THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Beijing Digital Telecom Co., Ltd. (北京迪信通商貿股份有限公司)**, you should at once hand this circular to the purchaser or transferee or to the bank or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, 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 circular.

迪信通

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

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

(Stock Code: 6188)

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION – FINANCIAL SERVICES AGREEMENT
CONTINUING CONNECTED TRANSACTION – ELECTRONIC COMMUNICATION PRODUCT PURCHASE AND SALES FRAMEWORK AGREEMENT
PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTORS
AND
NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING IN 2021

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Innovax Capital

Letter from the Board is set out on pages 5 to 25 of this circular. Letter from the Independent Board Committee containing its advice to the independent Shareholders is set out on pages 26 to 27 of this circular. Letter from Innovax containing its advice to the Independent Board Committee and independent Shareholders is set out on pages 28 to 63 of this circular.

A notice of the EGM to be held at 46th Floor, South Tower, Lize SOHO, Building 1, No. 20, Lize Road, Lize Financial Business District, Fengtai District, Beijing, the PRC on Friday, 10 September 2021, at 2:00 p.m. is set out on pages 78 to 80 of this circular.

A form of proxy for use at the EGM is enclosed herewith and also published on both the websites of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.dixintong.com). If you intend to appoint a proxy to attend the EGM, you are requested to complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM (i.e. before 2:00 p.m. on Thursday, 9 September 2021) or any adjournment thereof (as the case may be). Completion, signing and return of the form of proxy will not preclude you from attending and voting in person at the EGM.

24 August 2021

CONTENTS

Unless the context otherwise requires, the following expressions in this circular shall have the following meanings:

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Articles of Association"	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
"Board"	the board of directors of the Company
"CBIRC"	China Banking and Insurance Regulatory Commission
"Company"	Beijing Digital Telecom Co., Ltd. (北京迪信通商貿股份有限公司), a joint stock limited company incorporated in the PRC, the H Shares of which are listed on the Hong Kong Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"continuing connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Digital Science & Technology"	Digital Science & Technology Group Limited* (迪信通科技集團有限公司), a company incorporated in the PRC with limited liabilities
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	ordinary share(s) of the Company with a nominal value of RMB1.00 per share, which are subscribed for and paid up in RMB
"EGM"	the 2021 first extraordinary general meeting of the Company to be held at 46th Floor, South Tower, Lize SOHO, Building 1, No. 20, Lize Road, Lize Financial Business District, Fengtai District, Beijing, the PRC, on Friday, 10 September 2021 at 2:00 p.m., and any adjournment thereof (as the case may be)

"Electronic Communication Product(s)"	smart phones, with focus on the brands of current market leading models including Huawei, Maimang, Apple, Xiaomi, and other brands of smart phone being purchased according to the production of manufacturers and market demand
"Electronic Communication Product Purchase and Sales Framework Agreement"	the electronic communication product purchase and sales framework agreement entered into between the Company and Huafa Trading on 23 July 2021
"Financial Services Agreement"	a financial services agreement entered into between the Company and Huafa Finance Company on 23 July 2021
"Group"	the Company and its subsidiaries
"H Share(s)"	the ordinary share(s) of the Company, with a par value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Huafa"	Hong Kong Huafa Investment Holdings Limited* (香港華發投資控股有限公司), a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huafa Trading"	Zhuhai Huafa Trading Co., Ltd.* (珠海華發商貿控股有限公司), a limited liability company established in the PRC and a subsidiary of Zhuhai Huafa
"Huafa Finance Company"	Zhuhai Huafa Group Finance Co., Ltd.* (珠海華發集團財務有限公司), a limited liability company established in the PRC and a subsidiary of Zhuhai Huafa

"Independent Board Committee"	the independent board committee of the Board, comprising all of the independent non-executive Directors, formed to advise the independent Shareholders in respect of the deposit services under the Financial Services Agreement and the transactions contemplated under the Electronic Communication Product Purchase and Sales Framework Agreement and their respective proposed annual caps
"Independent Financial Adviser" or "Innovax"	Innovax Capital Limited, a corporation licensed under the SFO permitted to engage in Type 1 and Type 6 regulated activities (as defined under the SFO), being the independent financial adviser to advise the Independent Board Committee and independent Shareholders in respect of the deposit services under the Financial Services Agreement and the transactions contemplated under the Electronic Communication Product Purchase and Sales Framework Agreement and their respective proposed annual caps
"Latest Practicable Date"	19 August 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"major transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Offers"	the mandatory conditional cash offer made by Zhuhai Huafa Industrial for the Domestic Shares (other than those already owned or agreed to be acquired by Zhuhai Huafa Industrial and parties acting in concert with it) in accordance with the Takeovers Code; and the mandatory conditional cash offer made by Guotai Junan Securities (Hong Kong) Limited on behalf of Hong Kong Huafa to acquire the H Shares in accordance with the Takeovers Code
"PBC"	the People's Bank of China, the central bank of the PRC

"PRC"	the People's Republic of China, for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	Domestic Share(s) and H Share(s)
"Shareholder(s)"	the holder(s) of the Company's share(s)
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Zhuhai Huafa"	Zhuhai Huafa Group Co., Ltd.* (珠海華發集團有限公司), a PRC state-owned enterprise wholly-owned by the State-owned Assets Supervision and Administration Commission of Zhuhai Municipal People's Government* (珠海市人民政府國有資產監督管理委員會) and a controlling shareholder of the Company, Zhuhai Huafa Industrial and Hong Kong Huafa
"Zhuhai Huafa Industrial"	Zhuhai Huafa Industrial Investment Holding Co., Ltd.* (珠海華發實體產業投資控股有限公司), a limited liability company established in the PRC and a controlling shareholder of the Company
"%"	per cent

* *For identification purpose only*

迪信通

北京迪信通商貿股份有限公司

Beijing Digital Telecom Co., Ltd.

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

(Stock Code: 6188)

Executive Directors:
Ms. XU Jili *(Chairwoman)*
Ms. XU Liping
Mr. LIU Donghai

Non-executive Directors:
Mr. LI Guangning
Ms. GUO Jin
Mr. GAO Dali

Independent non-executive Directors:
Mr. LV Tingjie
Mr. LV Pingbo
Mr. CAI Chun Fai

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

Principal Place of Business in Hong Kong:
Unit D, 16/F, MG Tower
133 Hoi Bun Road
Kwun Tong
Hong Kong

24 August 2021

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION – FINANCIAL SERVICES AGREEMENT
CONTINUING CONNECTED TRANSACTION – ELECTRONIC COMMUNICATION PRODUCT PURCHASE AND SALES FRAMEWORK AGREEMENT
PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTORS
AND
NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING IN 2021

INTRODUCTION

The purpose of this circular is to give you a notice of the EGM, which is set out on pages 78 to 80 of this circular and to provide you with information reasonably necessary to enable you to vote for or against certain of the resolutions to be proposed at the EGM as described below.

At the EGM, ordinary resolutions will be proposed to *(inter alia)* (i) consider and approve the deposit services under the Financial Services Agreement and its proposed annual cap; (ii) consider and approve the transactions contemplated under the Electronic Communication Product Purchase and Sales Framework Agreement and its proposed annual cap; and (iii) consider and approve the appointment of the non-executive Directors of the Company.

1. MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION – FINANCIAL SERVICES AGREEMENT

Reference is made to the announcement of the Company dated 23 July 2021 in relation to, among other things, the Financial Services Agreement entered into by the Company and Huafa Finance Company. You should read the following information carefully when considering the resolution on the deposit services under the Financial Services Agreement and its proposed annual cap.

BACKGROUND

Reference is made to the joint announcement dated 3 June 2021 jointly issued by the Company, Zhuhai Huafa Industrial and Hong Kong Huafa in relation to, among other things, the close of the Offers and the results of the Offers. Immediately after the close of the Offers and as at the Latest Practicable Date, Zhuhai Huafa Industrial (and any parties acting in concert with it) and Hong Kong Huafa jointly hold approximately 90.76% of the issued Shares of the Company and both Zhuhai Huafa Industrial and Hong Kong Huafa are direct wholly-owned subsidiaries of Zhuhai Huafa. Thus, Zhuhai Huafa is the controlling shareholder of the Company as defined under the Listing Rules and a connected person of the Company. Huafa Finance Company, a subsidiary of Zhuhai Huafa, is therefore a connected person of the Company. As such, the Financial Services Agreement and the transactions contemplated thereunder constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

On 23 July 2021, the Company entered into the Financial Services Agreement with Huafa Finance Company, pursuant to which, Huafa Finance Company agreed to provide financial services to the Group.

FINANCIAL SERVICES AGREEMENT

The principal terms of the Financial Services Agreement are set out as follows:

Date	23 July 2021
Parties	(i) the Company
	(ii) Huafa Finance Company
Duration	From 23 July 2021 to 31 December 2023

Condition precedent

The Financial Services Agreement is subject to the review and approval of deposit services thereunder and its proposed annual cap by the independent Shareholders' at the EGM.

Subject matter

Huafa Finance Company agreed to provide the Group with the following financial services pursuant to the terms and conditions of the Financial Services Agreement:

(1) deposit services, including but not limited to current deposit, time deposit, call deposit and agreement deposit, etc.

The Group's daily maximum outstanding balance (including accrued interests) in Huafa Finance Company shall be RMB2 billion.

(2) loan services, including but not limited to fixed asset loans, project revolving loans, working capital loans, bill acceptance and discount, letters of credit, letters of guarantee, accounts receivable factoring, and commercial bills discounting, etc.

The loan services shall be provided to the Group in accordance with normal commercial terms by Huafa Finance Company. No security over the assets, security over the rights or other guarantees of the Group shall be provided for the loans. The Company confirms that none of the Group's deposit placed with Huafa Finance Company shall be used as the pledge to the loan services provided by Huafa Finance Company.

The highest comprehensive credit limit of the Group that may be applied on a revolving basis shall be RMB2 billion.

(3) Settlement services, commercial drafts insurance services, foreign exchange settlement and sales services (subject to Huafa Finance Company obtaining the qualification approval of the foreign exchange settlement and sales business by relevant regulatory authorities), guarantee services and other financial services approved by CBIRC (collectively "**Other Financial Services**").

Subject to the terms and conditions of the Financial Services Agreement, the Group shall sign further specific contracts with Huafa Finance Company in relation to the deposit services, loan services and Other Financial Services to set out the specific matters for providing such services.

PRICING POLICY

Huafa Finance Company has undertaken to provide the above financial services to the Group in accordance with the following pricing policies:

(1) the deposit interest rate provided by Huafa Finance Company to the Group shall be determined by the parties after arm's length negotiations with reference to the interest rate provided by general commercial banks within PRC for the deposits of the same type and term, but not lower than: (i) the benchmark interest rate in the same period promulgated by the PBC for deposits of the same type; (ii) the interest rate provided by general commercial banks within PRC for the deposits of the same type and term; and (iii) the interest rate provided by Huafa Finance Company to any third parties for the deposits of the same type and term;

(2) the loan interest rate granted by Huafa Finance Company to the Group is determined by the parties after arm's length negotiations, but shall not be higher than the interest rate provided by general commercial banks within PRC for the loan with the same type and term;

(3) the internal settlement services provided by Huafa Finance Company to the Group are free of service charge; and

(4) the fees charged by Huafa Finance Company for provision of Other Financial Services (except internal settlement services) to the Group shall not be higher than: (i) the fees charged by other PRC financial institutions for same or similar type of services; (ii) the cap of the fees (if applicable) stipulated by the PBC to be charged for same or similar type of services; and (iii) the fees charged by Huafa Finance Company for provision of same type of services to any third parties with the same credit rating.

HISTORICAL TRANSACTION AMOUNT

Before entering into the Financial Services Agreement, the Group has entered into a relevant loan agreement with Huafa Finance Company in respect of loan services. As of the date of entering into the Financial Services Agreement, the total amount of loan transactions between the Group and Huafa Finance Company was RMB680 million. As the above loan services provided by Huafa Finance Company to the Group are entered into on normal commercial terms and no security over the assets of the Group has been granted in respect of the loan services, the above loan services can be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to the Rule 14A.90 of the Listing Rules.

Save as disclosed above, before entering into the Financial Services Agreement, the Group did not conduct any transactions with Huafa Finance Company in respect of other financial services.

PROPOSED ANNUAL CAP AND BASIS OF DETERMINATION

Deposit Services

The Company proposed that the daily maximum outstanding balance cap (including any accrued interest) in Huafa Finance Company shall be RMB2 billion for each of the three years ending 31 December 2023, having considered:

(i) the daily maximum outstanding balances of the Group at banks for the three years ended 31 December 2018, 31 December 2019 and 31 December 2020 were RMB708.5476 million, RMB666.2451 million and RMB71.4127 million, respectively;

(ii) the daily maximum balance of cash and cash equivalents (including interest income) of the Group for the year ended 31 December 2020 was RMB194.1093 million;

(iii) the operating cash flow requirements and financial requirements for the Group's operation and business expansion in the future. In particular, the maximum target for the operating revenue of the Group in the coming three years is RMB29.4 billion for the year ending 31 December 2023. Taking factors such as value-added tax into account, the sales amount used for calculation is expected to be RMB34.0 billion and the daily sales amount used for calculation is expected to be RMB93 million. For festive holidays, the daily sales amount is expected to double as compared to that in weekdays. In the event of a maximum of 10 consecutive non-trading days, the maximum of daily deposit balance of the Group can reach RMB1.8 billion to RMB1.9 billion; and

(iv) based on the fact that Huafa Finance Company is supervised by CBIRC and maintains satisfactory operating results and financial position, and implements good risk control and standardized management to reduce potential risks, it is expected that the interest income from the deposits at Huafa Finance Company will increase accordingly.

Loan Services

As the loan services to be provided by Huafa Finance Company to the Group are entered into on normal commercial terms and no security over the assets of the Group will be granted in respect of the loan services, the loan services can be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to the Rule 14A.90 of the Listing Rules. The Group's highest comprehensive credit limit that may be applied on a revolving basis during the three years ending 31 December 2023 shall be RMB2 billion.

Other Financial Services

The Company proposed that the annual cap for the total amount payable to Huafa Finance Company in respect of Other Financial Services shall be RMB10 million for each of the three years ending 31 December 2023, having considered:

(i) the carrying amounts of issued commercial bank drafts, rates of handling fees of issuing drafts and maximum number of issuing drafts by the Group for the year ended 31 December 2020; and

(ii) following the innovation in financial services, the Group's future business demands for Other Financial Services in accordance with the development goal of the Company in the coming three years.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCIAL SERVICES AGREEMENT

Huafa Finance Company is a non-bank financial institution regulated by the PBC and CBIRC and is authorized to provide various financial services to the Group. The principal reasons for and the benefits of entering into the Financial Services Agreement are as follows:

(i) the Group can use Huafa Finance Company as a medium to facilitate more efficient deployment of funds among the Company's subsidiaries;

(ii) the Group can maximize the efficiency of the Group's capital by expanding the use of the available funds and by using the funds collected to repay the external commercial loans of the Company's subsidiaries;

(iii) this can promote capital liquidity within the Group, enhance the overall solvency of the Group and help monitor financial risks;

(iv) this will help to save finance costs, which in turn will enhance the profitability of the Group and the Shareholders of the Company (including the minority Shareholders) will be able to benefit from it;

(v) this allows for quick and accurate monitoring and regulation of the use of the Group's funds;

(vi) since its incorporation, Huafa Finance Company has a sound organizational structure and standardized internal control mechanism, and its operating conditions are sound and its financial results are good without any irregularities; and

(vii) the Group expects a high frequency of daily usage of the centralized electronic clearing system on the cash management platform provided by Huafa Finance Company in the future due to the following reasons:

- since the incorporation of Huafa Finance Company, the financial services arrangements and related systems have been developed into an efficient cash management platform with the capability to handle a large number of transactions;

- the Group will have greater bargaining power to negotiate with Huafa Finance Company on the terms and conditions of the financial services arrangement as larger size of the funds involved; and

- the deposit services provided by Huafa Finance Company do not require a pre-determined notice period for withdrawals, providing the Group with greater flexibility in cash management.

The Directors (including the independent non-executive Directors) are of the view that the Financial Services Agreement and its proposed annual cap are entered into in the ordinary and usual course of business of the Group on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Reference is made to the joint announcement dated 3 June 2021 jointly issued by the Company, Zhuhai Huafa Industrial and Hong Kong Huafa in relation to, among other things, the close of the Offers and the results of the Offers. Immediately after the close of the Offers and as at the Latest Practicable Date, Zhuhai Huafa Industrial (and any parties acting in concert with it) and Hong Kong Huafa jointly hold approximately 90.76% of the issued Shares of the Company and both Zhuhai Huafa Industrial and Hong Kong Huafa are direct wholly-owned subsidiaries of Zhuhai Huafa. Thus, Zhuhai Huafa is the controlling shareholder of the Company as defined under the Listing Rules and a connected person of the Company. Huafa Finance Company, a subsidiary of Zhuhai Huafa, is therefore a connected person of the Company. As such, the Financial Services Agreement and the transactions contemplated thereunder constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Deposit Services

For the deposit services to be provided by Huafa Finance Company to the Group, as the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the deposit services is more than 5%, the deposit services are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as the highest applicable percentage ratio in respect of the deposit services exceeds 25%, the deposit services constitute a major transaction of the Company and are subject to the reporting, announcement and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Loan Services

For the loan services to be provided by Huafa Finance Company to the Group, as the loan services are entered into on normal commercial terms and no security over the assets of the Group will be granted in respect of the loan services, the loan services constitute financial assistance to be provided by a connected person for the benefit of the Group under the Listing Rules and can be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

Other Financial Services

For Other Financial Services to be provided by Huafa Finance Company to the Group, as the highest applicable percentage ratio in respect of Other Financial Services is more than 0.1% but less than 5%, Other Financial Services are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but exempt from the independent Shareholders' approval requirement.

