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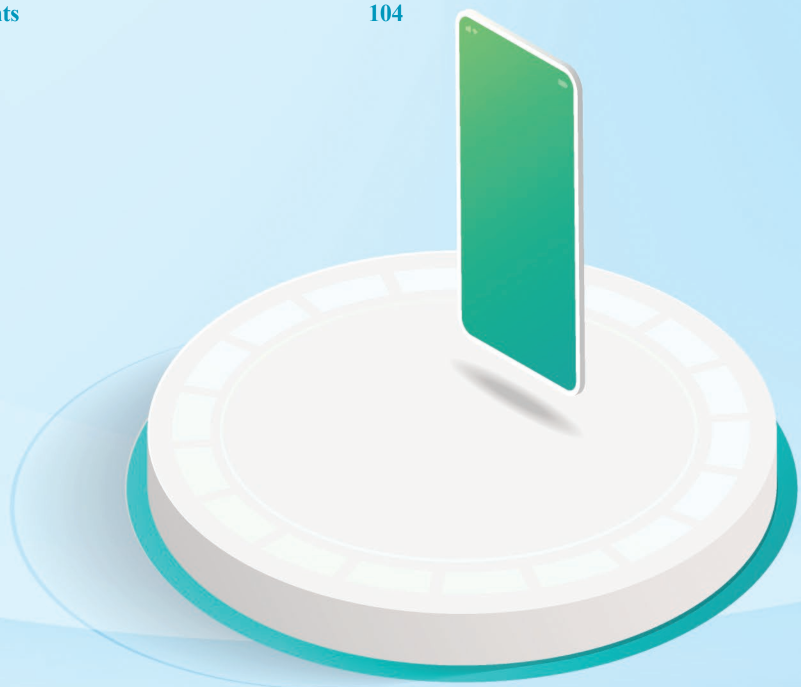
北京迪信通商貿股份有限公司
Beijing Digital Telecom Co., Ltd.

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

Stock Code: 06188

2023
ANNUAL REPORT

Contents



COMPANY PROFILE

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

As at 31 December 2023, the Company had over 100 subsidiaries (collectively referred to as the "**Group**" or "**we**") and had opened nearly 600 independently operated outlets and franchised outlets in 20 provinces and 4 municipalities over China. Since its establishment, the Company has been focusing on the sales of mobile telecommunications terminals and the provision of related services. With its extensive offline sales channels and online sales platform, the Company provides a range of integrated services to consumers, ranging from the sales of mobile phone hardware and accessories, provision of value-added services for software, and provision of personalised services for mobile phones and after-sales services. To better adapt to the development environment of the retail industry under the new market situation at home and abroad, the Group has steadily launched new retail business and diversified merchandise sales business through multi-channel operation system and multi-dimensional service model in recent years, so as to consolidate market competitiveness and brand influence. The new energy business is strongly positioned and developing rapidly. Household photovoltaic business has now made a breakthrough in Dai County, Shanxi Province and promoted the replication of the model, and has been gradually landed in Jiangsu, Hubei and other provinces; the automobile business has set up port warehouses in Kashgar and Khorgos, realizing the parallel development of domestic trade and export.

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Xu Jili *(Chairwoman)*
Ms. Xu Liping
Mr. Liu Donghai

Non-executive Directors

Mr. Xie Hui
Mr. Jia Zhaojie
Ms. Pan Anran

Independent Non-executive Directors

Mr. Lv Tingjie
Mr. Lv Pingbo
Mr. Cai Chun Fai

Supervisors

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

JOINT COMPANY SECRETARIES

Mr. Huang Mingqiang
Ms. Ng Sau Mei

AUTHORIZED REPRESENTATIVES

Ms. Xu Liping
Ms. Ng Sau Mei

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION AND ASSESSMENT COMMITTEE

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

STRATEGY COMMITTEE

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

LEGAL ADVISERS

As to Hong Kong law:
Bird & Bird
6/F, The Annex, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

As to PRC law:
Zhong Lun Law Firm
22-31/F, South Tower of CP Center
20 Jinhe East Avenue
Chaoyang District
Beijing
PRC

REGISTERED OFFICE

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

HEADQUARTER

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F., Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

H SHARE REGISTRAR

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

STOCK CODE

6188

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www.dixintong.com

AUDITOR

Ernst & Young
Certified Public Accountants
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979 King's Road, Quarry Bay
Hong Kong

