by the Company.
- 5 The investment in the joint venture, Yunnan Dphone Investment Co., Ltd., is indirectly held by the Company.
- 6 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.
- 7 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.
- 8 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 20.53% equity interests in aggregate and have significant influence over the entity.
- 9 40% of equity interests in Luzhou Digital Science and Technology Co., Ltd. are held by the controlling shareholders of the Company.
- 10 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.

## (VI) Key financial ratio

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

Items	As of 30 June 2020	As of 31 December 2019	Change	Percentage of change
Current ratio	1.68	1.52	0.16	10.53%
Gearing ratio	40.19%	39.49%	0.70%	1.77%
Net debt-to-equity ratio	67.18%	65.27%	1.91%	2.93%

Current ratio is our current assets divided by our current liabilities at the end of each financial period. Our current ratio as at 30 June 2020 was 1.68, increasing 0.16 as compared to the current ratio of 1.52 as of 31 December 2019, representing an increase of 10.53%. The increase was primarily due to the redemption of matured bonds in April 2020 by the Company.

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 and other borrowings less cash and cash equivalents. As of 30 June 2020, our gearing ratio was 40.19%, increasing by 0.70 percentage point from the gearing ratio of 39.49% as of 31 December 2019, representing an increase of 1.77%, which was primary attributable to the increase in net debt.

Net debt-to-equity ratio equals net debt divided by total equity at the end of the financial period and multiplied by 100%. Our net debt-to-equity ratio increased by 1.91 percentage points from 65.27% as at 31 December 2019 to the net debt-to-equity ratio of 67.18% as at 30 June 2020, representing an increase of 2.93%. Such increase was mainly attributable to the increase in net debt.

## (VII) Material acquisitions and disposals

Details of the Group's material acquisitions during the six months ended 30 June 2020 are set out in the section headed "(XII) Material investments".

## (VIII) Contingent liabilities

As of 30 June 2020, the Group had no material contingent liabilities.

## (IX) 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 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 at an offer price of HK\$3.25 per share, raising proceeds with an aggregate amount of HK\$213,828,550 which had been placed in a special account.

The following table sets forth details of the proceeds in the special account as of 30 June 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	631.00

As of 30 June 2020, HK\$1,096,532,650 out of the net proceeds had been utilized cumulatively. As of 30 June 2020, the balance of the proceeds in the special account amounted to HK\$631,000 (including accrued interest of HK\$12,480).

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, proceeds from the public offering of shares were applied as to approximately 43% in the expansion of our retail and distribution network, approximately 11% in the repayment of bank loans, approximately 5% in the upgrade of information systems for further enhancement of our management ability, approximately 3% in the upgrade of existing outlets and establishment of new call centers and new after-sales services system in the PRC, approximately 4% in multi-functional mobile internet projects, approximately 27% as working capital and for general corporate purpose and approximately 7% as payment of listing agency fees. The applications of our proceeds as of 30 June 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	43.08%
Repayment of bank loans	118,703.28	10.83%
Upgrade of information system to further improve management capability	55,584.09	5.07%
Upgrade of existing outlets and establishment of new call centers and new after-sales services system in the PRC	34,472.32	3.14%
Undertaking multi-functional mobile internet projects	44,060.18	4.02%
Working capital and other general corporate purpose	292,411.53	26.67%
Payment of listing agency fees	78,886.31	7.19%
<b>Total</b>	<u>1,096,532.65</u>	<u>100.00%</u>

**(X) Foreign exchange rate risks**

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

**(XI) Pledge of assets**

As of 30 June 2020, the Group had no other pledge of assets except for the pledged deposits amounting to RMB1,261,233,100, financial assets held for trading amounting to RMB304,891,590 and pledged trade receivables amounting to RMB61,494,470.

**(XII) Material investments**

For the six months ended 30 June 2020, the Group had no other material investment.

### **(XIII) Equity arrangements**

For the six months ended 30 June 2020, no equity subscription was conducted by the Group. As of the date of this announcement, no equity scheme was made by the Group.

### **(XIV) Capital**

For the six months ended 30 June 2020, the Company completed a directed issue of H shares on 8 January 2020. The total share capital was changed to 732,460,400 shares.

### **(XV) Material events after the period**

As of 30 June 2020, the Group had no material events after the period.

### **(XVI) Employees and remuneration policy**

As at 30 June 2020, the Group had a total of 4,787 employees. Salary costs and employees' benefit expenses were approximately RMB200,161,410 for the six months ended 30 June 2020. Remunerations for the Company's existing employees include salaries, performance-based bonus, social insurance and housing provident fund. The Company has also arranged various trainings for employees, including professional qualification training, product and business information training, and management skills training, which are conducted mainly through online learning, seminars and conferences and skill-specific training programs.