INTERNAL CONTROL PROCEDURES AND CORPORATE GOVERNANCE MEASURES

Deposit Services

The Company has adopted internal control and monitoring procedures relating to the deposit services, including: (i) before entering into any deposit arrangements with Huafa Finance Company, the Company will negotiate with Huafa Finance Company on an arm's length basis in respect of the deposit interest rate of the deposit services, and ensure that such interest rate is determined: (1) by reference to and is not lower than the benchmark interest rate then published by the PBC for deposits of same term and same type and in case of any change in the benchmark deposit interest rate, the deposit interest rate to be payable by Huafa Finance Company shall be determined by reference to and not lower than such benchmark deposit interest rate; and (2) by reference to and is not lower than the deposit interest rate offered by at least four other independent domestic commercial banks in the PRC for deposit services of the same type on normal commercial terms. As such, the Company will be able to ensure the deposit interest rate of the deposit services will not be less favourable than that published by the PBC for deposits of same term and same type and that offered by four other independent domestic commercial banks in the PRC for deposits of same term and same type; in the event that upon receiving deposit certificate which shows the deposit interest rate offered by Huafa Finance Company, and the Company notes that the deposit interest rate offered by Huafa Finance Company is lower than the then negotiated deposit interest rate offered by the PBC, the Company will require Huafa Finance Company to provide the differences in the interest portion to the Company; (ii) finance department of the Company will monitor the deposit services on a daily basis to ensure the proposed annual cap will not be exceeded; (iii) finance department of the Company will report to the management of the Company, giving an update of the deposit arrangements entered into with Huafa Finance Company on a monthly basis; (iv) the Directors (including the independent non-executive Directors) will review the transactions contemplated under the Financial Services Agreement and its proposed annual cap each year, to ensure that the transactions contemplated under the Financial Services Agreement are conducted in the ordinary and usual course of business of the Company on normal commercial terms and in the interests of the Company and the Shareholders as a whole; and (v) the auditor of the Company will perform annual reviews on the pricing and annual cap of such transactions.

Loan Services

The internal control procedures has been adopted by the Company in relation to the loan services include, among others, during a certain period of time before the financing, the Company will take the initiative to locate approximately four independent domestic commercial banks in the PRC, inquire about the financing costs, undergo a comprehensive comparison according to the preferential conditions, interest rates and financing procedures given by each independent domestic commercial bank in the PRC in the negotiation process to determine the optimal choice to ensure that the Company's financing is most cost-effective.

Other Financial Services

The internal control procedures adopted by the Company in relation to Other Financial Services include, among others, the Company will utilize a certain period of time before receiving Other Financial Services to locate approximately four independent domestic financial institutions in the PRC, inquire about the service fee rates, undergo a comprehensive comparison according to the preferential conditions and service fee rates given by each independent domestic financial institution in the PRC in the negotiation process to determine the optimal choice to ensure that the Company's Other Financial Services are most cost-effective.

Taking into account of the relevant pricing policy, the basis for determining the proposed annual cap, the reasons for and benefit of entering into the Financial Services Agreement as well as the Company's internal control procedures and corporate governance measures, the Directors (including the independent non-executive Directors) are of the view that the Financial Services Agreement and its proposed annual cap are entered into in the ordinary and usual course of business of the Group on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. At the same time, the Company considers that it has adequate mechanisms and internal control procedures in place to ensure compliance and strict adherence to the terms of the Financial Services Agreement in respect of the continuing connected transactions.

CAPITAL RISK CONTROL MEASURES

(i) Huafa Finance Company will ensure the safe operation of the funds management information system, all of which has passed the security test in respect of the interface of online banking of commercial banks, so as to ensure the security of the funds of the Group;

(ii) Huafa Finance Company will ensure that it operates in strict compliance with the risk monitoring indicators for financial institutions issued by the CBIRC and that its major regulatory indicators such as capital adequacy ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBIRC;

(iii) Zhuhai Huafa has undertaken to the CBIRC that, in the event that Huafa Finance Company is in urgent difficulty in making payment, Zhuhai Huafa will increase capital funding accordingly based on the actual need to solve such problem; and

(iv) The capital balance of the Group exceeding the daily maximum deposit at Huafa Finance Company will be deposited into one or more commercial banks as deposits.

THE BOARD'S OPINION

In the case that each of the Directors, namely Ms. Xu Jili, Ms. Xu Liping, Mr. Li Guangning, Ms. Guo Jin and Mr. Gao Dali, has served in Zhuhai Huafa and/or its subsidiaries, and Mr. Liu Donghai, a Director, shall act in accordance with the will of Zhuhai Huafa Industrial pursuant to the concert party agreement dated 29 January 2021, and therefore the above Directors are deemed to be materially interested in the Financial Services Agreement and have abstained from voting at the Board meeting for approving the transactions contemplated under the Financial Services Agreement and its proposed annual cap. Save as disclosed above, none of the Directors has any material interest in the Financial Services Agreement and is required to abstain from voting at the Board meeting for approving the transactions contemplated under the Financial Services Agreement and its proposed annual cap.

Taking into account of the relevant pricing policy, the basis for determining the proposed annual cap, the reasons for and benefit of entering into the Financial Services Agreement, the Company's internal control procedures and corporate governance measures as well as the capital risk control measures, the Directors (including the independent non-executive Directors) are of the view that the Financial Services Agreement and its proposed annual cap are entered into in the ordinary and usual course of business of the Group on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

APPROVAL OF INDEPENDENT SHAREHOLDERS

As the deposit services under the Financial Services Agreement and its proposed annual cap are subject to the approval of the independent Shareholders, the Independent Board Committee (comprising all the independent non-executive Directors) has been established to advise the independent Shareholders in relation to the deposit services under the Financial Services Agreement and its proposed annual cap. Innovax has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders on the same issue.

In view of the material interest held by Zhuhai Huafa in the Financial Services Agreement, Zhuhai Huafa Industrial (and any parties acting in concert with it) and Hong Kong Huafa, both being the wholly-owned subsidiaries of Zhuhai Huafa, hold approximately 90.76% of the issued Shares of the Company in aggregate as at the Latest Practicable Date and are required to abstain from voting on the resolutions proposed at the EGM of the Company for approving the deposit services under the Financial Services Agreement and its proposed annual cap.

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors, save as disclosed herein, none of other Shareholders is required to abstain from voting on relevant resolution.

GENERAL INFORMATION

The Company

The Company is a joint stock limited company incorporated in the PRC on 31 May 2001. The principal business activity of the Company is the sales of communication equipment at home country and abroad.

Huafa Finance Company

Huafa Finance Company is a limited liability company established in the PRC and a subsidiary of Zhuhai Huafa. Huafa Finance Company is a currency financial services company, and the scope of its operations mainly includes the handling of deposits, loans, settlements and other related businesses, as well as the provision of consulting and agency business such as financial and financing consulting and credit verification services, etc. The ultimate beneficial owner of Huafa Finance Company is Zhuhai Huafa.

Zhuhai Huafa

Zhuhai Huafa is a large state-owned conglomerate in the PRC with its business operations primarily conducted in Zhuhai City, Guangdong Province, which is situated at the southern end of the Pearl River Delta. Zhuhai Huafa was established as a wholly state-owned enterprise in 1980 and is under the direct supervision of Zhuhai SASAC. Zhuhai Huafa and its subsidiaries initially focused on property development in Zhuhai, and has since expanded into other cities and diversified to include other businesses. Currently, Zhuhai Huafa and its subsidiaries are primarily engaged in six major businesses, namely urban operations, financial services, property development, industrial investment, sales and trading and modern services. In addition, Zhuhai Huafa and its subsidiaries also engage in other businesses which are incidental to their six major businesses.

2. CONTINUING CONNECTED TRANSACTION – ELECTRONIC COMMUNICATION PRODUCT PURCHASE AND SALES FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 23 July 2021 in relation to, among other things, the Electronic Communication Product Purchase and Sales Framework Agreement entered into by the Company and Huafa Trading. You should read the following information carefully when considering the resolution on the transactions contemplated under the Electronic Communication Product Purchase and Sales Framework Agreement and its proposed annual cap.

BACKGROUND

Reference is made to the joint announcement dated 3 June 2021 jointly issued by the Company, Zhuhai Huafa Industrial and Hong Kong Huafa in relation to, among other things, the close of the Offers and the results of the Offers. Immediately after the close of the Offers and as at the Latest Practicable Date, Zhuhai Huafa Industrial (and any parties acting in concert with it) and Hong Kong Huafa jointly hold approximately 90.76% of the issued Shares of the Company and both Zhuhai Huafa Industrial and Hong Kong Huafa are direct wholly-owned subsidiaries of Zhuhai Huafa. Thus, Zhuhai Huafa is the controlling shareholder of the Company as defined under the Listing Rules and a connected person of the Company. Huafa Trading, a subsidiary of Zhuhai Huafa, is therefore a connected person of the Company. As such, the Electronic Communication Product Purchase and Sales Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

On 23 July 2021, the Company entered into the Electronic Communication Product Purchase and Sales Framework Agreement with Huafa Trading, pursuant to which, the Company agreed to purchase Electronic Communication Products from Huafa Trading.

ELECTRONIC COMMUNICATION PRODUCT PURCHASE AND SALES FRAMEWORK AGREEMENT

The principal terms of the Electronic Communication Product Purchase and Sales Framework Agreement are set out as follows:

Date	23 July 2021
Parties	(1) the Company (as purchaser)
	(2) Huafa Trading (as vendor)
Duration	From 23 July 2021 to 31 December 2021
Condition precedent	The Electronic Communication Product Purchase and Sales Framework Agreement is subject to the independent Shareholders' review and approval at the EGM.
Subject matter	Pursuant to terms and conditions of the Electronic Communication Product Purchase and Sales Framework Agreement, the Company agreed to purchase Electronic Communication Products from Huafa Trading.

Subject to terms and conditions of the Electronic Communication Product Purchase and Sales Framework Agreement, the Company shall sign further specific sales contracts (or the orders thereunder) in respect of specific purchase transaction with Huafa Trading to determine the specific scope of Electronic Communication Products and detailed terms and conditions on the purchase of such products.

Terms of payment The payment shall be paid by the Company within 60 days from the date of signing further specific sales contract (or the orders thereunder) under the Electronic Communication Product Purchase and Sales Framework Agreement. The amount and terms of payment are subject to the specific terms and conditions set out in the specific sales contract (or the orders thereunder).

Performance bond The Company shall pay the performance bond to Huafa Trading within 3 days from the date of signing further specific sales contract (or the orders thereunder) under the Electronic Communication Product Purchase and Sales Framework Agreement at 10% of the consideration of the related specific sales contract.

PRICING POLICY

The pricing of the Electronic Communication Products under the Electronic Communication Product Purchase and Sales Framework Agreement will be determined after arm's length negotiations between the parties by reference to the supplier's supply price in accordance with the guided-price of the electronic communication products set by manufactures. Huafa Trading purchases electronic communication products from suppliers every month and then supplies them to the Company. At the same time, according to market conditions, based on a 60-day account period, 0.5% of the monthly capital cost (i.e. mark-up on the procurement cost) is added to the purchase price to determine the final selling price.

To ensure that the price and terms of the Electronic Communication Products offered by Huafa Trading to the Company are no less favourable than the price and terms offered by other independent third party suppliers, the Company would obtain comparable purchase quotations of identical products and amounts from two to three independent third party suppliers from time to time.

HISTORICAL TRANSACTION AMOUNTS

There is no any electronic communication product purchase and sale transaction between the Company and Huafa Trading before entering into the Electronic Communication Product Purchase and Sales Framework Agreement.

PROPOSED ANNUAL CAP AND BASIS OF DETERMINATION

The maximum annual cap in respect of transactions for the purchase of the Electronic Communication Products to be made by the Company from Huafa Trading from 23 July 2021 to 31 December 2021 shall be RMB10,000 million.

As of 31 December 2021, the proposed annual cap under the Electronic Communication Product Purchase and Sales Framework Agreement is arrived primarily with reference to:

1. Future Development Goals of the Company. During the "14th Five-Year Plan" period, the Company, with the support of Zhuhai Huafa, will continue to seize the good opportunity of operator's retail transformation, mobile phone manufacturer's brand landscape restructuring, and the explosive growth of omni-channel traffic dividend. On the basis of achieving the existing retail and distribution business growth target of more than 50% in three years, the Company also plans to expand its business scale in four platform businesses, namely IoT products for government enterprises and provincial operators, live streaming merchant pallets, nationwide and regional second-tier brands agents, and Apple education products agency procurement. Under the aforesaid future development goals, the Company expects that the Group's operating revenue will be approximately RMB18.8 billion, RMB24.8 billion and RMB29.4 billion for the three years ending 31 December 2021, 31 December 2022 and 31 December 2023, respectively. Accordingly, the Company calculated the sales based on the operating revenue for the next three years and further estimated the purchase amount (the purchase amount is approximated 80% of the sales);

2. Historical operating revenue and purchase amount of the Group. For the three years ended 31 December 2018, 31 December 2019 and 31 December 2020, the Group's operating revenue was approximately RMB15 billion, RMB15.4 billion and RMB13.6 billion, respectively, and the Group's corresponding omni-channel retail and distribution purchase amounts were approximately RMB13.73 billion, RMB14.09 billion and RMB11.48 billion, respectively; and

3. The historical proportion of the agency procurement platform of the Group. For the three years ended 31 December 2018, 31 December 2019 and 31 December 2020, the Group's proportion of the agency procurement platform was 7.34%, 26.53% and 41.16%, respectively. Based on the industry trend, the Group's proportion of agency procurement will increase in the future and is expected to be no less than 60% on average in the next three years.

There are two sources of the upstream procurement of the Group, one from manufacturers and agents, the other from platforms. If choose platforms as main procurement method, in addition to Huafa Trading, there are five independent third party platforms that serve as the main procurement channels for the Group.

Huafa Trading will be one of the Group's procurement agency platforms which would purchase the Electronic Communication Products from manufacturers and re-sell these products to the Group on a voluntary and non-exclusive basis. As such, Huafa Trading merely serves as an agent, but not a manufacturer, for procurement of the Electronic Communication Products. The supply of products to the Group shall depend largely on the relevant manufacturers, which are the ultimate suppliers that have control in determining the quantities and prices of products. Therefore, as the Group still has options to procure the Electronic Communication Products from relevant manufacturers directly or from other existing procurement agency platforms, the Group's reliance on Huafa Trading is not material to the extent that would adversely affect its supply chain.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ELECTRONIC COMMUNICATION PRODUCT PURCHASE AND SALES FRAMEWORK AGREEMENT

During the "14th Five-Year Plan" period, the Company, with the support of Zhuhai Huafa, will continue to seize the good opportunity of operator's retail transformation, mobile phone manufacturer's brand landscape restructuring, and the explosive growth of omni-channel traffic dividend. On the basis of achieving the existing retail and distribution business growth target of more than 50% in three years, the Company also plans to expand its business scale in four platform businesses, namely IoT products for government enterprises and provincial operators, live streaming merchant pallets, nationwide second-tier brands and regional agents, and Apple education products agency procurement. In addition to the existing source procurement to supply the sales channel of the original stores, the new platform business will have higher requirements for the quantity and category of sources, requiring more procurement capital support to meet the source demand. The Company and Huafa Trading are both subsidiaries of Zhuhai Huafa, and the inter-company communication and collaboration within the Group is more efficient. By entering into the Electronic Communication Product Purchase and Sales Framework Agreement with Huafa Trading, the total procurement cost of the Company is lower than the purchase transactions with external platforms due to the lower expenses charged by Huafa Trading, which helps the Company to rapidly expand the construction of new business channels while maintaining the stable development of its main business. At the same time, Huafa Trading can gain a deeper understanding of the Company's business based on the agency procurement as entry point, which makes the agency procurement business more healthy and in compliance with laws, and helps to better integrate more resources to assist the Company's business grow expeditiously and achieve significant business synergies in the future. In addition, the Group is benefit from the credit terms provided by Huafa Trading as the agency procurement platform, which facilitates the efficiency of cash flows and the operation of the Company.

The Directors (including the independent non-executive Directors) are of the view that the Electronic Communication Product Purchase and Sales Framework Agreement and its proposed annual cap are entered into in the ordinary and usual course of business of the Group on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Reference is made to the joint announcement dated 3 June 2021 jointly issued by the Company, Zhuhai Huafa Industrial and Hong Kong Huafa in relation to, among other things, the close of the Offers and the results of the Offers. Immediately after the close of the Offers and as at the Latest Practicable Date, Zhuhai Huafa Industrial (and any parties acting in concert with it) and Hong Kong Huafa jointly hold approximately 90.76% of the issued Shares of the Company and both Zhuhai Huafa Industrial and Hong Kong Huafa are direct wholly-owned subsidiaries of Zhuhai Huafa. Thus, Zhuhai Huafa is the controlling shareholder of the Company as defined under the Listing Rules and a connected person of the Company. Huafa Trading, a subsidiary of Zhuhai Huafa, is therefore a connected person of the Company. As such, the Electronic Communication Product Purchase and Sales Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Electronic Communication Product Purchase and Sales Framework Agreement is more than 5%, the transactions contemplated under the Electronic Communication Product Purchase and Sales Framework Agreement and its proposed annual cap are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTERNAL CONTROL PROCEDURES AND CORPORATE GOVERNANCE MEASURES

In order to ensure that the Company strictly abides by the above pricing policy, the Company will adopt various internal control measures in the daily procurement business. These measures were carried out and monitored by the Company's functional departments (mainly the internal audit department, supported by the finance department and the legal affairs department):

1. the Company has formulated and adopted a connected transaction management system. Under such system, the Company's functional departments are responsible for reporting the collected information in respect of continuing connected transactions and the reviewed terms of the transaction agreements to the general manager, who organizes the review and reports to the Board to evaluate the fairness of the transaction terms and price terms;

2. when determining the purchase price of the products under the transactions, the procurement department of the Company will invite quotations and approve the purchase from two to three different qualified suppliers according to the established "Purchasing Management System" to ensure that the transaction price is fair and reasonable. The Company's procurement department, finance department, legal affairs department, internal audit department, etc. jointly participated in the review of the transaction contracts to ensure that the price is consistent with the price terms of the normal supply agreement and the terms offered by the suppliers to the Company are no less favourable than those offered to the independent third parties;

3. after the commencement of the continuing connected transactions, the functional departments of the Company will keep track of and collect relevant transactions information and report to the Board on a regular basis to ensure that the actual amount incurred in the continuing connected transactions would not exceed the annual cap; in the event that the actual amount incurred is on the verge of reaching the caps, the legal affairs department will notify the Board in a timely manner. The Board will perform the corresponding procedures of review and disclosure in accordance with the relevant rules;

4. the internal audit department of the Company will perform audits regularly in respects of the continuing connected transactions to ensure the fairness and reasonableness of the transaction prices, and to ensure that the price is in line with the price terms of the normal service agreement and the terms offered by the suppliers to the Company are no less favourable than those offered to the independent third parties;

5. the independent non-executive Directors of the Company have reviewed and will continue to review the non-exempt continuing connected transactions to ensure that these agreements are entered into on normal commercial terms, are fair and reasonable, and are conducted in accordance with the terms of these agreements. The Company's auditor will also conduct an annual review of the pricing and annual cap of such non-exempt continuing connected transactions.