PRINCIPAL BANKS

Bank of Communications Co., Ltd.
(Lincui Road Sub-branch, Beijing)
Block 24, Yilin Jiayuan, Lincui Road
Chaoyang District
Beijing
PRC

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

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

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

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

FINANCIAL HIGHLIGHTS

Item	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
	For the year ended 31 December				
Consolidated Statement of Profit or Loss					
Revenue	**17,145,992**	13,507,537	10,243,930	13,550,150	15,350,953
Gross profit	**781,351**	637,432	575,788	1,176,691	1,768,877
(Loss)/profit for the year	**(666,025)**	(279,145)	(3,596,985)	114,512	260,452
Other comprehensive income profit/(loss) for the year	**2,678**	(938)	(22,178)	(34,537)	(4,214)
Total comprehensive (loss)/income for the year	**(663,347)**	(280,083)	(3,619,163)	79,975	256,238
Attributable to:					
Owners of the parent	**(627,367)**	(276,517)	(3,589,431)	79,776	253,227
Non-controlling interests	**(35,980)**	(3,566)	(29,732)	199	3,011
(Loss)/earning per share attributable to ordinary equity holders of the parent – Basic and diluted (RMB/share)	**(0.84)**	(0.38)	(4.87)	0.16	0.39
Consolidated Balance Sheet					
Non-current assets	**346,721**	375,330	664,327	833,442	1,167,898
Current assets	**7,985,467**	6,689,161	6,710,407	8,511,574	9,773,359
Total assets	**8,332,188**	7,064,491	7,374,734	9,345,016	10,941,257
Current liabilities	**8,117,215**	6,455,371	6,416,704	4,689,071	6,440,324
Total assets less current liabilities	**214,973**	609,120	958,030	4,655,945	4,500,933
Non-current liabilities	**170,993**	171,207	240,034	208,439	324,428
Net assets	**43,980**	437,913	717,996	4,447,506	4,176,505
Share capital	**886,460**	732,460	732,460	732,460	666,667
Reserves	**(815,848)**	(303,895)	(27,378)	3,552,600	3,347,591
Equity attributable to owners of the parent	**70,612**	428,565	705,082	4,285,060	4,014,258
Non-controlling interests	**(26,632)**	9,348	12,914	162,446	162,247
Consolidated Statement of Cash Flows					
Net cash flows from/(used in) operating activities	**57,523**	(599,489)	(992,623)	315,029	537,068
Net cash flows from/(used in) investing activities	**(178,322)**	10,325	(30,478)	78,098	(367,347)
Net cash flows from/(used in) financing activities	**613,932**	721,443	1,045,794	(988,621)	(212,223)
Net increase/(decrease) in cash and cash equivalents	**493,133**	132,279	22,693	(595,494)	(42,502)
Cash and cash equivalents at beginning of year	**224,133**	91,225	71,413	666,245	708,548
Effect of foreign exchange rate changes on cash flow	**–**	629	(2,881)	662	199
Cash and cash equivalents at the end of year	**717,266**	224,133	91,225	71,413	666,245

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Group and the board of directors of the Company (the "**Board**" or "**Board of Directors**"), I am pleased to present the annual results for the year.

Under the complicated and severe external uncertainties in 2023, all the staff of Digital Telecom faced such situation positively and moved forward with courage and determination. With the support and assistance of Zhuhai Huafa Group Co., Ltd.*（珠海華發集團有限公司）("**Zhuhai Huafa**"), the controlling shareholder of the Company, Digital Telecom has fully completed the annual business plan and promoted the Group to achieve sustainable and healthy development by setting the target, seizing the opportunity, making more efforts in business development and rising against the trend.

During the year under review, the Company's total revenue amounted to RMB17,145,992,000, representing an increase of RMB3,638,455,000 or 26.94% from RMB13,507,537,000 for the same period of last year. The net loss for the year 2023 amounted to RMB666,025,000, representing an increase of RMB386,880,000 from the net loss of RMB279,145,000 for the same period of last year. The Group sold 3,838,000 mobile handsets, representing a decrease of 178,000 sets or 4.43% from 4,016,000 sets for same period of last year. For detailed analysis of financial data, please refer to the Company's 2023 annual report.

During the year under review, on one hand, the domestic economy faced many difficulties in its recovery and development, and the fluctuation and twists in the economic recovery process affected consumers' willingness to consume; on the other hand, the return of Huawei's 5G product line in the second half of 2023 led to the recovery of the 3C market. In the fast-changing situation, we dug deeply into the moat of our main business, and continued to improve our revenue scale and market position by providing comprehensive and high-quality products and services to our partners and consumers; at the same time, we rapidly laid out and launched new businesses, and achieved breakthroughs in the household photovoltaic and automotive export business, which helped the Company to improve its profitability.