## **III. BUSINESS OUTLOOK FOR THE SECOND HALF OF 2020**

The biggest environmental change in 2020 comes from the comprehensive application of 5G technology in C-end and B-end. The mass-quantity launching of 5G mobile phones brings huge market opportunities to Beijing Digital, and the new retail scheme that has been explored and formulated has also ushered in a stage of high-speed development. In 2020, we will enhance the Company's performance through the following approaches in response to the market development:

### **(I) To carry out system reform and strengthen the offline retail foundation by unleashing the front-line initiative**

By promoting the reform of the "partnership system", the front-line staff will become the "boss" with a sense of ownership, and under the unified guidance of management norms, the store output will be greatly improved. In this process, we will sort out and record the quality and development space of existing stores, optimize existing outlets and appropriately expand new high-quality outlets.



**(II) To actively explore and advocate all-staff engagement into the promotion of new online channel development**

While the outbreak of the Novel Coronavirus pandemic has a serious impact on offline business, it has greatly stimulated the potential of new online channels, and new retail models such as home delivery, community and live broadcast have emerged. For these new channels, we have explored the effective approach of omni-channel operation, and will keep upgrading the all-channel omni operation structure of Beijing Digital throughout the year of 2020 and attain higher operational efficiency.

**(III) To take JD cooperation as the core and explore the practical solutions of omni-channel marketing through multiple paths**

In August 2019, JD became a shareholder of Beijing Digital. At present, JD has carried out various O2O explorations with Beijing Digital, such as offline performance for the 3C categories of JD in Beijing Digital outlets nationwide, the launch of “JD Daojia” for all stores, construction of the JD special areas in Beijing Digital stores and helping its supply chain penetrate into surrounding small stores, and the pilot cooperation project of O+O flagship stores for trendy tech products. For the next step, we will provide the JD series of entrusted operation service for the self-operation of three major mobile carriers and social channels, in a bid to support JD in developing its offline network.

**(IV) To help the three major mobile carriers to realize new retail upgrading and enrich IOT solutions**

The three major mobile carriers’ business focus in 2020 is to realize new retail upgrading across their networks and have the ability to provide solutions for the IOT industry. After years of exploration, our new retail brand portfolio of UP+, Mini UP+ and automated vending machines are currently the best new retail systematic solutions for the channel network of flagship stores, main stores and community stores of mobile carriers, which will be widely adopted and implemented this year. At the same time, based on our understanding of shopping centers and the IOT supply chain, we are able to provide carriers with IOT scenario application solutions to integrated shopping centers.

**(V) To improve our service quality and enhance brand influence**

In 2016, we introduced a customer service hotline with dedicated staff solving the problems that our end users might face. Our concept of “full-hearted loyalty” has been well received by a large number of customers and enabled Beijing Digital to accumulate numerous fans. In 2017, we opened a dedicated customer services and call center to fulfill the after-sale demand from our customers to the greatest extent. In 2020, we will continue to intensively pursue the “full-hearted loyalty” concept in order to enhance our prestige and reputation through provision of quality services, so as to enhance the Group’s brand influence and ultimately achieve sales growth.

**(VI) To create the “smart retail” system and platform solution for the 3C industry and unleash the technology capacity output**

After more than a year of exploration, the first customized 3C solution, namely the “Molink” system, created by us and Tencent has been developed and commercialized. Built on the remarkable achievements made in Beijing Digital’s systems, “Molink” has begun to be delivered to the carriers’ systems, with China Mobile (Guangdong) being our first client for technology output and platform operation service. “Molink” is currently the only system and platform in China that simultaneously realizes product online, employee online and customer online. It is expected to be introduced by provincial carriers on a large scale.

**(VII) To continue expanding overseas 3C business**

Since 2016, Beijing Digital has grown into an influential 3C chain brand in Nigeria and Spain, with outstanding profit performance. In 2019, we increased our investment in the distribution business in Thailand, and now we are the largest distributor of Mi Homes in Thailand with good returns obtained. In 2020, Beijing Digital will help Huawei to focus on developing retail business in key western European countries, while continuing to expand distribution scale in Thailand, and strive for greater brand influence and investment returns.

**INTERIM DIVIDEND**

The Board does not recommend any interim dividend for the six months ended 30 June 2020.

**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 “**Listing Rules**”) as its own code of corporate governance. During the six months ended 30 June 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 recommended 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 six months ended 30 June 2020.

During the six months ended 30 June 2020, the Company has also adopted its own code of conduct regarding employees’ securities transactions on terms no less exacting than the standards set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company’s securities.

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

During the six months ended 30 June 2020, neither the Company nor its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities.

## **AUDIT COMMITTEE**

The Board has established an audit committee (the “**Audit Committee**”) which comprises three independent non-executive Directors, namely Mr. Zhang Senquan (chairman), Mr. Lv Pingbo and Mr. Lv Tingjie.

The Audit Committee, together with the management of the Company and the external auditor, has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2020.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (www.hkexnews.hk) and the Company (www.dixintong.com). The Company’s 2020 interim 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.

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

Beijing, the PRC  
28 August 2020

*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.*