Taking into account of the relevant pricing policy, the basis for determining the proposed annual cap, the reasons for and benefits of entering into the Electronic Communication Product Purchase and Sales Framework Agreement as well as the Company's internal control procedures and corporate governance measures, the Directors (including the independent non-executive Directors) are of the view that the Electronic Communication Product Purchase and Sales Framework Agreement and its proposed annual cap are entered into in the ordinary and usual course of business of the Group on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. At the same time, the Company considers that it has adequate mechanisms and internal control procedures in place to ensure compliance and strict adherence to the terms of the Electronic Communication Product Purchase and Sales Framework Agreement in respect of the continuing connected transactions.

THE BOARD'S OPINION

In the case that each of the Directors, namely Ms. Xu Jili, Ms. Xu Liping, Mr. Li Guangning, Ms. Guo Jin and Mr. Gao Dali, has served in Zhuhai Huafa and/or its subsidiaries, and Mr. Liu Donghai, a Director, shall act in accordance with the will of Zhuhai Huafa Industrial pursuant to the concert party agreement dated 29 January 2021, and therefore the above Directors are deemed to be materially interested in the Electronic Communication Product Purchase and Sales Framework Agreement and have abstained from voting at the Board meeting for approving the transactions contemplated under the Electronic Communication Product Purchase and Sales Framework Agreement and its proposed annual cap. Save as disclosed above, none of the Directors has any material interest in the Electronic Communication Product Purchase and Sales Framework Agreement and is required to abstain from voting at the Board meeting for approving the transactions contemplated under the Electronic Communication Product Purchase and Sales Framework Agreement and its proposed annual cap.

Taking into account of the relevant pricing policy, the basis for determining the proposed annual cap, the reasons for and benefits of entering into the Electronic Communication Product Purchase and Sales Framework Agreement as well as the Company's internal control procedures and corporate governance measures, the Directors (including the independent non-executive Directors) are of the view that the Electronic Communication Product Purchase and Sales Framework Agreement and its proposed annual cap are entered into in the ordinary and usual course of business of the Group on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

APPROVAL OF INDEPENDENT SHAREHOLDERS

As the transactions contemplated under the Electronic Communication Product Purchase and Sales Framework Agreement and its proposed annual cap are subject to the approval of independent Shareholders, the Independent Board Committee comprising all of the independent non-executive Directors has been established to advise the independent Shareholders in relation to the transactions contemplated under the Electronic Communication Product Purchase and Sales Framework Agreement and its proposed annual cap. Innovax has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders on the same issue.

In view of the material interests held by Zhuhai Huafa in the Electronic Communication Product Purchase and Sales Framework Agreement, Zhuhai Huafa Industrial (and any parties acting in concert with it) and Hong Kong Huafa, both being the wholly-owned subsidiaries of Zhuhai Huafa, hold approximately 90.76% of the issued Shares of the Company in aggregate as at the Latest Practicable Date and are required to abstain from voting on the resolutions proposed at the EGM of the Company for approving the transactions contemplated under the Electronic Communication Product Purchase and Sales Framework Agreement and its proposed annual cap.

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors, save as disclosed herein, none of other Shareholders is required to abstain from voting on relevant resolution.

GENERAL INFORMATION

The Company

For details of the information about the Company, please refer to page 15 of this circular.

Huafa Trading

Huafa Trading is a limited liability company established in the PRC and a subsidiary of Zhuhai Huafa. Huafa Trading is principally engaged in bulk commodity trading business such as non-ferrous metals, coal, mineral products, building materials, petrochemicals, and agricultural products. The ultimate beneficial owner of Huafa Trading is Zhuhai Huafa.

Zhuhai Huafa

For details of the information about Zhuhai Huafa, please refer to page 15 of this circular.

3. PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Reference is made to the announcement of the Company dated 16 August 2021, which is in relation to, among other things, the resolution regarding the proposed election of Mr. Xiehui (謝輝), Mr. Jia Zhaojie (賈召傑) and Ms. Pan Anran (潘安然) as non-executive Directors of the fourth session of the Board.

Due to work adjustment, Mr. Li Guangning has resigned as non-executive Director and member of the Strategy Committee of the Company; Ms. Guo Jin has resigned as non-executive Director and member of the Strategy Committee of the Company; and Mr. Gao Dali has resigned as non-executive Director and member of the Audit Committee of the Company. The resignation of the above non-executive Directors shall take effect from the conclusion of the EGM. In order to ensure the operation of the Board is in compliance with the Articles of Association and relevant regulations of the Company, the above Directors will continue to perform their duties as non-executive Directors and members of relevant board committees of the Company before the results of the election of new Directors at the EGM.

Mr. Li Guangning, Ms. Guo Jin and Mr. Gao Dali have respectively confirmed that he/she has no disagreement with the Board and no other matters concerning his/her resignation are needed to be brought to the attention of the Hong Kong Stock Exchange and the Shareholders. The Board has confirmed that there are no other matters concerning the resignation of the above Directors which are needed to be brought to the attention of the Hong Kong Stock Exchange or the Shareholders.

The Board proposed the election of Mr. Xie Hui as a non-executive Director and a member of the Strategy Committee of the Company; the election of Mr. Jia Zhaojie as a non-executive Director and a member of the Strategy Committee of the Company; and the election of Ms. Pan Anran as a non-executive Director and a member of the Audit Committee of the Company, to replace Mr. Li Guangning, Ms. Guo Jin and Mr. Gao Dali as non-executive Directors and members of relevant board committees of the Company. Mr. Xie Hui, Mr. Jia Zhaojie and Ms. Pan Anran have confirmed the acceptance of their nominations, respectively.

The biographical details of the above proposed non-executive Directors are set out in the appendix III to this circular.

Mr. Xie Hui, Mr. Jia Zhaojie and Ms. Pan Anran will perform their duties as non-executive Directors and members of relevant board committees of the Company with the effect form the date of the EGM on which the elections are approved. Their terms of office will end at the expiry of the fourth session of the Board.

In the event that Mr. Xie Hui, Mr. Jia Zhaojie and Ms. Pan Anran are appointed as non-executive Directors of the Company at the EGM, they will enter into service agreements with the Company respectively. Mr. Xie Hui, Mr. Jia Zhaojie and Ms. Pan Anran, each as a non-executive Director of the Company, shall receive no remuneration or allowance from the Company.

As at the Latest Practicable Date, save as disclosed above and in the appendix III to this circular, Mr. Xie Hui, Mr. Jia Zhaojie and Ms. Pan Anran have confirmed that they have not held any positions as Directors or supervisors in any public companies, the securities of which are listed on any securities markets in Hong Kong or overseas, or had any major appointment or qualification, or held any positions in the Company or any other members of the Group for the past three years, and does not have any relationship with any other Directors, supervisors, senior management, substantial or controlling Shareholders of the Company. As at the Latest Practicable Date, Mr. Xie Hui, Mr. Jia Zhaojie and Ms. Pan Anran have confirmed that they do not have any interests in the equity interests of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

In addition, Mr. Xie Hui, Mr. Jia Zhaojie and Ms. Pan Anran do not have any other information that is needed to be disclosed pursuant to any requirement under Rule 13.51(2)(h) to (v) of the Listing Rules, and no other matters concerning the proposed appointment of the non-executive Directors of the Company are needed to be brought to the attention of the Hong Kong Stock Exchange and the Shareholders.

EXTRAORDINARY GENERAL MEETING

A notice of the EGM to be held at 46th Floor, South Tower, Lize SOHO, Building 1, No. 20, Lize Road, Lize Financial Business District, Fengtai District, Beijing, the PRC on Friday, 10 September 2021 at 2:00 p.m. is set out on pages 78 to 80 of this circular.

As the deposit services under the Financial Services Agreement and the transactions contemplated under the Electronic Communication Product Purchase and Sales Framework Agreement and their respective proposed annual caps are subject to the approval of independent Shareholders, the Independent Board Committee comprising all of the independent non-executive Directors has been established to advise the independent Shareholders in relation to the issues thereof. Innovax has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders on the same issue.

In order to determine the Shareholders who are entitled to attend the EGM, the Company's register of H Shareholders will be closed from Wednesday, 11 August 2021 to Friday, 10 September 2021 (both days inclusive) during which period no transfer of H Shares will be effected. Holders of H Shares whose names appear on the Company's register of members on Friday, 10 September 2021 are entitled to attend the EGM. In order to determine the entitlement to attend the EGM, all transfer forms and share certificates must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 10 August 2021.

A form of proxy for use at the EGM is enclosed herewith and also published on both the websites of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.dixintong.com). If you intend to appoint a proxy to attend the EGM, you are requested to complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM (i.e. before 2:00 p.m. on Thursday, 9 September 2021) or any adjournment thereof (as the case may be). Completion, signing and return of the form of proxy will not preclude you from attending and voting in person at the EGM.

LISTING RULES REQUIREMENT

According to Rule 13.39(4) of the Listing Rules, apart from certain exceptions, any vote of Shareholders at a general meeting must be taken by poll. All resolutions at the EGM will be taken by way of poll. An announcement on the poll vote results will be published on the websites of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.dixintong.com) respectively by the Company after the EGM in the manner prescribed under the Listing Rules.

RECOMMENDATION

The Board believes that the proposals mentioned above are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that all Shareholders vote in favour of the relevant resolutions to be proposed at the EGM as set out in the notice of the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the independent Shareholders and the letter from Innovax to the Independent Board Committee and the independent Shareholders set out in this circular.

Yours faithfully,
By order of the Board
Beijing Digital Telecom Co., Ltd.
XU Jili
Chairwoman

北京迪信通商貿股份有限公司
Beijing Digital Telecom Co., Ltd.
(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6188)

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION – FINANCIAL SERVICES AGREEMENT CONTINUING CONNECTED TRANSACTION – ELECTRONIC COMMUNICATION PRODUCT PURCHASE AND SALES FRAMEWORK AGREEMENT

24 August 2021

To the independent Shareholders

Dear Sir or Madam,

We refer to the circular dated 24 August 2021 of the Company to all Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the independent Shareholders on whether the deposit services under the Financial Services Agreement and the transactions contemplated under the Electronic Communication Product Purchase and Sales Framework Agreement and their respective proposed annual caps (details of which are set out in the Letter from the Board in the Circular) are conducted in the ordinary and usual course of business of the Company on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Innovax has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders on the same issues.

Having considered the information set out in the Letter from the Board as well as the Letter from Innovax in the Circular, we are of the view that the deposit services under the Financial Services Agreement and the transactions contemplated under the Electronic Communication Product Purchase and Sales Framework Agreement and their respective proposed annual caps are conducted in the ordinary and usual course of business of the Company on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Our view related to fairness and reasonableness is based on information, facts and circumstances currently prevailing.

Accordingly, we advise the independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to respectively approve the deposit services under the Financial Services Agreement and the transactions contemplated under the Electronic Communication Product Purchase and Sales Framework Agreement and their respective proposed annual caps.

Yours faithfully,

Independent Board Committee

Mr. LV Tingjie	**Mr. LV Pingbo**	**Mr. CAI Chun Fai**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

Set out below is a letter of advice from the Independent Financial Adviser, Innovax Capital Limited, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this Circular.

Innovax Capital

24 August 2021

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION – FINANCIAL SERVICES AGREEMENT; AND CONTINUING CONNECTED TRANSACTION – ELECTRONIC COMMUNICATION PRODUCT PURCHASE AND SALES FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the deposit services under the Financial Services Agreement; and (ii) the transactions contemplated under the Electronic Communication Product Purchase and Sales Framework Agreement (including their respective proposed annual caps thereunder) (collectively, the "**Continuing Connected Transactions**"), details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 24 August 2021 (the "**Circular**"), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 23 July 2021, the Company entered into the Financial Services Agreement with Huafa Finance Company, pursuant to which Huafa Finance Company agreed to provide financial services (including the deposit services, loan services and the Other Financial Services) to the Group for the period from 23 July 2021 to 31 December 2023.

On the same date, the Company also entered into the Electronic Communication Product Purchase and Sales Framework Agreement with Huafa Trading, pursuant to which the Group agreed to purchase the Electronic Communication Products from Huafa Trading for the period from 23 July 2021 to 31 December 2021.

Reference is made to the joint announcement jointly issued by the Company, Zhuhai Huafa Industrial and Hong Kong Huafa dated 3 June 2021 in relation to, among other things, the close of the Offers and the results of the Offers. Immediately after the close of the Offers and as at the Latest Practicable Date, Zhuhai Huafa Industrial (and any parties acting in concert with it) and Hong Kong Huafa jointly hold approximately 90.76% of the issued Shares of the Company and both Zhuhai Huafa Industrial and Hong Kong Huafa are direct wholly owned subsidiaries of Zhuhai Huafa. Thus, Zhuhai Huafa is the controlling shareholder of the Company as defined under the Listing Rules and a connected person of the Company. Huafa Finance Company and Huafa Trading, as subsidiaries of Zhuhai Huafa, are therefore connected persons of the Company. As such, the Continuing Connected Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

In respect of the deposit services under the Financial Services Agreement, (i) as the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the deposit services is more than 5%, the deposit services constitute a continuing connected transaction of the Company, and therefore are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules; and (ii) as the highest applicable percentage ratio in respect of the deposit services is more than 25%, the deposit services constitute a major transaction of the Company, and therefore are subject to the reporting, announcement and the Shareholders' approval requirements under Chapter 14 of the Listing Rules. On the other hand, in respect of the Electronic Communication Product Purchase and Sales Framework Agreement, as the highest applicable percentage ratio of which is more than 5%, the transactions contemplated under the Electronic Communication Product Purchase and Sales Framework Agreement are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Lv Tingjie, Mr. Lv Pingbo, and Mr. CAI Chun Fai, has been established to advise the independent Shareholders as to whether the Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and that the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. As the Independent Financial Adviser, we have been appointed by the Company to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

INDEPENDENCE

As at the Latest Practicable Date, we are not associated or connected with the Group, their respective substantial or controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for the engagement as the independent financial adviser to the then independent board committee and independent shareholders of the Company in respect of the Offers as set out in the composite offer and response document (the "**Composite Offer Document**") dated 30 April 2021 jointly issued by the Company, Zhuhai Huafa Industrial and Hong Kong Huafa (the "**Previous Engagement**"), there were no other engagements between the Group and Innovax Capital Limited or the parties acting in concert with it and us. Apart from normal professional fees paid or payable to us in connection with the Previous Engagement and this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Group, their respective substantial or controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice in respect of the Continuing Connected Transactions.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst others, (i) the Composite Offer Document; and (ii) the annual reports of the Company for the years ended 31 December 2019 and 2020, respectively (the "**2019 Annual Report**" and "**2020 Annual Report**", respectively). We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Company (the "**Management**"). We have assumed that all information and representations that have been provided by the Directors and the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, the Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, the Management (where applicable), which have been provided to us. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts or representations not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor conducted any independent in-depth investigation into the business affairs, assets and liabilities or future prospects of the Company, their respective subsidiaries or associates (if applicable) or any of the other parties involved in the Continuing Connected Transactions, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Continuing Connected Transactions.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into consideration the following principal factors and reasons:

1 Background information of the Group

1.1 Principal activities of the Group

The Company is a joint stock limited company established in the PRC on 31 May 2001. The principal business activity of the Group is the sales of communication equipment in the PRC and oversea countries. The Group focuses on the sales of mobile telecommunication devices and the provision of related services. With its extensive offline sales channels and online sales platform, the Group provides comprehensive services to consumers, ranging from sales of mobile phone hardware and accessories, provision of value-added services for software and provision of personalized services for mobile phones and aftersales services.

1.2 Historical Financial Information of the Group

Set out below is a summary of the consolidated financial information of the Group for the years ended 31 December 2018, 2019 and 2020 as extracted from the 2019 Annual Report and the 2020 Annual Report.

	For the year ended 31 December		
	2020	**2019**	**2018**
	("FY2020")	**("FY2019")**	**("FY2018")**
	(Audited)	(Audited)	(Audited)
	RMB'000	*RMB'000*	*RMB'000*
Revenue from continuing operations	13,550,150	15,350,953	14,957,133
– Sales of mobile telecommunications devices and accessories	13,246,324	14,877,308	14,451,208
– Others	303,826	473,645	505,925
Gross profit from continuing operations	1,176,691	1,768,877	1,914,750
Profit for the year	114,512	260,452	322,101

In FY2019, the Group recorded slight increase in revenue from continuing operations by approximately 2.6%. Despite the slight decrease in sales volume of mobile handsets from 9.9 million sets in FY2018 to 9.7 million sets in FY2019, the increase of revenue was mainly driven by an increase in average selling price from RMB1,394 per handset in FY2018 to RMB1,487 per handset in FY2019 as a result of (a) expansion in foreign markets, for example, revenue generated from Spain increased significantly by 535.0% from RMB50.7 million in FY2018 to RMB322.1 million in FY2019; and (b) the launch of new 5G mobile phones.

The Group's gross profit from continuing operations in FY2019 decreased by 7.6% and its gross profit margin also decreased from 12.8% in FY2018 to 11.5% in FY2019, which was primarily due to higher proportion of wholesale revenue and the lower proportion of retail revenue in FY2019 as a result of the reduction in number of offline outlets during FY2019. The Group's net profit for the year in FY2019 decreased moderately by 19.1%, which was primarily due to (i) the decrease in gross profit; (ii) the decrease in interest income; (iii) increase in impairment losses on financial assets including loan receivables and trade receivables; (iv) increase in finance cost; and net-off by (v) the decrease in selling and distribution expenses.