Specifically, we continued to improve our overall operational efficiency by enhancing our refined operational management, controlling the cost and increasing efficiency. We have steadily adjusted and optimised the structure and types of outlets, proactively responded to consumer preferences, and increased the number and proportion of brand franchised shops, including Huawei Experience Stores and Cooperative Stores, in order to further achieve a significant increase in the proportion of profitable outlets.

At the same time, we continuously broke through our own boundaries and made significant progress in new categories, new businesses and new tracks. In the retail business, we seized the opportunity of government consumption vouchers, made a good marketing combination, and continued to deepen the omni-channel fulfillment business cooperation with mainstream e-commerce platforms to achieve a win-win situation for consumers, platforms and enterprises. In terms of the government and enterprise business, we relied on our own resource endowment to continuously sort out and perfect our business model, to continuously enhance the market competitiveness of the Group's government and enterprise business, and to optimise the Group's overall profitability. In addition to our 3C main business, we have made good use of our retail staff and channel network to efficiently facilitate the launch of new businesses. The household photovoltaic business has been further developed in Hubei, Jiangsu and other places after such business is landed first in Shanxi, and the automobile export business has realised sizable revenue and profit contribution in Xinjiang.

* *For identification purposes only*

2024 will be a year full of difficulties and challenges, but also a year full of opportunities to face the future. There will be uncertainties in the macro environment, as well as growth opportunities from Huawei's full-series of 5G and the business of local life on video e-commerce platforms. Digital Telecom will continue to rise to the challenges and seize the opportunities, and under the guidance of the strategy of "consolidating new retail, enhancing 1+N, deploying new track", Digital Telecom will consolidate the 3C main business, actively promote new energy and automobile exports and other new track businesses, so as to comprehensively push forward the high-quality development of the Company and move forward to a new journey. We will continue to make efforts in the following aspects:

1. In terms of the supply chain, we will continue to strengthen cooperation with core 3C brands to maximise the dividends brought by the market growth of core brands while maintaining comprehensive cooperation with other brands to maintain the value coverage brought by brand differentiation to consumers; we will focus on the recycling and used mobile phone business in the mobile phone after-market business through standardising the supply chain and refining operation to realise the contribution of value-added business on a large scale;

2. In terms of the channel, relying on the largest front warehouse system in China and stable operational performance, we will continue to improve the operational efficiency and service quality of our customers, consolidate the scale of the existing business and continue to expand new business opportunities, such as O2O fulfillment business related to operators, etc. At the same time, we will take the lead in laying out the "One-Hour Delivery" business of the video e-commerce platform, and do our best to develop it into a growth point for large-scale business; and

3. In terms of the business, under the guidance of the idea of "new quality productivity", on the one hand, we will deeply tap into the potential of the government and enterprise business track, continue to improve the scale and profit contribution in cooperation with operators for Data and Information Communication Technology ("**DICT**") projects, implementation of information technology application innovation projects of the government and state-owned enterprises. On the other hand, we will seize the opportunity of the explosive growth in the photovoltaic industry, and rapidly replicate and implement the household photovoltaic business, so as to realise the scale of the expansion of the household photovoltaic business of Digital Telecom; and lastly, based on the strong geographic orientation of the automotive export business, we will seize the business opportunities in Central Asia by using Xinjiang as a springboard to form a new point of growth for the business.

On behalf of the Board of Directors, I would like to take this opportunity to express my deep gratitude to the Group's management team and employees for their unremitting efforts, as well as our shareholders (the "**Shareholder(s)**"), investors and business partners for their support and trust. Looking ahead, we will surely grasp the development trend of the country and the industry, sprint with all-out efforts in a fighting stance, and strive to achieve results far exceeding expectations and deliver maximum returns to our shareholders.