In FY2020, the Group's revenue decreased by 11.7%, which was primarily due to the decrease in the sales of telecommunications devices and accessories with number of mobile handsets sold decreasing from 9.7 million sets in FY2019 to 8.0 million sets in FY2020 as a result of the decrease in the number of offline outlets amid the COVID-19 pandemic and the shift in shopping preferences by consumers to purchase online. Such negative impact from the decrease in sales volume was partially offset by the increase in average selling price from RMB1,487 per set in FY2019 to RMB1,622 per set in FY2020 and the significant increase in revenue generated in Spain in FY2020 by 85.4%.

The Group's gross profit decreased by 33.5% in FY2020 as compared to FY2019, which was mainly due to the decrease in gross profit margin from 11.5% in FY2019 to 8.7% in FY2020 as a result of the decrease in the proportion of retail revenue as the Group's number of offline outlets decreased during the COVID-19 pandemic. The Group's net profit for the year decreased by 56.0% from approximately RMB260.5 million in FY2019 to approximately RMB114.5 million in FY2020 which was mainly due to the decrease in the Group's gross profit and other income and gains while the Group's operating expenses only decreased to a lesser extent, resulting in even lower net profit margin of 0.8% in FY2020, as compared with 1.7% in FY2019.

Set out below is a summary of the consolidated statement of financial position as at 31 December 2018, 2019 and 2020 and the consolidated statement of cashflows of the Group for the three years ended 31 December 2020, as extracted from the 2019 Annual Report and the 2020 Annual Report.

	As at 31 December		
	2020	**2019**	**2018**
	(Audited)	(Audited)	(Audited)
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	833,442	1,167,898	421,386
Current assets	8,511,574	9,773,359	7,658,717
Pledged deposits	1,063,341	1,485,075	660,251
Cash and cash equivalents	71,413	666,245	708,548
TOTAL ASSETS	**9,345,016**	**10,941,257**	**8,080,103**
Current liabilities	4,689,071	6,440,324	4,246,398
Interest-bearing bank and other borrowings	2,719,334	3,968,773	3,066,638
Non-current liabilities	208,439	324,428	–
Long term borrowings	21,498	–	–
TOTAL LIABILITIES	**4,897,510**	**6,764,752**	**4,246,398**
NET CURRENT ASSETS	**3,822,503**	**3,333,035**	**3,412,319**
NET ASSETS	**4,447,506**	**4,176,505**	**3,833,705**

	For the year ended 31 December		
	2020	**2019**	**2018**
	(Audited)	(Audited)	(Audited)
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from operating activities	315,029	537,068	266,249
Net cash (used in)/generated from investing activities	78,098	(367,347)	350,890
Net cash (used in) financing activities	(988,621)	(212,223)	(524,234)
Net (decrease)/increase in cash and cash equivalents	(595,494)	(42,502)	92,905
Cash and cash equivalents at end of the year	71,413	666,245	708,548

The Group's non-current assets mainly included right-of-use assets and investments in associates, while the Group's current assets mainly included inventories, trade and bills receivables, prepayments, other receivables and other assets and pledged deposits. As at 31 December 2018, 2019 and 2020, the Group's cash and cash equivalents together with pledged deposits represented approximately 16.9%, 19.7% and 12.1% of the Group's total assets, respectively.

The Group's non-current liabilities mainly included lease liabilities and long-term borrowings, while the Group's current liabilities mainly included interest-bearing bank and other borrowings and trade and bills payables. As at 31 December 2018, 2019 and 2020, the Group's interest-bearing bank and other borrowings together with long-term borrowings represented approximately 72.2%, 58.7% and 56.0% of the Group's total liabilities, respectively.

In FY2019, the Group recorded net decrease in cash and cash equivalents of approximately RMB42.5 million because the Group's cash generated from operating activities were not sufficient to cover cash used in investing activities and financing activities. The Group used approximately RMB200.1 million in the purchase of financial assets at fair value through profit or loss and invested approximately RMB217.0 million in the acquisition of interests in joint ventures, which resulted in a net cash used in investing activities during FY2019. The Group also paid interest expenses on its borrowings and increased in pledged deposits, resulting in a net cash used in financing activities during FY2019. The Group's liquidity further decreased in FY2020 when the Group recorded a net decrease in cash and cash equivalents by approximately RMB595.5 million in FY2020 when its net cash generated from operating activities and investing activities were insufficient to cover the net cash used in financing activities, which were used for the repayment of corporate bond and bank loans during FY2020, resulting in cash and cash equivalent of merely RMB71.4 million as at 31 December 2020, as compared with approximately RMB666.2 million as at 31 December 2019.

As illustrated above, the Group's financial performance and liquidity have been deteriorating during the three years ended 31 December 2020 as the Group's number of offline outlets continued to decrease while its online sales failed to catch up. The COVID-19 pandemic was a catalyst in the shift of shopping preferences of consumers from offline to online and, thereby, the deterioration of financial performance for the Group, which resulted in an even faster rate of the closure of offline outlets. The number of offline outlets decreased by more than 25.1% in FY2020, compared with 9.2% in FY2019.

2 Financial Services Agreement

2.1 Information of Huafa Finance Company

Huafa Finance Company is a limited liability company established in the PRC and a subsidiary of Zhuhai Huafa, the controlling shareholder of the Company. Huafa Finance Company is a currency financial services company, and the scope of its operations mainly includes the handling of deposits, loans, settlements and other related businesses, as well as the provision of consulting and agency business such as financial and financing consulting and credit verification services, etc. The ultimate beneficial owner of Huafa Finance Company is Zhuhai Huafa. The total registered capital of Huafa Finance Company is RMB2 billion, and Huafa Finance Company had net assets of approximately RMB5.1 billion as at 31 December 2020.

Zhuhai Huafa is a large state-owned conglomerate in the PRC with its business operations primarily conducted in Zhuhai City, Guangdong Province, which is situated at the southern end of the Pearl River Delta. Zhuhai Huafa was established as a wholly state-owned enterprise in 1980 and is under the direct supervision of Zhuhai SASAC. Zhuhai Huafa and its subsidiaries initially focused on property development in Zhuhai, and has since expanded into other cities and diversified to include other businesses. Currently, Zhuhai Huafa and its subsidiaries are primarily engaged in six major businesses, namely urban operations, financial services, property development, industrial investment, sales and trading and modern services. In addition, Zhuhai Huafa and its subsidiaries also engage in other businesses which are incidental to their six major businesses.

(i) Regulatory environment

Huafa Finance Company is a non-bank financial institution regulated by the PBC and CBIRC. Huafa Finance Company is required to operate in compliance with the Measures for Administration of the Finance Companies of Enterprise Groups (the "**Measures**") promulgated by the CBIRC to regulate the operation of finance companies of enterprise groups and reduce the possible financial risk. Pursuant to the Measures, the customers of Huafa Finance Company are limited to the group members of Zhuhai Huafa. As such, Huafa Finance Company was incorporated as a finance company with a primary focus to serve group members of Zhuhai Huafa. According to its business license, Huafa Finance Company is authorised to provide the Group with all the services set out in the Financial Service Agreement.

Huafa Finance Company is subject to stringent regulations of the CBIRC, including but not limited to regular examination of the audited financial statements and other relevant materials required to be filed by Huafa Finance Company as well as on-site inspections and interviews with the senior management of Huafa Finance Company. Huafa Finance Company is required to submit audited financial statements and report its operation status to the CBIRC annually. The standing of Huafa Finance Company as a non-bank financial institution in the PRC is subject to periodic review by the CBIRC. In addition, Huafa Finance Company must comply with the financial ratio requirements set by the CBIRC from time to time. To ensure compliance with the applicable laws and regulations, CBIRC has powers to issue corrective and/or disciplinary orders and to impose penalties and/or fines on Huafa Finance Company. We have been advised by the Management that up to the Latest Practicable Date, there is no record of non-compliance with relevant laws, rules and regulations of the PRC on Huafa Finance Company.

(ii) Financial performance of Huafa Finance Company

Set out below is a summary of the financial information of Huafa Finance Company for the three years ended 31 December 2020 according to its audited financial statements for the years ended 31 December 2019 and 2020, respectively.

	For the year ended 31 December		
	2020	**2019**	**2018**
	(Audited)	(Audited)	(Audited)
	RMB'000	*RMB'000*	*RMB'000*
Operating revenue			
– Net interest income	1,281,797	1,026,312	767,340
– Net handling fee and commission income/(expenses)	(85)	207	830
– Investment income and other income	73,669	91,389	78,707
Net Profit	**666,951**	**563,052**	**386,719**

	As at 31 December		
	2020	**2019**	**2018**
	(Audited)	(Audited)	(Audited)
	RMB'000	*RMB'000*	*RMB'000*
Deposits to central bank or other financial institutions	19,829,606	9,929,495	10,258,206
Available-for-sale financial assets	740,867	1,355,991	1,483,615
Loans to members of Zhuhai Huafa and its associates	27,029,072	24,057,821	17,881,450
Other assets	2,285,085	1,522,873	1,805,745
Total assets	**49,884,630**	**36,866,180**	**31,429,016**
Deposits from members of Zhuhai Huafa and its associates	44,604,593	31,479,152	27,382,456
Other liabilities	187,226	957,632	197,034
Total liabilities	**44,791,819**	**32,436,784**	**27,579,490**
Net assets	**5,092,811**	**4,429,396**	**3,849,526**

The revenue of Huafa Finance Company was primarily generated from interest income earned from (i) the deposits to other financial institutions; and (ii) loans made to members of Zhuhai Huafa. Huafa Finance Company recorded significant improvements in operating revenue and net profit for the three years ended 31 December 2020. The operating revenue increased from approximately RMB846.9 million in FY2018 to approximately RMB1,117.9 million in FY2019, and further increased to approximately RMB1,355.4 million in FY2020; while the net profit increased from approximately RMB386.7 million in FY2018 to approximately RMB563.1 million in FY2019, and further increased to approximately RMB667.0 million in FY2020.

The assets of Huafa Finance Company primarily consisted of deposits to central bank or other financial institutions, available-for-sale financial assets and loans to group members of Zhuhai Huafa and its associates. The total assets of Huafa Finance Company recorded an increasing trend of approximately RMB31,429.0 million, RMB36,866.2 million and RMB49,884.6 million as at 31 December 2018, 2019 and 2020, respectively. The liabilities of

Huafa Finance Company represented primarily the deposits from group members of Zhuhai Huafa and its associates, which amounted to approximately RMB27,382.5 million, RMB31,479.2 million and RMB44,604.6 million as at 31 December 2018, 2019 and 2020, respectively. The net assets of Huafa Finance Company amounted to approximately RMB3,849.5 million, RMB4,429.4 million and RMB5,092.8 million as at 31 December 2018, 2019 and 2020, respectively.

(iii) Organization structure of Huafa Finance Company

Huafa Finance Company has a sound organizational structure and standardized internal control mechanism in accordance with the relevant PRC financial services rules and regulations.

It has established different departments and committees, including but not limited to risk management department, audit management department and credit examining committee, for maintaining risk management and internal control functions. Policies and operation manuals for important functions, including but not limited to credit analysis, loan businesses and risk classification of assets, have been in place for maintaining proper internal control functions.

Having considered the background, regulatory environment, financial information and organization structure of Huafa Finance Company, we consider that Huafa Finance Company is capable to provide and monitor the provision of deposit services to the Group in compliance with the relevant rules and regulations in the PRC.

2.2 Reasons for and benefits of entering into the Financial Services Agreement

With reference to the Letter from the Board, the Board is of the view that there are a number of advantages to the Group for entering into the Financial Services Agreement, which include, among others, that (i) the Group can use Huafa Finance Company as a medium to facilitate more efficient deployment of funds among the Company's subsidiaries; (ii) the Group can maximize the efficiency of the Group's capital by expanding the use of the available funds and by using the funds collected to repay the external commercial loans of the Company's subsidiaries; (iii) this can promote capital liquidity within the Group, enhance the overall solvency of the Group and help monitor financial risks; (iv) this allows for quick and accurate monitoring and regulation of the use of the Group's funds; and (v) the Group expects a high frequency of daily usage of the centralized electronic clearing system on the cash management platform provided by Huafa Finance Company in the future.

As stated in the Letter from the Board, the deposit services provided by Huafa Finance Company do not require a pre-determined notice period for withdrawals, which can be freely withdrawn at any time on demand of the Group. In addition, the financial services contemplated under the Financial Services Agreement will be conducted on a voluntary and non-exclusive basis. The Group is not obliged to engage Huafa Finance Company for any particular financial services, or at all, under the Financial Services Agreement, which provides full flexibility to the Group to decide in a particular situation as to what is in the Group's best interest. Huafa Finance Company is merely one of a number of licensed financial institutions which may provide financial services to the Group. Taking into account (i) the advantages of the Financial Services Agreement as stated in the Letter from the Board; and (ii) the additional benefits of the Financial Services Agreement to the Group set out below, we concur with the Directors' view that the appointment of Huafa Finance Company in respect of the financial services contemplated under the Financial Services Agreement will provide an alternative platform for the Group to facilitate more efficient deployment of funds. Therefore, we consider that the entering into of the Financial Services Agreement will be beneficial to the Group for its treasury management and could in turn achieve the benefits to the Group as stated in the Letter from the Board, and it is in the interests of the Company and Shareholders as a whole.

Other than the aforementioned factors, we have considered the following major reasons and benefits for entering into the Financial Services Agreement.

(i) Better understanding of the Group's operation and its needs

With its state-owned background, Huafa Finance Company has engaged in the provision of financial services to group members of Zhuhai Huafa for around eight years, and hence possesses the relevant experiences in providing the financial services under the Financial Services Agreement to the Group.

As compared to other commercial banks or financial institutions in the PRC, Huafa Finance Company is expected to have a better business connection with the Group and in turn a better understanding of the Group's operations, which could render more expedient and efficient services to cater for the needs of the Group. Accordingly, the use of Huafa Finance Company as an alternative vehicle to manage the funds of the Group would allow more efficient deployment of funds and provide flexibility and convenience to the Group's operations.

(ii) Alternative for financial services with comparable terms

Huafa Finance Company is a non-bank financial institution regulated by PBC and CBIRC and is authorized to provide various financial services to the Group. The pricing policies of Huafa Finance Company are subject to guidelines set by the PBC. Pursuant to the Financial Services Agreement, the deposit rates offered by Huafa Finance Company for the deposit services to the Group will not be lower than (i) the benchmark interest rate in the same period promulgated by the PBC for deposits of the same type; (ii) the interest rate provided by general commercial banks within the PRC for the deposits of the same type and term; and (iii) the interest rate provided by Huafa Finance Company to any third parties for the deposits of the same type and term. In addition, as advised by the Management, the financial services contemplated under the Financial Services Agreement will be conducted on a voluntary and non-exclusive basis. The Group is not obliged to procure any financial services, or at all, from Huafa Finance Company and will not be restricted to approach or engage any other commercial banks or financial institutions in the PRC for similar financial services, in the event that the relevant terms provided by such banks or financial institutions are more competitive and favourable than those provided by Huafa Finance Company. Therefore, the entering into of the Financial Services Agreement provides an alternative to the Group for a stable source of financial services on terms no less favourable than those of major commercial banks or financial institutions in the PRC.

(iii) Integrated financial services for centralized fund management

The arrangement under the Financial Services Agreement involves multiple financial services, such as deposit services, loan services and the Other Financial Services, which enable the Group to achieve prompt and accurate monitoring and regulation of its funds. For example, the Group will be entitled to the highest comprehensive credit limit on a revolving basis of RMB2 billion in respect of the loan services to be provided from Huafa Finance Company, which is equal to the annual cap for the deposit services under the Financial Services Agreement. Huafa Finance Company could perform as a centralized financial platform for the Group to enhance its capital management and control. By procuring integrated financial services from Huafa Finance Company and leveraging it as the settlement platform, fund transmission time could be reduced to expedite the turnaround of funds and thus strengthen the Group's centralized fund management. In addition, it is expected that the access of centralised fund pool is favourable for the Group to improve fund utilisation efficiency and reduce transaction and management cost for its business operations. Taking into account the foregoing and Huafa Finance Company's overall ability for providing integrated financial services, we believe that the entering into of the Financial Services Agreement could facilitate the fund management of the Group in a more efficient manner.

(iv) Better risk control on financing activities

Huafa Finance Company is under the supervision of the PRC and CBIRC and is required to operate in compliance with the Measures. We were advised by the Management that the regulations imposed on finance companies of enterprise groups, such as Huafa Finance Company, are no less stringent than the regulations imposed on commercial banks. Pursuant to the Measures, the customers of Huafa Finance Company are limited to the group members of Zhuhai Huafa. While Zhuhai Huafa is a state-owned enterprise and possesses satisfactory creditworthiness according to the Management, the credit risk of defaults by customers is relatively low for Huafa Finance Company, which effectively reduces the risks that Huafa Finance Company may otherwise be exposed to if its customers include other entities unrelated to Zhuhai Huafa.

We have obtained and reviewed a credit report dated 25 June 2021 issued by China Lianhe Credit Rating Co. Ltd., an independent credit rating agency in the PRC, and we noted that its credit rating for Zhuhai Huafa was last set at AAA (the highest credit rating) with stable outlook.

Other than the regulations imposed by the CBIRC, we understood from the Management that Huafa Finance Company has established stringent internal control measures to ensure effective risk management and compliance with the relevant laws and regulations including corporate governance structure, internal rules and policies and standard operational procedures. In this regard, we have obtained and reviewed the internal control measures of Huafa Finance Company, and noted that it had set up various departments and committees, including but not limited to risk management department, audit management department and credit examining committee, for maintaining risk management and internal control functions. As stated in the Letter from the Board, Huafa Finance Company has sound operating conditions and financial results without any irregularities since its incorporation. Having considered the regulatory environment and internal control measures adopted by Huafa Finance Company, we are of the view that there exist appropriate internal control measures in Huafa Finance Company to safeguard the Financial Services Agreement and the transactions contemplated thereunder.

(v) The Group's needs for the deposit services

As advised by the Management, the Group handles a high volume of cash inflow and outflow from its operations through different banks. During the three years ended 31 December 2020, the Group's revenue amounted to approximately RMB15.0 billion, RMB15.4 billion and RMB13.6 billion respectively. Meanwhile, the Group's pledged deposits, cash and cash equivalents in aggregate amounted to approximately RMB1.4 billion, RMB2.2 billion and RMB1.1 billion as at 31 December 2018, 2019 and 2020, respectively. We understand from the Management that in selecting banks or financial institutions for placing cash and term deposits and financing, the Group will take into consideration different factors such as interest rates offered, amounts of credit facility granted, and funds safety.

Having considered the above, we concur with the Directors' view that the entering into of the Financial Services Agreement is in the ordinary and usual course of the business of the Group and in the interests of the Company and the Shareholders as a whole.

2.3 Principal terms of the deposit services under the Financial Services Agreement

Pursuant to the Financial Services Agreement, Huafa Finance Company agreed to provide the deposit services to the Group, which include but not limited to current deposit, time deposit, call deposit and agreement deposit, etc. The Group's daily maximum outstanding balance (including accrued interests) in Huafa Finance Company shall be RMB2 billion. Subject to the terms and conditions of the Financial Services Agreement, the Group shall sign further specific contracts with Huafa Finance Company in relation to the deposit services to set out the specific matters for providing such services.

In respect of the pricing terms, the deposit interest rate provided by Huafa Finance Company to the Group shall be determined by the parties after arm's length negotiations with reference to the interest rate provided by general commercial banks within PRC for the deposits of the same type and term, but not lower than: (i) the benchmark interest rate in the same period promulgated by the PBC for deposits of the same type; (ii) the interest rate provided by general commercial banks within PRC for the deposits of the same type and term; and (iii) the interest rate provided by Huafa Finance Company to any third parties for the deposits of the same type and term.

It is noted that the interest rates in respect of the deposit services will follow the industry practice in accordance with (i) the benchmark interest rate in the same period promulgated by the PBC; (ii) interest rate provided by general commercial banks within the PRC for the deposits the same type and term. In any case, the deposit interest rate shall not be lower than the benchmark interest rate in the same period quoted by the PBC and the interest rate provided by general commercial banks within the PRC for deposits of the same type and term.

In order to safeguard and comply with the pricing mechanism of the Financial Services Agreement, the Group has implemented internal control measures to govern the transactions contemplated under the Financial Services Agreement, details of which are set out in the section headed "4. Internal control measures of the Group" in this letter. In this regard, we have obtained and reviewed the internal control procedures of the Group and enquired the Management as to the details thereof. In particular, we noted that the Group will conduct quotation collection procedures and comparison procedures before entering into any deposit arrangements with Huafa Finance Company. In the event that the deposit interest rate offered by Huafa Finance Company is lower than the then deposit interest rate offered by the PBC, the Company will require Huafa Finance Company to provide the differences in the interest portion to the Company. The Group also established monthly review mechanism in respect of the deposit arrangements to be entered into with Huafa Finance Company. On the other hand, Huafa Finance Company is subject to regular inspections by CBIRC to check the implementation of their internal control and risk management systems. Since the establishment of Huafa Finance Company, there was no major issue on its operations raised by CBIRC. As such, we consider that the Group has appropriate internal control measures in place to safeguard the interest of the Company and its Shareholders as a whole.

Having considered the above factors and in particular that (i) the interest rates from Huafa Finance Company are no less favourable than those quoted on the PBC and offered by the general commercial banks within the PRC; (ii) the Group has the internal control measures in place to ensure fair pricing of the deposit services to be provided from Huafa Finance Company; and (iii) the Group has the right to select any other independent financial institutions or commercial banks in the PRC as its financial services providers when it, from time to time, thinks fit and appropriate for the benefit of the Group, we are of the view that the terms of the deposit services under the Financial Services Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

2.4 *Proposed annual cap for the deposit services under the Financial Services Agreement (the "Deposit Annual Cap")*

(i) Historical transaction amounts

As stated in the Letter from the Board, before entering into the Financial Services Agreement, the Group has entered into a relevant loan agreement with Huafa Finance Company in respect of loan services, which was entered into on normal commercial terms and no security over the assets of the Group has been granted in respect of the loan services. Save as disclosed herein, the Group did not conduct any transactions with Huafa Finance Company in respect of other financial services prior to entering into the Financial Services Agreement.

(ii) Deposit Annual Cap

The Company proposed that the Deposit Annual Cap in respect of the daily maximum outstanding balance cap (including any accrued interest) in Huafa Finance Company shall be RMB2 billion for each of the three years ending 31 December 2023, respectively. As stated in the Letter from the Board, the Deposit Annual Cap was determined primarily with reference to (i) the daily maximum outstanding balances of the Group at banks for the three years ended 31 December 2018, 2019 and 2020, respectively; (ii) the daily maximum balance of cash and cash equivalents (including any interest accrued thereon) of the Group for the year ended 31 December 2020; (iii) the operating cash flow requirements and financial requirements for the Group's operation and business expansion in the future, taking into account the estimated operating revenue of the Group for the three years ending 31 December 2023, respectively; and (iv) based on the fact that Huafa Finance Company is supervised by CBIRC and maintains satisfactory operating results and financial position, and implements good risk control and standardized management to reduce potential risks, it is expected that the interest income from the deposits at Huafa Finance Company will increase accordingly.

In assessing the reasonableness of the Deposit Annual Cap, we have considered the major factors in relation to the business scale and size of cash and cash equivalents of the Group. For the three years ended 31 December 2020, the revenue of the Group was approximately RMB15.0 billion, RMB15.4 billion and RMB13.6 billion, respectively, and the Group's purchase amount was approximately RMB13.7 billion, RMB14.1 billion and RMB11.5 billion, respectively. The Deposit Annual Cap represents less than 20% of the Group's revenue and purchases for the three years ended 31 December 2020, respectively. Also, as disclosed in the Letter from the Board, the Group will expand its business scale by developing the four platform businesses. The Group also entered into the Electronic Communication Product Purchase and Sales Framework Agreement with a proposed annual cap of RMB10,000 million regarding the transactions contemplated thereunder for the period from 23 July 2021 to 31 December 2021, which exceeds the Deposit Annual Cap by five times. As such, with the financial support from Zhuhai Huafa, it is expected that the business scale of the Group will continue to grow, which will result in a higher level of operating cash flows and working capital and hence a growth in magnitude for the treasury management in relation to the expected utilization of cash resources of the Group.

In addition, we noted from the 2020 Annual Report that the major assets of the Group which involve the utilization of the deposit services mainly represented (i) cash and cash equivalents in an amount of approximately RMB71.4 million as at 31 December 2020; (ii) pledged deposits in an amount of approximately RMB1,063.3 million as at 31 December 2020, which carried maturity period between three months to one year depending on the immediate cash requirements of the Group; and (iii) trade receivables in an amount of approximately RMB3,070.6 million as at 31 December 2020. As such, the sum of these financial assets is larger than the Deposit Annual Cap, which indicates the Group's possible demand for deposit services to be provided by Huafa Finance Company or other commercial banks. Although the Group had a relatively low level of cash and cash equivalents as at 31 December 2020, it was mainly due to the repayment of bank loans and corporate bond of approximately RMB5,609.3 million for the year ended 31 December 2020. Comparatively, the Group maintained a higher level of cash and cash equivalents of approximately RMB708.5 million and RMB666.2 million as at 31 December 2018 and 2019, respectively. Accordingly, the Group's cash and cash equivalents as at 31 December 2018, 2019 and 2020 represented approximately 35.4%, 33.3% and 3.6% of the Deposit Annual Cap, respectively. According to the unaudited consolidated management account of the Group for the six months ended 30 June 2021, the Group's cash and cash equivalents increased to approximately RMB847.7 million as at 30 June 2021, which represented approximately 42.4% of the Deposit Annual Cap.

More importantly, pursuant to the Financial Services Agreement, the Group will be entitled to the highest comprehensive credit limit on a revolving basis of RMB2 billion in respect of the loan services to be provided from Huafa Finance Company, which is equal to the Deposit Annual Cap. With the integrated financial services (including deposit services, loan services and the Other Financial Services) from Huafa Finance Company and the Group's intention to utilize Huafa Finance Company for settlement and fund transmission, the daily transactions of the Group will involve larger scale of funds, which will lead to a higher daily balance of cash and cash equivalents. In order to cater for the proposed business growth and the expected large-scale financial services arrangement with Huafa Finance

Company, it is reasonable for the Group to deposit spare funds to Huafa Finance Company, given that the interest rates are at terms no less favourable than those offered by commercial banks in the PRC. Accordingly, we consider that the Deposit Annual Cap is acceptable.

Having considered the above, we are of the view that the bases adopted by the Company in determining the Deposit Annual Cap are fair and reasonable so far as the Independent Shareholders are concerned. However, the Shareholders should note that the Deposit Annual Cap relates to the future event and it does not represent a forecast of turnover to be generated from the deposit services contemplated under the Financial Services Agreement.

3 Electronic Communication Product Purchase and Sales Framework Agreement

3.1 Information on Huafa Trading

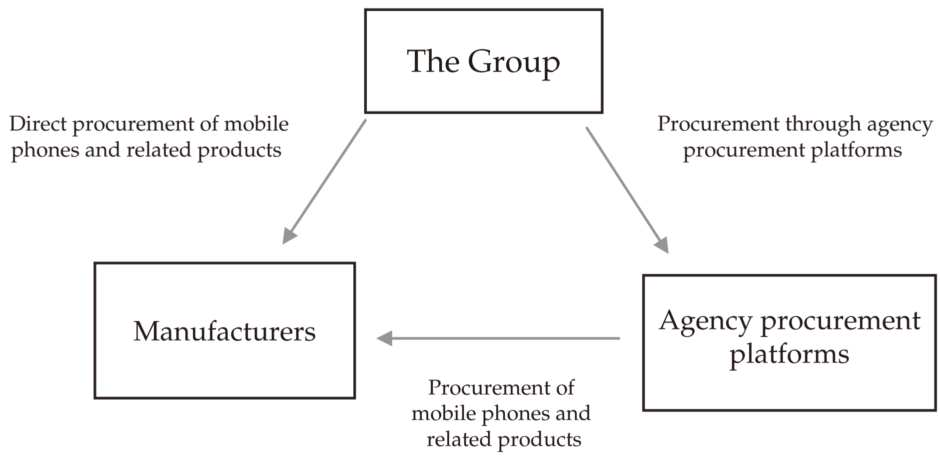
Huafa Trading is a limited liability company established in the PRC and a subsidiary of Zhuhai Huafa. Huafa Trading is principally engaged in bulk commodity trading business such as non-ferrous metals, coal, mineral products, building materials, petrochemicals, and agricultural products. The ultimate beneficial owner of Huafa Trading is Zhuhai Huafa.

As confirmed by the Management, although Huafa Trading did not possess any experience in the procurement of the Electronic Communication Products, Huafa Trading has established a sizable sourcing team, which would leverage the Group's extensive procurement network and proven track record to liaise with the relevant manufacturers based on the procurement needs and requirements of the Group. In view of the business relationship between the Group and Huafa Trading under the Electronic Communication Product Purchase and Sales Framework Agreement, the Group will leverage its established business relationship and networks with manufacturers to assist Huafa Trading for liaising with these manufacturers to ensure that Huafa Trading could procure the Electronic Communication Products for the Group. It is believed that the sourcing team of Huafa Trading, which has experiences in the trading business, would allow Huafa Trading to deal with the manufacturers of Electronic Communication Products in an efficient manner.

According to the audited financial statements of Huafa Trading, Huafa Trading's revenue was approximately RMB34,816.4 million for the year ended 31 December 2020, while its net assets amounted to approximately RMB1,012.9 million for the year ended 31 December 2020. As one of the agency procurement platforms of the Group, Huafa Trading could take advantage of its strong financial position, business scale and state-owned background in order to gain credibility from relevant manufacturers for the procurement of the Electronic Communication Products. Accordingly, Huafa Trading is generally capable in procuring the Electronic Communication Products for the Group as contemplated under the Electronic Communication Product Purchase and Sales Framework Agreement.

3.2 Procurement model of the Group

Set out below is a summary of the procurement model of the Group:



Traditionally, the Group would procure mobile phones from manufacturers directly. As credit terms are not offered through direct procurement from manufacturers in general, it has been a market practice that large-scale retailers and wholesalers rely on agency procurement platforms as their major supply source. Agency procurement platforms would procure mobile phones from manufacturers and re-sell the products with mark-up based on the procurement cost in accordance with the guided-price of electronic communication products set by manufacturers to their customers. Manufacturers will issue pricing guidance to retailers in accordance with their policies per month, while at the same time retailers may determine the sales price in the range of 5% to 10% higher than the procurement costs of products based on the competitions in the industry and market. The mark-up charged by agency procurement platforms based on procurement cost is required to adhere to the guided-price set by manufacturers in order to control the retail prices of products.

According to the Management, the Group engaged more than 15 independent agency procurement platforms in the past. The Group's proportion of purchase from agency procurement platforms multiplied from approximately 7.3% in 2018 to approximately 26.5% in 2019, and further increased to approximately 41.2% in 2020. The Group expects that the proportion of agency procurement will increase in the future and is expected to be no less than 60% on average in the next three years. While the Group's agency procurement platforms would charge a mark-up in a range from 0.6% to 1.8% based on the procurement cost in accordance with the guided-price of electronic communication products set by manufacturers, the Group could enjoy a credit period ranging from 30 to 45 days from agency procurement platforms, which enables the Group to obviate the liquidity pressure on procurement.

3.3 *Reasons for and benefits of entering into the Electronic Communication Product Purchase and Sales Framework Agreement*

Immediately after the close of the Offers and as at the Latest Practicable Date, Zhuhai Huafa indirectly hold approximately 90.76% of the issued Shares of the Company. According to the Letter from the Board, during the 14th Five-Year Plan period, the Company, with the support of Zhuhai Huafa, will continue to seize the good opportunity of operator's retail transformation, mobile phone manufacturer's brand landscape restructuring, and the explosive growth of omni-channel traffic dividend. On the basis of achieving the existing retail and distribution business growth target of more than 50% in three years, the Company also plans to expand its business scale in four platform businesses, namely IoT products for government enterprises and provincial operators, live streaming merchant pallets, nationwide second-tier brands and regional agents, and Apple education products agency procurement business. In addition to the existing procurement source, the new platform business will have higher requirements for the quantity and category of sources, requiring more procurement capital support to meet the source demand.

As stated in the Letter from the Board, since both the Company and Huafa Trading are subsidiaries of Zhuhai Huafa, the Directors consider that the inter-company communication and collaboration between the Company and Huafa Trading is more efficient. By entering into the Electronic Communication Product Purchase and Sales Framework Agreement, the total procurement cost of the Company is lower than the purchase transactions with external platforms due to the lower expenses charged by Huafa Trading as detailed in the paragraph headed "3.4 Principal terms of the Electronic Communication Product Purchase and Sales Framework Agreement" in this letter, which helps the Company to rapidly expand the construction of new business channels while maintaining the stable development of its main business.

We have discussed with the Management as to the reasons for and benefits of entering into the Electronic Communication Product Purchase and Sales Framework Agreement. Pursuant to the Electronic Communication Product Purchase and Sales Framework Agreement, the major products to be purchased by the Group primarily represent smart phones with a focus on the brands of current market leading models including Huawei, HONOR, Apple and Xiaomi, which are the major revenue source of the Group's retail and wholesale businesses. The pricing of the Electronic Communication Products under the Electronic Communication Product Purchase and Sales Framework Agreement will be determined after arm's length negotiations between the Company and Huafa Trading by reference to the suppliers' supply price in accordance with the guided-price of the products set by manufacturers and agents. In other words, as confirmed by the Management, Huafa Trading will procure the Electronic Communication Products from manufacturers or other agents based on the orders from the Group, and then re-sell these products to the Group according to the procurement cost in accordance with the guided-price of products set by manufacturers.

In line with the industry practice, it has been the Group's business strategy to adopt centralized purchase of mobile phones from agency procurement platforms, which would purchase different mobile phones and telecommunication devices from various manufacturers and re-sell in batches to the Group. The Group's proportion of centralized purchase from agency procurement platforms to its total purchase increased from approximately 7.3% in 2018 to approximately 26.5% in 2019, and further increased to approximately 41.2% in 2020. As compared to traditional direct procurement from mobile phone manufacturers, centralized purchases through agency procurement platforms could reduce the administrative burden of the Group in managing multiple supply sources from different mobile phone manufacturers.

More importantly, as confirmed by the Management, centralized purchases through agency procurement platforms offer better credit terms to the Group as there had been generally no credit terms offered from mobile phone manufacturers. While direct purchases from mobile phone manufacturers generally require full settlement prior to product delivery, the credit terms offered from agency procurement platforms could relieve liquidity pressure and hence provide flexibility for the Group's business operations. Also, notwithstanding that there may be credit terms offered from the existing independent agency procurement platforms in a range of 30 to 45 days, there are credit limits imposed in respect of purchases from time to time based on the creditworthiness and transaction history of the Group. Such credit limit may restrict the Group from sourcing product supply to cater for its operations at the relevant time, which will in turn hinder the Group's business expansion in the future. Also, the Management advised that the Group's existing agency procurement platforms would charge a mark-up ranging from 0.6% to 1.8% based on the procurement cost in accordance with the guided-price of electronic communication products set by manufacturers in return for the offer of credit periods. Comparatively, while the prices of the Electronic Communication Products from Huafa Trading will be determined by reference to the procurement cost in accordance with the guided-prices of products set by manufacturers, it will offer a better credit terms (i.e. within 60 days from the date of specific sales contract with 10% prepayment) with a monthly mark-up of 0.5% based on its procurement cost of products from manufacturers in respect of the transactions contemplated under the Electronic Communication Product Purchase and Sales Framework Agreement. The Management considers that the better credit terms are particularly beneficial to the Group during its stage of expansions into the four platform businesses as aforementioned, which the Group is expected to have high procurement demand and capital requirement to expand the business lines and diversify the revenue stream.