Chairwoman of the Board
Xu Jili

Beijing, 26 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

For the year ended 31 December 2023, the Group sold 3,838,000 mobile handsets, representing a decrease of 178,000 sets or 4.43% from 4,016,000 sets for the year ended 31 December 2022. Operating revenue of the Group for the year ended 31 December 2023 amounted to RMB17,145,992,000, representing an increase of RMB3,638,455,000 or 26.94% from the operating revenue of RMB13,507,537,000 for the year ended 31 December 2022. Net loss for the year ended 31 December 2023 amounted to RMB666,025,000, representing an increase of RMB386,880,000 or 138.59% from the net loss of RMB279,145,000 for the year ended 31 December 2022. The year-on-year significant increase in net loss is mainly due to the increase in impairment losses on financial assets (including the trade receivables and other receivables). By excluding the impact of the impairment losses on financial assets for the year ended 31 December 2023, the Group has achieved a turnaround with a net profit amounting to RMB43,287,000 for the year ended 31 December 2023.

II. FINANCIAL POSITION AND OPERATING RESULTS

(i) Overview

For the year ended 31 December 2023, the Group recorded a net loss of RMB666,025,000, representing an increase of RMB386,880,000 or 138.59% from a net loss of RMB279,145,000 for the year ended 31 December 2022. The net loss attributable to the owners of the parent of the Company for the year ended 31 December 2023 was RMB630,045,000, representing an increase of RMB354,466,000 or 128.63% from the net loss attributable to the owners of the parent of the Company of RMB275,579,000 for the year ended 31 December 2022.

1. Operating revenue

For the year ended 31 December 2023, operating revenue of the Group amounted to RMB17,145,992,000, representing an increase of RMB3,638,455,000 or 26.94% from the operating revenue of RMB13,507,537,000 for the year ended 31 December 2022. The increase in revenue was primarily due to a significant increase in revenue from our wholesale business in this year. Our sales of mobile telecommunications devices and accessories include (i) sales in our retail business including our independently operated outlets and online channels; (ii) sales in our franchise business; and (iii) sales in our wholesale business. Revenue from our retail business includes revenue from sales of mobile telecommunications devices and accessories in our independently operated outlets and store-in-store outlets, stores in cooperation with the mobile carriers and online sales platforms. Revenue from our franchise business includes revenue from sales of mobile telecommunications devices and accessories to our franchisees. Revenue from our wholesale business includes revenue from sales of mobile telecommunications devices and accessories we distribute to mobile carriers and other third-party retailers. Our service income from mobile carriers are primarily derived from the share of the call charges of the mobile carriers. Other service fee income includes (i) management fees and service fees received from suppliers; (ii) income from value-added services; (iii) the rental fees we received by renting counter space to third parties who provide repair services; (iv) income from the service business; and (v) income from franchisees' services.

The Group's revenue from sales of mobile telecommunications devices and accessories amounted to RMB16,356,788,000 for the year ended 31 December 2023, representing an increase of RMB3,433,415,000 or 26.57% as compared with the revenue from sales of mobile telecommunications devices and accessories of RMB12,923,373,000 for the year ended 31 December 2022.

The Group's service income from mobile carriers amounted to RMB226,589,000 for the year ended 31 December 2023, representing a decrease of RMB30,832,000 or 11.98% as compared with the service income from mobile carriers of RMB257,421,000 for the year ended 31 December 2022.

The Group's revenue from provision of online and offline sales and marketing services and other service fee income amounted to RMB494,237,000 in aggregate for the year ended 31 December 2023, representing an increase of RMB167,494,000 or 51.26% as compared with that of RMB326,743,000 for the year ended 31 December 2022. In particular, revenue from online and offline sales and marketing services amounted to RMB278,700,000 during the year ended 31 December 2023, mainly due to the Company's channel advantages and full utilisation of the synergy of resources within the Group. In the future, the Company will expand its channel advantages in all aspects to provide sales services to more customers.

The Group's revenue from sales of vehicles for the year ended 31 December 2023 was RMB68,378,000 (2022: Nil).

2. *Cost of sales*

The Group's cost of sales for the year ended 31 December 2023 amounted to RMB16,364,641,000, representing an increase of RMB3,494,536,000 or 27.15% as compared with the cost of sales of RMB12,870,105,000 for the year ended 31 December 2022, which was mainly due to the increase in cost of sales was in line with the increase in our operating revenue.

3. *Gross profit and gross profit margin*

Gross profit represents operating revenue net of cost of sales. For the year ended 31 December 2023, gross profit of the Group amounted to RMB781,351,000, representing an increase of RMB143,919,000 or 22.58% from the gross profit of RMB637,432,000 for the year ended 31 December 2022. Our overall gross profit margins for the years ended 31 December 2022 and 2023 were 4.72% and 4.56%, respectively. The decrease in the overall gross profit margin as compared to that for the year ended 31 December 2022 was due to the increase in the proportion of the wholesale business in 2023.