In addition, as a new controlling shareholder of the Company, to the best knowledge of the Directors, Zhuhai Huafa is ambitious to utilise the network and resources of its subsidiaries or associated companies to accelerate the expansion of the Group's business and to improve the financial performance of the Group. As disclosed in the Letter from the Board, the transactions contemplated under the Electronic Communication Product Purchase and Sales Framework Agreement serve as the entry point for Zhuhai Huafa to integrate more resources to assist the

Company's business growth and achieve business synergies in the future. Huafa Trading, being the subsidiary of Zhuhai Huafa, possesses solid capital and market resources with state-owned background. According to the Financial Services Agreement, the Group will be granted the highest comprehensive credit limit on a revolving basis of RMB2 billion in respect of the loan services to be provided from Huafa Finance Company to support the Group's business operations, including but not limited to the increase in scale of the Group's procurement. Also, we were advised by the Management that Huafa Trading has established a sizable sourcing team and possessed extensive sourcing networks in trading business. The Management believes that by leveraging the relationship with Zhuhai Huafa and its state-owned background, the Group would be able to secure a stable supply channel and save costs in managing its own sourcing network. Meanwhile, economies of scale and better quality control could be achieved by consolidating the procurement of Electronic Communication Product in bulk through Huafa Trading, which will result in effective control of the Group's supply chain.

Taking into account the aforementioned factors and in particular the business scale and state-owned background of Huafa Trading, we consider that it is beneficial for the Group to engage Huafa Trading as its alternative procurement platform to facilitate the Group's business expansion. Accordingly, we concur with the views of the Directors that the entering into of the Electronic Communication Product Purchase and Sales Framework Agreement is within the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

3.4 Principal terms of the Electronic Communication Product Purchase and Sales Framework Agreement

As stated in the section headed "Electronic Communication Product Purchase and Sales Framework Agreement" in the Letter from the Board, pursuant to terms and conditions of the Electronic Communication Product Purchase and Sales Framework Agreement, the Company agreed to purchase the Electronic Communication Products from Huafa Trading for the period from 23 July 2021 to 31 December 2021 on non-exclusive basis. The Company should further sign specific sales contract (or the order thereunder) in respect of specific purchase transaction with Huafa Trading to determine the specific scope of Electronic Communication Products and detailed terms and conditions on the purchase of such products.

Set out below are the major pricing terms of the Electronic Communication Product Purchase and Sales Framework Agreement.

Pricing policy

The pricing of the Electronic Communication Products under the Electronic Communication Product Purchase and Sales Framework Agreement will be determined after arm's length negotiations between the parties by reference to the suppliers' supply price in accordance with the guided-price of the products set by manufacturers and agents. Huafa Trading will purchase the Electronic Communication Products from suppliers every month and then supplies them to the Company. At the same time, according to market conditions, based on a maximum of 60-day credit period, 0.5% of the monthly capital cost (i.e. mark-up on the procurement cost) is added to the purchase price to determine the final selling price.

To ensure that the price and terms of the Electronic Communication Products offered by Huafa Trading to the Company are no less favourable than the price and terms offered by other independent third party suppliers, the Company would obtain comparable purchase quotations of identical products and amounts from two to three independent third party suppliers from time to time.

Terms of payment

The payment shall be paid by the Company within 60 days from the date of signing further specific sales contract (or the orders thereunder) under the Electronic Communication Product Purchase and Sales Framework Agreement. The amount and terms of payment are subject to the specific terms and conditions set out in the specific sales contract (or the orders thereunder).

Performance bond

The Company shall pay the performance bond to Huafa Trading within 3 days from the date of signing further specific sales contract (or the orders thereunder) under the Electronic Communication Product Purchase and Sales Framework Agreement at 10% of the consideration of the related specific sales contract.

Pursuant to the Electronic Communication Product Purchase and Sales Framework Agreement, the pricing of the Electronic Communication Products will be determined after arm's length negotiations between the Company and Huafa Trading by reference to the procurement cost in accordance with the guided-price of the products set by manufacturers and agents. The price and terms of the Electronic Communication Products offered by Huafa Trading to the Company will be no less favourable than the price and terms offered by other independent third-party suppliers. We understood from the Management that Huafa Trading will procure the Electronic Communication Products from manufacturers or other agents based on the orders from the Group, and then re-sell these products to the Group with 0.5% monthly capital cost (i.e. mark-up on the procurement cost) in accordance with the guided-price set by manufacturers.

On the other hand, the Company is entitled to a credit period of within 60 days from the date of signing specific sales contract (or the order thereof) with 10% prepayment in respect of specific purchase transactions under the Electronic Communication Product Purchase and Sales Framework Agreement.

According to the Management, while there is generally no credit term with regard to direct purchases from mobile phone manufacturers which would require full settlement prior to product delivery, the Group's existing independent agency procurement platforms would offer credit term in a range of 30 to 45 days for the Electronic Communication Products. In addition, we understood from the Management that while Huafa Trading will adhere to the guided-price of the Electronic Communication Products set by manufacturers, it will charge a monthly capital cost of 0.5% based on its procurement cost of products from manufacturers in return for a credit period of within 60 days granted to the Group. Accordingly, the monthly mark-up of 0.5% with a credit period of within 60 days from Huafa Trading is generally lower than that from the independent third-party suppliers with a mark-up of 0.6% to 1.8% for the credit period from 30 days to 45 days. As such, the pricing and credit terms offered from Huafa Trading is no less favorable than that from the independent third-party suppliers.

In assessing the principal terms of the Electronic Communication Product Purchase and Sales Framework Agreement, we have obtained and reviewed three purchase and sales framework agreements, on a random sampling basis from the list of independent third-party agency procurement platforms engaged by the Group, regarding the Electronic Communication Products entered into between the Group and the independent third-party agency procurement platforms (the "**Sample Agreements**"). Based on our review of the Sample Agreements, we noted that (i) the pricing of the products was determined in accordance with the product price from manufacturers with additional mark-up ranging from 1.0% to 1.8%; and (ii) the credit period ranged from 30 days to 45 days. As such, the terms (including the pricing and payment terms) of the Electronic Communication Product Purchase and Sales Framework Agreement are no less favorable than those offered by the Group's independent third-party agency procurement platforms.

Taking into account the above and in particular that (i) the pricing and terms of the Electronic Communication Products offered by Huafa Trading to the Company under the Electronic Communication Product Purchase and Sales Framework Agreement will be no less favourable than the pricing and terms offered by other independent third-party suppliers; (ii) the pricing of the Electronic Communication Products will be determined after arm's length negotiations between the Company and Huafa Trading by reference to the procurement cost with additional 0.5% of monthly capital cost (i.e. mark-up on the procurement cost) in accordance with the guided-price of the products set by manufacturers and agents, which is generally lower than the mark-up charged by the independent third-party agency procurement platforms; and (iii) the Group has implemented internal control measures to govern the transactions contemplated under the Electronic Communication Product Purchase and Sales Framework Agreement, which will be conducted on a voluntary and non-exclusive basis, we are of the view that the terms of the Electronic Communication Product Purchase and Sales Framework Agreement are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

3.5 *Proposed annual cap for the transactions under the Electronic Communication Product Purchase and Sales Framework Agreement (the "Procurement Annual Cap")*

Historical transaction amounts

As stated in the Letter from the Board, there is no electronic communication product purchase and sale transaction between the Company and Huafa Trading prior to the entering into of the Electronic Communication Product Purchase and Sales Framework Agreement.

The Procurement Annual Cap

The Procurement Annual Cap in respect of the transaction amounts for the purchase of the Electronic Communication Products to be made by the Company from Huafa Trading from 23 July 2021 to 31 December 2021 shall be RMB10 billion.

As disclosed in the Letter from the Board, the Procurement Annual Cap was arrived primarily with reference to (i) the future development goals of the Group for development into the four platform businesses, namely IoT products for government enterprises and provincial operators, live streaming merchant pallets, nationwide and regional second-tier brands agents and Apple education products agency procurement business; (ii) the Group's revenue and purchase amount for the three years ended 31 December 2020; and (iii) the increasing share of purchase from the agency procurement platform. In view of the Group's development into the four platform businesses as more particularly detailed below, it is expected that the Group's procurement budget will increase accordingly. Therefore, taking into account the basis of determining the Procurement Annual Cap as stated in the Letter from the Board and the below factors which would result in an increase in the Group's procurement budget, we consider that the Procurement Annual Cap is reasonable.

(i) Business performance of and financial resources available to the Group

The revenue of the Group is primarily attributable to the sales of mobile telecommunications devices and accessories. As discussed above, the Group recorded slight increase in revenue from continuing operations by approximately 2.6% for FY2019 as compared to the prior year, mainly because of the expansion in foreign markets and the launch of new 5G mobile phones. Due to the outbreak of COVID-19, the Group's revenue decreased by approximately 11.7% for FY2020. Also, the Group's purchases fluctuated with the trend of revenue, which increased by approximately 2.6% for FY2019 and decreased by approximately 18.5% for FY2020. Notwithstanding the decrease in sales volume of mobile handsets due to the impact of COVID-19 pandemic, the average selling price of mobile handsets recorded substantial growth from approximately RMB1,394 per handset in FY2018 to approximately RMB1,487 per handset in FY2019, and further increased to approximately RMB1,622 per set in FY2020. According to the Management, the increase in average selling price of mobile handsets was mainly due to the overall increase in procurement prices of mobile handsets from manufacturers.

Also, based on the unaudited consolidated management accounts of the Group, the Group's procurement for mobile telecommunications devices and accessories amounted to approximately RMB5.7 billion for the six months ended 30 June 2021, the annualized amount of which was generally consistent with the Group's procurement level for the year ended 31 December 2020.

While the Group's operations have been negatively affected by the shift of shopping preferences of consumers from offline to online and its offline outlets continued to decrease, there is a genuine need for the Group to adopt change to cater for the shift in shopping preferences by consumers to purchase online.

As disclosed in the 2020 Annual Report, amid the outbreak of COVID-19 pandemic, the Group has continued to optimize the structure of offline retail store networks, make appropriate adjustment to the scale of self-owned stores and provide outlet warehouse service through major online e-commerce platforms, aiming at establishing an omni-channel performance system. In order to adapt to the gradual change of consumer preferences to purchase online, the Group has constantly strengthened the cooperation with three major mobile carriers in the PRC and built partnerships with near-field e-commerce (JD.COM), micro-range e-commerce (Meituan and Eleme) and live streaming e-commerce (Douyin and Kuaishou) to provide the cooperation channel for those e-commerce platforms by leveraging the real-time order acquisition and contract performance capability of the Group to establish an omni-channel marketing and performance system. In particular, despite the overall decrease in revenue, the Group recorded revenue growth in the wholesale of mobile telecommunication devices and accessories by approximately 35.2% for FY2020 as compared to FY2019, which became the Group's largest business sub-segment and accounted for approximately 53.7% of the Group's total revenue for the year. It is believed that the establishment of omni-channel could enable to the Group to undergo the retail transformation and diversify the revenue stream.

Furthermore, while the Group recorded net cash outflow of approximately RMB595 million for the year ended 31 December 2020 mainly as a result of the net repayment of bank loans and corporate bond, its procurement was largely restricted by the availability of working capital. As at 31 December 2020, the Group's cash and cash equivalents and pledged deposits amounted to approximately RMB1.1 billion in aggregate, which represented less than 10% of the total procurement amount of the Group for the year ended 31 December 2020. Taking advantage of the credit period offered from agency procurement platforms, the Group has increasingly turned to these platforms for procurement, despite the additional mark-up charged by these platforms. However, with Zhuhai Huafa being the new controlling shareholder of the Company, it is expected that Zhuhai Huafa will provide additional financial support to improve the Group's operations. In particular, as disclosed in the Composite Offer Document, Zhuhai Huafa is optimistic about the long-term prospects of the retail market of telecommunications devices within the PRC and intends to expand the Group's online business. Pursuant to the Financial Services Agreement, the Group will be granted the highest comprehensive credit limit on a revolving basis of RMB2 billion in respect of the loan services from Huafa Finance Company. Such loan services will be utilized to support the Group's business operations and increase the scale of the Group's procurement. Also, according to the Management, the Group had unutilized banking facilities of approximately RMB1.2 billion as at 30 June 2021. It is believed that with the back-up by Zhuhai Haufa, the credit limit under the Financial Services Agreement as well as the Group's unutilized banking facilities and its financial resources could provide additional working capital to the Group to finance its procurement need.

(ii) Development of 5G technology and smartphone market in the PRC

In addition, while 5G products have been introducing in the PRC during the recent years, 5G mobile technology has been a significant strategic priority for the country. According to the 5G application plan ("5G應用揚帆行動計劃") issued by the Chinese national government in July 2021, the Chinese government targets to enhance the penetration of 5G technology and increase the usage rate of 5G technology by individuals to more than 40% in the PRC. As the progress of 5G network construction in the PRC accelerates, the demand for 5G mobile phones for replacement is expected to increase rapidly and is expected to have a positive impact on the smartphone market in the PRC. As disclosed in the 2020 Annual Report, the sales volume of 5G mobile phones accounted for more than 70% of the Group's total sales volume in 2020, while the convergence products and intelligent products related to 5G technology have also been introduced by the Group on a large scale, which constitute an important part of the Group's sales structure. Going forward, parallel with the development of 5G mobile phones, the Group will focus on the development and sales of smart home, convergence and IoT products, which are expected to bring enormous market opportunity for the Group.

Meanwhile, the smartphone market in the PRC demonstrated an upward trend in the first half of 2021. According to the Analysis Report on the Operation of the Domestic Mobile Phone Market – June 2021 (《2021年6月國內手機市場運行分析報告》) released by China Academy of Information and Communications Technology (中國信通院) in July 2021, the domestic mobile phone shipments in the PRC were approximately 174 million units for the six months ended 30 June 2020, which represented a growth of approximately 13.7% for the same period in the prior year. Among the number of domestic mobile phone shipments in the PRC for the year six months ended 30 June 2021, 73.4% of which were 5G mobile phones. In addition, the PRC domestic smartphone brands continue to perform satisfactorily in the global market.

According to the article headed "OPPO Reaches Global Number Two in May 2021 with its family brands" released by Counterpoint Research in July 2021, OPPO captured second spot in the global smartphone market with 16% market share in term of unit sales during May 2021, followed by Xiaomi with a market share of 14%. As such, the continuous penetration of 5G technology, the rebound of the smartphone market in 2021 and the increasing market share of domestic mobile phone brands will become growth drivers to the Group's business.

(iii) Development plan and business expansion of the Group

According to the 2020 Annual Report, the Group intends to expand its business by, among others, (i) bonding with the three major carriers in the PRC to provide entrusted operational services for their over 8,000 self-owned stores and develop smart home, fusion and IoT products; (ii) engaging full range of cooperation with potential mobile phone brands to conduct an active layout in all channels; (iii) strengthening omni-channel contract fulfilment capabilities to help the Group better serve major e-commerce platforms; and (iv) seeking new expansion opportunities with domestic mainstream mobile phone brands. We were advised by the Management that the Group's development plans, including but not limited to the development of online market, would have high capital requirements for procurement, and the Group's expansion was generally limited by its resources in the past. As at 31 December 2020, the Group's cash and cash equivalents and pledged deposits amounted to approximately RMB1.1 billion in aggregate, which represented less than 10% of the total procurement amount of the Group for the year ended 31 December 2020. The Group also had net cash outflow of approximately RMB595 million for the year ended 31 December 2020. It is believed that the lack of capital resources may have restricted the Group from tapping into e-commence platforms and catering for the boom of 5G technology.

As disclosed in the Composite Offer Document, it is the intention of Zhuhai Huafa to strengthen the strategic management of the Group by optimizing the Group's offline business and expanding the Group's online business by cooperating with well-known e-commerce companies. Leveraging its capital resources and state-owned background, Zhuhai Huafa will provide more support, including but not limited to financial, administrative and resources support, to help enhance the operations of the Group and continue to expand the Group's online business and overseas market. As such, we consider that the intentions and development strategies of Zhuhai Huafa will have a positive impact on the Group's business prospects.

We have further discussed with the Management as to the development plans of the Group. We understood from the Management that the Group plans to expand its business scale in four platform businesses, details of which are set out below:

1. Sales of IoT products to government enterprises and provincial operators: leveraging the favorable government policies on the promotion of 5G products, the Group intends to collaborate with the three mobile carriers and their provincial operators to tap into the demand for IoT products, such as smartphones, smart watches and smart home products. As confirmed by the Management, the Group is in the negotiation with mobile carriers to expand the Group's sales of IoT products to (i) mobile carriers directly for their further sales to individual consumers; or (ii) government enterprises or large-scale public institutions through the mobile carriers as a bundle of networking services. The Management further confirmed that as IoT products have been the market trend and business focus of mobile carriers, the mobile carriers will provide subsidiaries of up to 50% regarding the purchase of IoT products from government enterprises. As such, it is expected that a significant demand for IoT products will be generated;

2. Live streaming merchant pallets: in view of the popularity of e-commerce platforms in the PRC, the Group targets to leverage its high number of front-end warehouse and physical stores to provide order fulfilment services to e-commerce companies. The Group has built partnerships with leaders in the near field e-commerce (e.g. JD.COM), micro-range e-commerce (e.g. Meituan and Eleme) and live

streaming e-commerce (e.g. Douyin and Kuaishou), aiming to become their preferred strategic partner for digital products. The Group has also launched pallet services through merchants on live streaming platforms, which aim to enhance its online sales channel and leverage real-time order acquisition and contract performance capability of more than a thousand outlet warehouses;

3. Collaboration with nationwide second-tier brands and regional agents: on top of its current retail business, the Group actively seeks business opportunities with domestic mainstream mobile phone brands. The Group aims to become the nationwide or regional agents of mobile brands, such as ZTE and Lenovo, to further improve its wholesale business. Against the backdrop of ever-changing mobile phone brand landscape in the recent years, the Group will carry out the full-scale cooperation with potential brands by adopting both business-to-business and business-to-customer approaches to match the manufacturers' strategy on retail and wholesale distribution;

4. Agency procurement of Apple education products: The Group will act as an agency for Apple's hardware and software products. By engaging with educational institutions through agency procurement, the Group will provide additional discount to educational institutions and students to promote the sales of Apple education products. With the transformation of online educational model under the impact of COVID-19 pandemic, the Group believes that there will be high demand for digital hardware and software products for educational use.

The development plans of the Group will result in higher demand for procurement and supply of mobile phones and related accessories to facilitate the operations of the four business platforms. Therefore, a higher procurement budget is required. In respect of the allocation of the Procurement Annual Cap, we have discussed with the Management and understood that the Group will utilize the procurement amount of (i) RMB3 billion for its current retail and wholesale business; (ii) RMB3 billion for the development of live streaming merchant pallets; (iii) RMB2 billion for the collaboration with nationwide second-tier brands and regional agents and agency procurement of Apple education products; and (iv) RMB2 billion for the sales of IoT products to government enterprises and provincial operators.