4. *Other income and gains*

Other income and gains mainly include: (i) interest income; (ii) government grants; and (iii) others. The Group's other income and gains for the year ended 31 December 2023 amounted to RMB134,953,000, representing an increase of RMB89,695,000 or 198.19% from RMB45,258,000 for the year ended 31 December 2022. The increase was primarily due to the interest income and the reversal of accrued litigation liabilities in 2023.

5. *Selling and distribution expenses*

Total selling and distribution expenses of the Group for the year ended 31 December 2023 amounted to RMB395,605,000, representing a decrease of RMB22,460,000 or 5.37% as compared with the total selling and distribution expenses of RMB418,065,000 for the year ended 31 December 2022. The selling and distribution expenses for the year ended 31 December 2023 remained relatively stable as compared to that for the year ended 31 December 2022.

6. *Administrative expenses*

The Group's total administrative expenses for the year ended 31 December 2023 amounted to RMB204,999,000, representing an increase of RMB603,000 or 0.30% as compared with the total administrative expenses of RMB204,396,000 for the year ended 31 December 2022. The administrative expenses for the year ended 31 December 2023 remained relatively stable as compared to that for the year ended 31 December 2022.

7. *Impairment losses on financial assets*

For the year ended 31 December 2023, the Group recorded an impairment losses on financial assets amounted to RMB709,312,000, representing an increase of RMB600,399,000 or 551.26% as compared with the impairment losses on financial assets of RMB108,913,000 for the year ended 31 December 2022. Such increase was primarily due to the increase in the impairment losses on the trade receivables and other receivables due from third-party franchisees, suppliers and customers during the year ended 31 December 2023.

The impairment losses on financial assets represent the impairment of trade receivables amounted to RMB420,047,000 (2022: RMB156,824,000), impairment of other receivables amounted to RMB263,481,000 (2022: impairment reversal of RMB84,937,000) and impairment of amounts due from related parties amounted to RMB25,784,000 (2022: RMB35,834,000).

The trade receivables, other receivables due from third-party and the amounts due from related parties were impaired, mainly due to the fact that the consumer sentiment remained subdued in the People's Republic of China (the "**PRC**") and continued to weigh on the domestic retail industry of the sale of mobile telecommunications devices and accessories in 2023. Coupled with the sluggish domestic retail industry and weak consumer sentiment in the PRC in 2023, the rapid growth of e-commerce platforms has intensified market competition for physical stores in the telecommunications industry. This competition is particularly fierce among the younger generation, who tend to purchase telecommunications products online. As a result, consumers have shifted from offline channels to online platforms, leading to significant changes in the industry landscape. During the performance of specific collectability review by the Group, certain customers and counterparties were found to be under liquidity pressure and/or have difficulties in repaying the trade and other receivables on time and the increase in ageing of the trade and other receivables due to various reasons such as poor operating results.

Such other receivables due from third-party were mainly arisen during the ordinary and usual course of the Group's business which were recognized at the time prior to the change of control of the Group in 2021, and were primarily related to (i) payment made to third-party customers and suppliers which aimed to facilitate the Group's channel exploitation of the sales channels and offline branded outlets and their future business cooperation, and such payment was utilized as start-up cost of these sales channels; and (ii) the payment made on behalf of third-party franchisees such as prepaying store value telephone card to mobile carriers. Such amount due from related parties were mainly arisen during the ordinary and usual course of the Group's business.

For details of the impairment assessment method, please refer to notes 23 and 24 to the financial statements from pages 154 to 157 of this annual report.

8. *Other expenses*

Our other expenses mainly include impairment and write-down of inventories and gains or losses on disposal of subsidiaries. For the years ended 31 December 2022 and 2023, our other expenses amounted to RMB29,724,000 and RMB79,327,000, respectively, representing a year-on-year increase of RMB49,603,000 or 166.88%, which was primarily due to the losses arising on disposal of subsidiaries in 2023.

9. *Finance costs*

The Group's total finance costs for the year ended 31 December 2023 amounted to RMB179,827,000, representing an increase of RMB2,037,000 or 1.15% as compared with the total finance costs of RMB177,790,000 for the year ended 31 December 2022. The finance costs for the year ended 31 December 2023 remained relatively stable as compared to that for the year ended 31 December 2022.

10. *Income tax expenses*

The Group's total income tax expenses for the year ended 31 December 2023 amounted to RMB4,945,000, while the total income tax expenses for the year ended 31 December 2022 amounted to RMB18,668,000. The decrease was primarily due to certain subsidiaries of the Group that had recorded profits had utilised tax losses brought forward from previous years.

(ii) Liquidity and capital resources (current assets, financial resources)

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

1. *Net cash generated from operating activities*

Our cash generated from operating activities is primarily from sales of mobile telecommunications devices and accessories. Our cash used in operating activities is primarily for purchase of telecommunications devices and accessories from suppliers, rental expenses and staff salary and compensation. Our net cash generated from operating activities reflects our loss before income tax, as adjusted for non-cash items, such as finance costs and depreciation of property, plant and equipment, and the effects of changes in working capital, such as increase or decrease in inventories, trade receivables, prepayments, trade and other payables, and accruals.

For the year ended 31 December 2023, we had net cash generated from operating activities of RMB57,523,000, primarily due to the net profit turnaround for the year before the impairment losses on financial assets which is a non-cash item.

2. *Net cash used in investing activities*

Our cash used in investing activities reflects the results of our investing activities for the year ended 31 December 2023, such as purchases of property, plant and equipment, redemption of financial products from banks, and disposal of associates.

For the year ended 31 December 2023, we had net cash used in investing activities of RMB178,322,000, which was primarily due to the combined effect of redemption of financial products from banks and disposal of associates.

3. Net cash generated from financing activities

Our net cash generated from financing activities reflects the results of our financing activities for the year ended 31 December 2023, such as obtaining new bank loans, obtaining new loans from related parties, repayment of bank loans, repayment of loans from related parties, payment of interests and other financing activities.

For the year ended 31 December 2023, we had net cash generated from financing activities of RMB613,932,000, primarily due to new bank loans and loans from related parties obtained during the year ended 31 December 2023, and partially offset by the repayment of bank loans and loans from related parties during the year ended 31 December 2023.

(iii) Balance sheet items

1. Trade and bills receivables

To enhance the sales of our mobile handsets and enlarge our market share, we granted different credit periods to some customers in 2023, and certain amount of trade receivables were guaranteed by the former controlling shareholders of the Company (the "**Former Controlling Shareholders**"). Our retail sales to customers were cash sales. Credit periods are offered to customers of volume sales of telecommunications devices and accessories. The credit periods offered to customers of volume sales are considered on a case-by-case basis.

We maintain strict control over and closely monitor the outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by the management of the Company. In view of the aforementioned and the fact that our trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

As at 31 December 2023, the trade and bills receivables after deduction of impairment amounted to RMB2,043,052,000, representing a decrease of RMB277,602,000 or 11.96% from RMB2,320,654,000 as at 31 December 2022.

As at 31 December 2023, the trade receivables before deduction of impairment amounted to RMB2,824,061,000, representing an increase of RMB101,037,000 or 3.71% from RMB2,723,024,000 as at 31 December 2022.

As at 31 December 2023, the bills receivables before deduction of impairment amounted to RMB41,471,000, representing an increase of RMB41,408,000 or 65,726.98% from RMB63,000 as at 31 December 2022, which was mainly due to the expansion of business size.

2. *Prepayments, other receivables and other assets*

Our prepayments, other receivables and other assets as at 31 December 2023 amounted to RMB1,953,808,000, representing a decrease of RMB9,783,000 or 0.50% from RMB1,963,591,000 as at 31 December 2022.

Our prepayments and deposits mainly represent our prepayments to suppliers of mobile telecommunications devices and accessories and prepaid rental payments to lessors. Our prepayments and deposits as at 31 December 2023 amounted to RMB739,633,000, representing an increase of RMB320,623,000 or 76.52% from RMB419,010,000 as at 31 December 2022. The increase was mainly due to the reasonable arrangement of procurement payment according to the market demand.

Our other receivables as at 31 December 2023 amounted to RMB1,663,882,000, representing a decrease of RMB63,477,000 or 3.67% from RMB1,727,359,000 as at 31 December 2022. Our other receivables as at 31 December 2023 comprise (i) the payment made to third party customers and suppliers which aimed to facilitate the Group's channel exploitation and their future business cooperation; (ii) the payment made on behalf of third-party franchisees such as prepaying store value telephone card to mobile carriers; and (iii) other payment which mainly including business reserves and accrued interest.

3. *Impairment of trade and other receivables*

Certain trade and other receivables in the aggregate amount of approximately RMB2.23 billion were then guaranteed by the Former Controlling Shareholders (the "**Guaranteed Receivables**"). The Group assessed impairment losses for the Guaranteed Receivables and non-Guaranteed Receivables separately.