Based on the aforementioned development strategies as well as its current retail and wholesale businesses and taking into account the estimated procurement in a proportion of 80% of the sales, the Group estimates that its annual aggregate procurement for Electronic

Communication Products will amount to approximately RMB15.0 billion for the year ending 31 December 2021. Accordingly, we believe that with the implementation of the aforementioned development strategies, the Group's procurement demand will substantially increase.

(iv) Expected procurement of smartphones in new models

In order to assess the procurement demand of the Group, we have obtained and reviewed the procurement schedule of the Group for the five months ending 31 December 2021. We noted from the procurement schedule that the majority of planned procurement is attributable to Electronic Communication Products from Apple Inc. We have further discussed with the Management as to the procurement plan and understood that the Group is expected to utilize more than 80% of the Procurement Annual Cap for procuring (i) the new model(s) of Apple smartphones, which is expected to be released in or around the fourth quarter of 2021 according to an article headed "Apple seeks up to 20% increase in new iPhone production for 2021" on Bloomberg; and (ii) the existing Apple products, which accounted for more than 50% of the Group's current e-commerce sales. Also, according to a report headed "Asia Apple supply chain – Implications of Apple's 3QFY21 results" released by Nomura in July 2021, the production of Apple smartphones is expected to increase substantially from approximately 55 million units during the third quarter of 2021 to approximately 84 million units during the four quarter of 2021 with a surge in production of new model(s). As Apple is one of the first-tier smartphone brands with relatively higher product prices, the Group is expected to have a higher procurement budget to cope with the expected sales of Apple smartphones for the remaining period in 2021.

Other than the smartphones of Apple, based on the market information of the Management, the Management expects that there will be more than 15 new models of smartphones in aggregate to be introduced by the major brands such as Huawei, Xiaomi and HONOR during the second half of 2021. Accordingly, the Management expects that the Group's procurement demand will further increase to promote the sales of these new smartphones.

(v) Increasing reliance on agency procurement platform

As explained above, the Group has continued to engage agency procurement platforms to replace direct procurement from manufactures. Taking advantage of the credit periods offered from agency procurement platforms, the Group had procured mobile phones and related accessories of different brands from agency procurement platforms to alleviate the liquidity pressure and reduce administrative burden on dealing with multiple manufactures. As such, the Group's proportion of purchase from agency procurement platforms multiplied from approximately 7.3% in 2018 to approximately 26.5% in 2019, and further increased to approximately 41.2% in 2020. The Group expects that the proportion of agency procurement will increase in the future and is expected to be no less than 60% on average in the next few years.

Notwithstanding that the Procurement Annual Cap represents approximately 72.8%, 71.0% and 87.1% of the Group's historical purchase amounts for the three years ended 31 December 2020, Huafa Trading will be one of the Group's procurement agency platforms which would purchase the Electronic Communication Products from manufacturers and re-sell these products to the Group on a voluntary and non-exclusive basis. As such, Huafa Trading merely serves as an agent, but not a manufacturer, for procurement of the Electronic Communication Products. The supply of products to the Group shall depend largely on the relevant manufacturers, which are the ultimate suppliers that have control in determining the quantities and prices of products. Also, as the procurement of the Electronic Communication Products from Huafa Trading will be conducted on a voluntary and non-exclusive basis, the Group could opt for direct procurement from manufactures or procurement from other procurement agency platforms to maximise and fit the Group's best interest. Currently, in addition to Huafa Trading, there are five independent third party procurement agency platforms that serve as the main procurement channels for the Group. Therefore, as the Group still has options to procure the Electronic Communication Products from relevant manufacturers directly or from other existing procurement agency platforms, the Group's reliance on Huafa Trading is not material to the extent that would adversely affect its supply chain.

Having considered the aforementioned factors, in particular that (i) the Group has established omni-channel to undergo the retail transformation and diversify the sales channels for catering for the post-COVID-19 shopping preferences of consumers; (ii) in light of the favorable government policies and the initiatives of mobile carriers, the penetration of 5G mobile phones is expected to grow in the PRC, which will drive the demand for smartphones; (iii) backed by Zhuhai Huafa, the Group has obtained additional financial resource to expand its business scale in four platform businesses to develop new business models; (iv) the Group will have a procurement need for the new model(s) of smartphones in or around the fourth quarter of 2021; and (v) the Group has increasingly procured product supply from agency procurement platforms which are key to its supply chain, we are of the view that the bases adopted by the Company in determining the Procurement Annual Cap are fair and reasonable so far as the Independent Shareholders are concerned. However, the Shareholders should note that the Procurement Annual Cap relates to the future event and it does not represent a forecast of turnover to be generated from the transactions contemplated under the Electronic Communication Product Purchase and Sales Framework Agreement.

4 Internal control measures of the Group

As stated in the Letter from the Broad, the Group has implemented the following internal control procedures for the deposit services under the Financial Services Agreement and the transactions contemplated under the Electronic Communication Product Purchase and Sales Framework Agreement.

4.1 Internal control measures for the deposit services under the Financial Services Agreement

As stated in the Letter from the Board, the Group has adopted internal control and monitoring procedures relating to the deposit services, including:

(i) before entering into any deposit arrangements with Huafa Finance Company, the Company will negotiate with Huafa Finance Company on an arm's length basis in respect of the deposit interest rate of the deposit services, and ensure that such interest rate is determined: (1) by reference to and is not lower than the benchmark interest rate then published by the PBC for deposits of same term and same type and in case of any change in the benchmark deposit interest rate, the deposit interest rate to be payable by Huafa Finance Company shall be determined by reference to and not lower than such benchmark deposit interest rate; and (2) by reference to and is not lower than the deposit interest rate offered by at least four other independent domestic commercial banks in the PRC for deposit services of the same type on normal commercial terms. As such, the Company will be able to ensure the deposit interest rate of the deposit services will not be less favourable than that published by the PBC for deposits of same term and same type and that offered by four other independent domestic commercial banks in the PRC for deposits of same term and same type; in the event that upon receiving deposit certificate which shows the deposit interest rate offered by Huafa Finance Company, and the Company notes that the deposit interest rate offered by Huafa Finance Company is lower than the then negotiated deposit interest rate offered by the PBC, the Company will require Huafa Finance Company to provide the differences in the interest portion to the Company;

(ii) finance department of the Company will monitor the deposit services on a daily basis to ensure the proposed annual cap will not be exceeded;

(iii) finance department of the Company will report to the management of the Company, giving an update of the deposit arrangements entered into with Huafa Finance Company on a monthly basis;

(iv) the Directors (including the independent non-executive Directors) will review the transactions contemplated under the Financial Services Agreement and its proposed annual cap each year, to ensure that the transactions contemplated under the Financial Services Agreement are conducted in the ordinary and usual course of business of the Company on normal commercial terms and in the interests of the Company and the Shareholders as a whole; and

(v) the auditor of the Company will perform annual reviews on the pricing and annual cap of such transactions.

4.2 *Internal control measures for the transactions under the Electronic Communication Product Purchase and Sales Framework Agreement*

As stated in the Letter from the Board, in order to ensure that the Company strictly abides by the pricing policy, the Company will adopt various internal control measures in the daily procurement business. These measures were carried out and monitored by the Company's functional departments (mainly the internal audit department, supported by the finance department and the legal affairs department):

(i) the Company has formulated and adopted a connected transaction management system. Under such system, the Company's functional departments are responsible for reporting the collected information in respect of continuing connected transactions and the reviewed terms of the transaction agreements to the general manager, who organizes the review and reports to the Board to evaluate the fairness of the transaction terms and price terms;

(ii) when determining the purchase price of the products under the transactions, the procurement department of the Company will invite quotations and approve the purchase from two to three different qualified suppliers according to the established "Purchasing Management System" to ensure that the transaction price is fair and reasonable. The Company's procurement department, finance department, legal affairs department, internal audit department, etc. jointly participated in the review of the transaction contracts to ensure that the price is consistent with the price terms of the normal supply agreement and the terms offered by the suppliers to the Company are no less favourable than those offered to the independent third parties;

(iii) after the commencement of the continuing connected transactions, the functional departments of the Company will keep track of and collect relevant transactions information and report to the Board on a regular basis to ensure that the actual amount incurred in the continuing connected transactions would not exceed the annual cap; in the event that the actual amount incurred is on the verge of reaching the caps, the legal affairs department will notify the Board in a timely manner. The Board will perform the corresponding procedures of review and disclosure in accordance with the relevant rules;

(iv) the internal audit department of the Company will perform audits regularly in respect of the continuing connected transactions to ensure the fairness and reasonableness of the transaction prices, and to ensure that the price is in line with the price terms of the normal service agreement and the terms offered by the suppliers to the Company are no less favourable than those offered to the independent third parties; and

(v) the independent non-executive Directors of the Company have reviewed and will continue to review the non-exempt continuing connected transactions to ensure that these agreements are entered into on normal commercial terms, are fair and reasonable, and are conducted in accordance with the terms of these agreements. The Company's auditor will also conduct an annual review of the pricing and annual cap of such non-exempt continuing connected transactions.

4.3 Reporting requirements and conditions of the Continuing Connected Transactions under the Listing Rules

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

(i) the independent non-executive Directors must review the Continuing Connected Transactions each year and confirm in the annual report and accounts that the Continuing Connected Transactions have been entered into:

– in the ordinary and usual course of business of the Group;

– on normal commercial terms or better; and

– according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

(ii) the listed issuer must engage its auditors to report on the Continuing Connected Transaction every year. The auditors must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions

– have not been approved by the Board;

– were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;

– were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

– have exceeded the cap;

(iii) the Company must provide a copy of the auditors' letter to the Stock Exchange at least 10 business days before the bulk printing of its annual report;

(iv) the Company must allow, and ensure that the counterparties to the Continuing Connected Transactions allow, the auditors sufficient access to their records for the purpose of reporting on the transactions; and

(v) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or the auditors cannot confirm the matters as required. The Stock Exchange may require the Company to re-comply with the announcement and shareholders' approval requirements and may impose additional conditions.

Having considered the above, we are of the view that the Group has internal control measures in place to ensure and safeguard the deposit services under the Financial Services Agreement and the transactions contemplated under the Electronic Communication Product Purchase and Sales Framework Agreement to be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons described above, we are of the opinion that the Continuing Connected Transactions, including the respective annual caps, are entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and the terms of the Continuing Connected Transactions are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Continuing Connected Transactions (including the respective annual caps).

Yours faithfully,
For and on behalf of
Innovax Capital Limited
Alvin Kam
Managing Director

Note: Mr. Alvin Kam is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 18 years of experience in investment banking and corporate finance.

1. FINANCIAL INFORMATION OF THE GROUP

The details of the financial information of the Group for the year ended 31 December 2020 were disclosed in page 119-216 of the Company's 2020 Annual Report published on the website of the Hong Kong Stock Exchange (https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042901931.pdf) and the website of the Company (http://corp.dixintong.com/list.aspx?parent=4&newsclass=16&htype=head);

The details of the annual financial information of the Group for the year ended 31 December 2019 were disclosed in page 119-224 of the Company's 2019 Annual Report published on the website of the Hong Kong Stock Exchange (https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042702310.pdf) and the website of the Company (http://corp.dixintong.com/list.aspx?parent=4&newsclass=16&htype=head); and

The details of the annual financial information of the Group for the year ended 31 December 2018 were disclosed in page 110–216 of the Company's 2018 Annual Report published on the website of the Hong Kong Stock Exchange (https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0417/ltn201904171116.pdf) and the website of the Company (http://corp.dixintong.com/list.aspx?parent=4&newsclass=16&htype=head).

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 June 2021, the Group had current bank loans of RMB1,873,833 thousand, comprising unsecured repayable within one year bank loan of RMB696,196 thousand, secured repayable within one year bank loan of RMB1,166,573 thousand and current portion of non-current bank loan of RMB11,064 thousand; had current other loans of RMB211,423 thousand, comprising unsecured repayable within one year loan of RMB9,000 thousand, secured repayable within one year loan of RMB90,379 thousand, and lease liability current loan of RMB122,044 thousand; had non-current unsecured bank loan of RMB22,461 thousand and non-current lease liability of RMB177,503 thousand.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any mortgages, charges, debentures, loan capital, bank loans or overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptances credits, or any guarantees, or any other contingent liabilities outstanding at the close of business on 30 June 2021.

As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the Group's indebtedness position or contingent liabilities since the close of business on 30 June 2021.

3. WORKING CAPITAL

As at the Latest Practicable Date, having made careful enquiries and taking into account of the internal resources of and credit facilities available to the Group as well as the Financial Services Agreement and Electronic Communication Product Purchase and Sales Framework Agreement and the transactions contemplated respectively thereunder, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. FINANCIAL AND TRADING PROSPECTS

In the second half of 2021, the tension in the global mobile phone supply chain and the continued crackdown on Chinese top-tier mobile phone brands from the United States directly led to the unsatisfactory performance of mobile phone industry in China. The Company was affected too. Amid the supply chain improvement and economy recovery, the Group will enhance its performance through the following approaches in order to capture the market opportunities in the second half of 2021:

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.

   (a) The Group will cooperate with the three major carriers in full scale, providing the agency 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 the Company outlets towards an asset-light model of operation in the post-pandemic period;

   (b) By capturing the opportunities where carriers have adjusted the customer operation concept and based on the "Molink" (領客) system created by the Company and Tencent, and the early experience and effect in serving China Mobile (Guangdong), the Group 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 strategic cooperation with potential brands in advance, matching up with retail foothold of manufacturers strategically in order to acquire development benefit; meanwhile, addressing the deficiency of cooperation with individual brands to optimise the brand layout.

The advance layout by the Company in the beginning of 2020 has laid a solid foundation for the cooperation between the Company and the fastest-growing strategic brands this year, creating good results in brand building and sales transformation. In the next step, the Company needs to adjust the discrepancy in brand structure during the epidemic period and make up the shortcomings in supply chain and operation of weak brands so as to reshape and balance the brand structure.

3. Strengthening omni-channel contract fulfillment capabilities to build a system of serving major e-commerce companies' thousands of front-end warehouses and standardized fulfillment systems, and to establish omni-channel order and inventory sharing platform.

   Based on the Modify (摩機) System, the Group continue to strengthen the on-going 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). Under the premise of becoming a 3C strategic partner of these platforms, the Group is looking for opportunities to provide integrated services from warehouse distribution to operation for other players on these platforms.

4. Occupying the gap market in Eastern European together with Xiaomi and promoting omni-channel cooperation in Southeast Asia.

   While Western Europe is still recovering from the epidemic amid the unstable circumstances, the situation in Eastern Europe is relatively stable. Beijing Digital will enter into the gap markets of Bulgaria and Romania in Eastern Europe together with Xiaomi, looking for new development opportunities in Europe. In Southeast Asia, the Company has strengthened its cooperation with JD and the local e-commerce platform, such as Lazada, inheriting its omni-channel traffic and exclusive operation of its offline traffic on the one hand and giving full play to its advantages in retail to undertake the operation of flagship stores of fashion brands on the other hand.

5. Expanding business from retailing to platform building and establishing its platform with multi-lines.

   While conducting business in cooperation with mainstream e-commerce platforms, especially live streaming platforms, the Company has identified opportunities to provide supply chain management and marketing as well as operation services for small and medium-sized enterprises and brands. As a result, a new platform business model has been created and become a new driver for performance growth.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS AND CONFIRMATIONS

(a) The Company has not granted its Directors, supervisors, senior management or their respective spouses or children below 18 any rights to subscribe for its equity securities or debt securities as at the Latest Practicable Date;

(b) As at the Latest Practicable Date, apart from Ms. Xu Jili, Ms. Xu Liping, Mr. Li Guangning, Ms. Guo Jin and Mr. Gao Dali who serve in Zhuhai Huafa and/or its subsidiaries and Mr. Liu Donghai who serves in Digital Science & Technology, none of the Directors is a director or employee of a company having an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO;

(c) None of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, and which was subsisting as at the Latest Practicable Date and significant in relation to the business of the Group;

(d) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2020 (being the date to which the latest published audited annual financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(e) Save as disclosed in the section "Interests of Directors in Competing Business" of the third paragraph of this Appendix, none of the Directors or, so far as is known to them, any of their respective associates was interested in any business (apart from the Group's business) which competes or is likely to compete either directly or indirectly with the Group's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if one of them was a controlling shareholder) as at the Latest Practicable Date;

(f) As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2020, the date to which the latest published audited annual financial statements of the Company were made up;

(g) As at the Latest Practicable Date, none of the Directors, proposed Directors, supervisors or proposed supervisors of the Company entered or proposed to enter into any service contract with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation (other than statutory compensation)); and

(h) As at the Latest Practicable Date, the Board confirms that, after making all reasonable enquires and to the best of their knowledge, information and belief, there are no shareholding trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any Shareholders, or any obligation or entitlement of any Shareholders, whereby such Shareholders have or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares, either generally or on a case-by-case basis.