Guaranteed Receivables

For the Guaranteed Receivables, the Group first applied the simplified approach prescribed by International Financial Reporting Standards ("**IFRS(s)**") 9 to determine the potential credit losses by using the lifetime expected loss provision for the Guaranteed Receivables. The Group then assessed if the Former Controlling Shareholders had sufficient asset backings to cover the potential credit losses and provision for impairment was considered for the shortfall. In assessing the asset backings of the Former Controlling Shareholders, the Group considered assets identified and/or controlled by the Group, and considered that the general personal guarantee of Mr. Liu Donghai without assets identified to be minimal. For assets controlled by the Group, valuation by an external independent valuer was performed in determining the value of the assets if required. For assets identified but not controlled by the Group, the value of the assets were estimated based on information available. As a result, a provision for impairment loss in an amount of RMB278 million (2022: RMB87 million) was made for the Guaranteed Receivables.

Non-Guaranteed Receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). Such calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the date about past events, current conditions and forecasts of future economic conditions.

4. Inventories

Our inventories as at 31 December 2023 amounted to RMB331,484,000, representing an increase of RMB55,597,000 or 20.15% from RMB275,887,000 as at 31 December 2022, which was mainly due to the increase in the Group's stocking of new energy vehicles and other businesses in a multi-business approach.

5. Due from related parties

The amount due from related parties of the Group as at 31 December 2023 comprise (i) the trade receivables due from related parties of the Group in the amount of approximately RMB387,002,000 (2022: RMB255,050,000); (ii) the amount due from related parties of the Group which is non-trade in nature in the amount of approximately RMB311,838,000 (2022: RMB345,300,000).

6. Trade and bills payables

Our trade payables are non-interest bearing and are normally settled within 30-60 days. Our trade and bills payables as at 31 December 2023 amounted to RMB413,067,000, representing an increase of RMB100,016,000 or 31.95% from RMB313,051,000 as at 31 December 2022. The increase in trade and bills payables for the year ended 31 December 2023 was mainly attributable to the increase in purchases as a result of the expansion of the Group's business size during the year ended 31 December 2023.

7. Other payables and accruals

Our other payables and accruals consist of (i) contract liabilities; (ii) payroll and welfare payables; (iii) accrued expenses; (iv) other payables; and (v) accrued liabilities.

Our other payables and accruals as at 31 December 2023 amounted to RMB651,229,000, representing an increase of RMB184,453,000 or 39.52% from RMB466,776,000 as at 31 December 2022. Such increase was mainly due to the increase in the Group's other payables with certain customers and suppliers.

* *For identification purposes only*

8. *Net current (liabilities)/assets position*

Our net current liabilities as at 31 December 2023 amounted to RMB131,748,000, representing a change from the net current assets of RMB233,790,000 as at 31 December 2022. Such change was mainly due to the decrease in trade receivables and increase in short-term borrowings in 2023.

9. *Capital expenditure*

For the year ended 31 December 2023, the Group's capital expenditure amounted to RMB18,306,000, which was incurred mainly in relation to the purchase and construction of fixed assets, intangible assets and decoration costs in connection with the opening of new outlets and the renovation of old ones.

10. *Interest-bearing bank and other borrowings*

Our bank borrowings and other borrowings were primarily short-term in nature.

The following table sets forth our outstanding borrowings as at the dates indicated:

	31 December 2023		31 December 2022	
	Maturity date	**RMB'000**	Maturity date	RMB'000
Current				
Bank loans:				
Unsecured, repayable within one year	**2024**	**1,095,644**	2023	1,143,915
Secured, repayable within one year	**2024**	**1,670,000**	2023	1,102,805
Other borrowings:				
Unsecured, repayable within one year	**2024**	**275,000**	2023	391,017
Secured, repayable within one year	**2024**	**925,000**	2023	50,000
		3,965,644		2,687,737
Long-term				
Bank borrowings:				
Unsecured, due after more than one year	**N/A**	**–**	2024-2027	14,846
		3,965,644		2,702,583

(iv) Key financial ratios

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

Items	As at 31 December 2023	2022	Change	Percentage of change
Current ratio	**0.98**	1.04	(0.06)	(5.77%)
Gearing ratio	**99.30%**	92.29%	7.01%	7.60%
Net debt-to-equity ratio	**7,386.03%**	565.97%	6,820.06%	1,205.02%

Current ratio is current assets divided by current liabilities as at the end of each financial period. Our current ratio as at 31 December 2023 was 0.98, representing a decrease of 0.06 or 5.77% from 1.04 as at 31 December 2022. Such decrease was primarily due to an increase in current liabilities.