Interests of Directors, supervisors or chief executive

As at the Latest Practicable Date, the interests and short positions of the Directors, supervisors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO); or are required pursuant to section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Interests in the Company

Name	Name of the corporation	Class of Shares	Capacity	Number of Shares held	Percentage of the relevant class of Shares	Percentage of the total share capital
Liu Donghai	The Company	Domestic Shares	Interests in controlled corporation	168,362,098	49.86%	22.99%
			A concert party to an agreement to buy shares	169,337,902	50.14%	23.12%

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors, supervisors or chief executive of the Company had any interest or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO); or are required pursuant to section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

As of the Latest Practicable Date, save as disclosed below, none of the Directors and their associates had any competing interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group:

Name of Director	Position in the Company	Other interests
Mr. Liu Donghai	Executive Director and executive president	Executive Director of Digital Science & Technology

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, as far as known to the Directors and chief executive of the Company, the following persons had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept pursuant to Section 336 of the SFO, or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote at a general meeting under all circumstances:

Name of Shareholder	Class of Shares	Capacity	Number of Shares Held	Percentage in the Relevant Class of Share *(%)*	Percentage in the Total Share Capital *(%)*
Liu Yongmei *(note 2)*	Domestic shares	Interest of controlled corporation	168,362,098 (long position)	49.86	22.99
		Concert party	169,337,902 (long position)	50.14	23.12
Liu Hua *(note 2)*	Domestic shares	Interest of controlled corporation	168,362,098 (long position)	49.86	22.99
		Concert party	169,337,902 (long position)	50.14	23.12
Liu Wenli *(note 2)*	Domestic shares	Interest of controlled corporation	168,362,098 (long position)	49.86	22.99
		Concert party	169,337,902 (long position)	50.14	23.12
Liu Songshan *(note 2)*	Domestic shares	Concert party	337,700,000 (long position)	100.00	46.10
Di Er Tong *(note 2)*	Domestic shares	Concert party	337,700,000 (long position)	100.00	46.10
Digital Science & Technology *(note 2)*	Domestic shares	Beneficial owner	168,362,098 (long position)	49.86	22.99
		Concert party	169,337,902 (long position)	50.14	23.12
Chengmai Dixin Changqing Investment Centre (Limited Partnership)	Domestic shares	Beneficial owner	17,500,000 (long position)	5.18	2.39

Name of Shareholder	Class of Shares	Capacity	Number of Shares Held	Percentage in the Relevant Class of Share (%)	Percentage in the Total Share Capital (%)
Zhuhai Gengyan Investment Centre (Limited Partnership)	Domestic shares	Beneficial owner	24,868,842 (long position)	7.36	3.40
Zhuhai Huafa Industrial *(note 3)*	Domestic shares	Beneficial owner	169,337,902 (long position)	50.14	23.12
		Concert party	168,362,098 (long position)	49.86	22.99
Zhuhai Huafa *(note 3)*	Domestic shares	Interest of controlled corporation	337,700,000 (long position)	100.00	46.10
	H shares	Interest of controlled corporation	327,057,912 (long position)	82.85	44.65
Hong Kong Huafa *(note 3)*	H shares	Beneficial owner	327,057,912 (long position)	82.85	44.65
Lenovo Group Limited	H shares	Beneficial owner	32,435,500 (long position)	8.22	4.43
Dawn Galaxy International Limited	H shares	Beneficial owner	42,000,000 (long position)	10.64	5.73
Liu Qiangdong *(note 4)*	H shares	Trust Beneficiary	65,793,400 (long position)	16.67	8.98
Nelson Innovation Limited *(note 4)*	H shares	Beneficial owner	65,793,400 (long position)	16.67	8.98
Max Smart Limited *(note 4)*	H shares	Interest of controlled corporation	65,793,400 (long position)	16.67	8.98
JD.com, Inc. *(note 4)*	H shares	Interest of controlled corporation	65,793,400 (long position)	16.67	8.98
JD.com Investment Limited *(note 4)*	H shares	Interest of controlled corporation	65,793,400 (long position)	16.67	8.98

Notes:

1. The percentage is calculated with the number of the relevant class of Shares issued as at the Latest Practicable Date divided by the total number of Shares.

2. Digital Science & Technology directly holds 168,362,098 domestic shares of the Company, and Liu Donghai, Liu Hua, Liu Songshan, Liu Wencui, Liu Yongmei and Liu Wenli jointly hold the equity interests in Digital Science & Technology, Accordingly, pursuant to the SFO, Liu Donghai, Liu Hua, Liu Songshan, Liu Wencui, Liu Yongmei and Liu Wenli are deemed to be interested in 168,362,098 domestic shares held by Digital Science & Technology.

   Besides, Di Er Tong, Digital Science & Technology, Liu Donghai, Liu Hua, Liu Songshan, Liu Wencui, Liu Yongmei and Liu Wenli entered into a concert party agreement with Zhuhai Huafa Industrial on 29 January 2021. Accordingly, pursuant to the SFO, Liu Donghai, Liu Hua, Liu Wencui, Liu Songshan, Liu Yongmei and Liu Wenli are deemed to be interested in 169,337,902 domestic shares held by Zhuhai Huafa Industrial.

3. Zhuhai Huafa Industrial directly holds and is deemed to hold 337,700,000 domestic shares of the Company in total, Zhuhai Huafa directly holds 100% equity interests in Zhuhai Huafa Industrial. Accordingly, pursuant to the SFO, Zhuhai Huafa is deemed to be interested in 337,700,000 domestic shares held by Zhuhai Huafa Industrial.

   Hong Kong Huafa directly holds 327,057,912 H shares of the Company, Zhuhai Huafa directly holds 100% equity interests in Hong Kong Huafa. Accordingly, pursuant to the SFO, Zhuhai Huafa is deemed to be interested in 327,057,912 H shares held by Hong Kong Huafa.

4. Nelson Innovation Limited directly holds 65,793,400 H shares of the Company, and Liu Qiangdong holds 72.90% equity interests in JD.com, Inc. through Max Smart Limited, his wholly-owned company, and JD.com, Inc. holds 100% equity interests in Nelson Innovation Limited through JD.com Investment Limited, its wholly-owned company. Accordingly, pursuant to the SFO, Liu Qiangdong, Max Smart Limited, JD.com, Inc. and JD.com Investment Limited are deemed to be interested in 65,793,400 H shares held by Nelson Innovation Limited.

Save as disclosed in this circular, the Directors and chief executive of the Company are not aware that there is any party who, as at the Latest Practicable Date, had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote at a general meeting under all circumstances.

3. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by any members of the Group) had been entered into by the Group immediately before two years from the date of this circular and up to the Latest Practicable Date, and which are or may be material:

(a) The Company (as the transferor) entered into an equity transfer agreement for the sale of 100% equity of Spain Dixintong Co., Ltd. (西班牙迪信通有限公司) at a consideration of RMB89 million with Henan Dixintong Trading Co., Ltd. (河南迪信通商貿有限公司) (as the transferee), on April 9, 2021. For further details, please refer to the announcement of the Company dated April 9, 2021;

(b) The Company (as the borrower) entered into a loan agreement for an amount of RMB800 million with Tangshan Bank Co., Ltd. (唐山銀行有限公司) (as the lender) on April 22, 2021;

(c) The Company (as the transferee) entered into an agreement for the purchase of 25% equity each of Shanghai Chuanda Communication Technology Co., Ltd. (上海川達通信技術有限公司), Shanghai Dixin Electronic Communication Technology Co., Ltd. (上海迪信電子通信技術有限公司) and Shanghai Dixin South Communication Technology Co., Ltd. (上海迪信南方通信技術有限公司) for a consideration of RMB70 million with Mr. Zhou Qing, Mr. Li Kai, Ms. Zhou Yujing, Mr. Yang Zhiyong, Ms. Chen Xiujun, Mr. Jiao Liping and Mr. Li Yonggang (as transferees separately) on June 4, 2021. For further details, please refer to the announcement of the Company dated June 4, 2021;

(d) The Company (as a borrower) entered into multiple loan agreements with Zhuhai Huafa Group Finance Co., Ltd. (珠海華發集團財務有限公司) (as the lender) on a series of loans at a consideration of RMB1 billion on June 1, 2021; June 7, 2021; July 7, 2021; July 8, 2021; July 14, 2021; July 15, 2021; July 16, 2021 and July 28, 2021;

(e) The Company (as the borrower) entered into a supply chain asset financing cooperation agreement with Huajin International Commercial Factoring (Zhuhai) Co., Ltd. (華金國際商業保理(珠海)有限公司) (as the lender) on June 4, 2021; and

(f) The Company's subsidiaries Jumai Supply Chain Management Co., Ltd. (聚脈供應鏈管理有限公司), Beijing Dixintong Electronic Communication Technology Co., Ltd. (北京迪信通電子通信技術有限公司) and Yunnan Dixintong Electronic Communication Technology Co., Ltd. (雲南迪信通電子通信技術有限公司) (as borrowers separately) entered into a supply chain asset financing cooperation agreement with Huajin International Commercial Factoring (Zhuhai) Co., Ltd (as a lender) on June 28, 2021.

4. LITIGATION

As at the Latest Practicable Date, as far as was known to the Directors, no member of the Group was engaged in any litigation, arbitration or claim of material importance and there was no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

5. QUALIFICATION OF EXPERT AND CONSENT

The following are the qualifications of the expert who has provided opinion or advice contained in this circular:

Name	Qualification
Innovax	a corporation licensed under the SFO permitted to engage in Type 1 and Type 6 regulated activities (as defined under the SFO)

(a) Innovax has given and has not withdrawn its written consents to the issue of this circular with inclusion of its letter and the reference to its name included herein in the form and context in which they currently appear.

(b) As of the Latest Practicable Date, Innovax did not hold any beneficial interest in the share capital of any member of the Group, nor did it have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) As of the Latest Practicable Date, Innovax did not have any interest in any assets which have been, since 31 December 2020 (being the date to which the latest published audited annual account of the Company was made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. OTHER INFORMATION

(a) The company secretary of the Company is Ms. Ng Sau Mei, a fellow member of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

(b) The Company's principal place of business in Hong Kong is located at Unit D, 16/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Hong Kong, its registered office is located at Room 101, 4/F, C Yi'an Business Building, 18 Building Yi'an Jiayuan, Beiwa West, Haidian District, Beijing, PRC and its headquarter is located at 46th Floor, South Tower, Lize SOHO, Building 1, No. 20, Lize Road, Lize Financial Business District, Fengtai District, Beijing, the PRC.

(c) H Share registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hour at the principal place of business of the Company in Hong Kong (Unit D, 16/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Hong Kong) from the date of this circular up to 10 September 2021 (inclusive):

(a) the Articles of Association;

(b) the letter from the Independent Board Committee, full text of which is set out on pages 26 to 27 of this circular;

(c) the letter from Innovax, full text of which is set out on pages 28 to 63 of this circular;

(d) the written consent of the experts referred to in paragraph 5 of this appendix;

(e) the material contracts referred to in paragraph 3 of this appendix;

(f) the annual reports for the year ended 31 December 2019 and for the year ended 31 December 2020 reports of the Company;

(g) the Financial Services Agreement;

(h) the Electronic Communication Product Purchase and Sales Framework Agreement; and

(i) this circular.

Mr. Xie Hui (謝輝), aged 40, is an intermediate economist. He was the finance supervisor of Zhuhai Huidafeng Electric Power Development (Group) Co., Ltd (珠海匯達豐電力發展集團有限公司) from August 2003 to August 2006. He was a credit analyst of the Credit Department of Zhuhai Gree Group Finance Co., Ltd (珠海格力集團財務有限責任公司) from November 2009 to April 2010. He was a project manager in the Planning and Development Department of Zhuhai Jiuzhou Tourism Group Company Limited (珠海九洲旅遊集團有限公司) from April 2010 to September 2012. He was a secretary to the board and the general manager of the Strategic Innovation Department of Zhuhai Huafa Investment Holdings Group Co., Ltd. (珠海華發投資控股集團有限公司) (formerly known as Zhuhai Huafa Investment Holdings Company Limited (珠海華發投資控股有限公司) and Zhuhai Financial Investment Holdings Group Co. Ltd. (珠海金融投資控股集團有限公司)) ("**Huafa Investment Holdings**"), respectively from September 2012 to July 2017 and from September 2012 to May 2018. He served successively as general manager of the Strategic Development Department of Strategic Investment Management Center, director of the Information Management Center, director of the Secretariat of the Board, General Manager of the Investment Management Department of the Strategic Merger and Acquisition Management Center, Deputy Director of the Strategic Operation Management Center and General Manager of the Strategic Development Department of Zhuhai Huafa from November 2015 to April 2020. He served as the Strategic Director of Huafa Investment Holdings from July 2017 to March 2020. He has been a director of Johnson Cleaning Services Company Limited since September 2015. He has been a secretary of the Board of Zhuhai Huafa since June 2017. He successively served as a director and a non-executive director of Hong Kong Johnson Holdings Co., Ltd., a company listed on the Hong Kong Stock Exchange (stock code:1955) since July 2018. He has been a director of Johnson Investment Holding Co., Ltd. since August 2018. He has been the chief strategic operation officer, director of the strategic development center and director of the Technology Innovation Center of Zhuhai Huafa since April 2020. He has been a director of Zhuhai Urban Construction Group Co., Ltd. (珠海城市建設集團有限公司) since May 2020 and the deputy general manager of Zhuhai Huafa Group Science and Technology Research Institute Co., Ltd. (珠海華發集團科技研究院有限公司) since September 2020.

Mr. Xie Hui obtained a Bachelor's degree in Management from University of Science and Technology of China in July 2003 and a Master's degree in Financial Markets and Intermediaries from Toulouse School of Economics (圖盧茲經濟學院) in France in July 2009.

Mr. Jia Zhaojie (賈召傑), aged 43. Served as director of Business Development Department of Shenzhen Huatai Co., Ltd. (深圳華泰有限公司) from July 2001 to July 2007. He served as the head of Business Department of Hunan Juxiang Junyi Nonferrous Metal Co., Ltd. (湖南鉅翔君宜有色金屬有限公司) from July 2007 to September 2010. He was the director of Business Department of Guangdong Guangxin Mining Resource Group Co., Ltd. From September 2010 to March 2014. He served as the manager and the assistant to general manager of Business Department I of Huafa Trading from July 2014 to May 2018, and has been the deputy general manager of Huafa Trading since May 2018.

Mr. Jia Zhaojie obtained a bachelor's degree in management science from Harbin Institute of Technology in July 2001.

Ms. Pan Anran (潘安然), aged 34, is a senior purchasing specialist. She served as secretary to regional general manager in Zhuhai Zhongfu Enterprise Co., Ltd. (a company listed in the Shenzhen Stock Exchange, stock code: 000659) from July 2007 to April 2008. She successively served as supply chain planner, buyer and senior supervisor in Zhuhai Zhongfu Plastic Cover Co., Ltd. (珠海市中富膠蓋有限公司) from April 2008 to July 2013. She served as the head of the International Trading Department of Huafa Trading from July 2013 to April 2016. She served as the deputy manager of Business Department I and the deputy manager (deputy general manager) of Business Department III of Huafa Trading from April 2016 to December 2017, and has been the deputy manager, deputy chief officer of risk control and deputy general manager of the Legal and Risk Control Department of Huafa Trading since December 2017.

Ms. Pan Anran obtained a bachelor's degree in literature from Central China Normal University in July 2007.

北京迪信通商貿股份有限公司
Beijing Digital Telecom Co., Ltd.
(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6188)

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING IN 2021

NOTICE IS HEREBY GIVEN that the first extraordinary general meeting in 2021 (the "**EGM**") of Beijing Digital Telecom Co., Ltd. (the "**Company**") will be held at 46th Floor, South Tower, Lize SOHO, Building 1, No. 20, Lize Road, Lize Financial Business District, Fengtai District, Beijing, the PRC, on Friday, 10 September 2021 at 2:00 p.m. to consider and, if thought fit, to pass the following resolutions:

ORDINARY RESOLUTIONS

1. To consider and approve the deposit services under the Financial Services Agreement and its proposed annual cap; and

2. To consider and approve the transactions contemplated under the Electronic Communication Product Purchase and Sales Framework Agreement and its proposed annual cap; and

3. To consider and approve the appointment of the non-executive Directors of the Company:

   3.1 To consider and approve the appointment of Mr. Xie Hui (謝輝) as a non-executive Director of the Company;

   3.2 To consider and approve the appointment of Mr. Jia Zhaojie (賈召傑) as a non-executive Director of the Company;

   3.3 To consider and approve the appointment of Ms. Pan Anran (潘安然) as a non-executive Director of the Company.

By order of the Board
Beijing Digital Telecom Co., Ltd.
XU Jili
Chairwoman

Beijing, the PRC
24 August 2021

Notes:

1. Holders of the Company's H shares (the "**H Shares**") and domestic shares (the "**Domestic Shares**") whose names appear on the register of members of the Company on Friday, 10 September 2021 are entitled to attend and vote at the EGM. The register of members of the Company will be closed from Wednesday, 11 August 2021 to Friday, 10 September 2021 (both days inclusive), during which period no transfer of the H Shares will be effected. In order to be eligible to attend and vote at the EGM, any holders of the H Shares whose transfers have not been registered must deposit the transfer documents together with the relevant share certificates at the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 10 August 2021.

2. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote at the meeting on his/her behalf. A proxy needs not be a shareholder of the Company. Shareholders who wish to appoint proxies should first read the circular with respect to the first extraordinary general meeting in 2021 of the Company, which was despatched to the Shareholders on 24 August 2021.

3. A proxy shall be appointed by an instrument in writing (including the proxy form). Such instrument shall be signed by the appointer or his/her attorney duly authorized in writing. If the appointer is a legal person, then the instrument shall be signed under a legal person's seal or by its director or an attorney duly authorized in writing. The instrument appointing the proxy shall be deposited at the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) or at the address of the Company's registered office (for holders of the Domestic Shares) not less than 24 hours before the time fixed for holding the EGM (i.e. before 2:00 p.m. on Thursday, 9 September 2021) or any adjournment thereof (as the case may be). If the instrument appointing the proxy is signed by a person authorized by the appointer, the power of attorney or other document of authority under which the instrument is signed shall be notarised. The notarised power of attorney or other documents of authority shall be deposited together with the instrument appointing the proxy at the same time at the H Share registrar of the Company or the Company's registered office (as may be applicable).

4. Shareholders or their proxies are required to produce their identification documents when attending the EGM.

5. Miscellaneous

   i. It is expected that the EGM will last for half a day. All attending Shareholders shall arrange for their transportation and accommodation and shall bear all their own expenses in connection with their attendance.

   ii. The Company's registered office:

      4/F, Yi'an Business Building
      Block C, 18 Building, Yi'an Jiayuan
      Beiwa West
      Haidian District
      Beijing
      the PRC

      Tel: (010) 6873 3818
      Fax: (010) 6873 3816

      Contact person: Ms. Li Dongmei

iii. The address of the Company's H Share registrar:

Computershare Hong Kong Investor Services Limited

Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for lodging share transfers)

17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for deposit of proxy form)

Tel: (852) 2862 8555
Fax: (852) 2865 0990

As at the date of this notice, the executive Directors of the Company are Ms. XU Jili, Ms. XU Liping and Mr. LIU Donghai; the non-executive Directors of the Company are Mr. LI Guangning, Ms. GUO Jin and Mr. GAO Dali; and the independent non-executive Directors of the Company are Mr. LV Tingjie, Mr. LV Pingbo and Mr. CAI Chun Fai.