Gearing ratio is net debt divided by the sum of net debt and total equity at the end of each financial period and multiplied by 100%. Net debt includes interest-bearing bank and other borrowings, lease liabilities etc., less cash and cash equivalents. Our gearing ratio as at 31 December 2023 was 99.30%, representing an increase of 7.01 percentage points or 7.60% from 92.29% as at 31 December 2022. Such increase was primarily due to an increase in current liabilities.

Net debt-to-equity ratio equals to net debt divided by total equity as at the end of the financial period and multiplied by 100%. Our net debt-to-equity ratio as at 31 December 2023 was 7,386.03%, representing an increase of 6,820.06 percentage points or 1,205.02% from 565.97% as at 31 December 2022. Such increase was mainly due to a decrease in total equity.

(v) Material acquisitions and disposals

For the year ended 31 December 2023, the Group had no material acquisitions and disposals.

(vi) Contingent liabilities

For the year ended 31 December 2023, the Group did not have any contingent liabilities.

(vii) Foreign exchange rate risks

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

(viii) Restricted assets

As at 31 December 2023, except for the pledged deposits amounted to RMB1,797,640,000 and financial assets at fair value through profit or loss amounted to RMB443,377,000, there were no other restricted assets.

(ix) Material investments

The Group did not have any material investment during the year ended 31 December 2023.

(x) Employees, remunerations and training programmes for employees

For the year ended 31 December 2023, the Group had 2,689 employees (2022: 2,970). Salary costs and employees' benefit expenses of the Group amounted to approximately RMB309,490,000 for the year ended 31 December 2023. Remunerations for the Group's existing employees include salaries, performance-based bonus, social insurance, housing provident fund and other benefits.

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

(xi) Future material investment

As at the date of this annual report, the Group does not have any material investment plan in the near future.

(xii) Material events after the financial year ended 31 December 2023

On 6 February 2024, the Company and Beijing Shangfang Intelligent Clean Energy Company Limited*（北京尚方智慧清潔能源有限公司）("**Beijing Shangfang**"), a 30%-controlled company indirectly held by the controlling Shareholder, Zhuhai Huafa, and hence a connected person of the Company, had entered into the Photovoltaic Equipment and Components Purchase and Sales Framework Agreement No. 1 (as defined in the announcement of the Company dated 11 March 2024), pursuant to which the Group agreed to supply the photovoltaic equipment and components, including but not limited to photovoltaic modules, inverters, racking, distribution boxes, cables and auxiliary materials (the "**Photovoltaic Equipment**") to Beijing Shangfang for the period from 6 February 2024 to 31 May 2024. The cap in respect of the fees receivable from the sale of the Photovoltaic Equipment to be provided by the Group to Beijing Shangfang for the period from 6 February 2024 to 31 May 2024 shall not exceed RMB70 million. The Photovoltaic Equipment and Components Purchase and Sales Framework Agreement No. 1 and the transaction contemplated thereunder constitute a partially exempt continuing connected transaction of the Company, and is subject to the reporting, announcement and annual review requirements but exempt from circular and the independent shareholders' approval requirements under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). For further details, please refer to the announcement of the Company dated 6 February 2024.

* *For identification purposes only*

As the term of the Photovoltaic Equipment and Components Purchase and Sales Framework Agreement No. 1 and the cap for the continuing connected transaction contemplated thereunder will expire in May 2024, the Company and Beijing Shangfang had entered into the Photovoltaic Equipment and Components Purchase and Sales Framework Agreement No. 2 (as defined in the announcement of the Company dated 11 March 2024) on 11 March 2024, pursuant to which the Group agreed to supply the Photovoltaic Equipment to Beijing Shangfang for the period commencing from the date of the approval from the independent Shareholders at the forthcoming annual general meeting of the Company ("**AGM**") for the year ended 31 December 2023 (the "**Effective Date**") and ending on 31 December 2024. The cap in respect of the fees receivable from the sale of the Photovoltaic Equipment to be provided by the Group to Beijing Shangfang for the period from the Effective Date to 31 December 2024 shall not exceed RMB3,000 million. The Photovoltaic Equipment and Components Purchase and Sales Framework Agreement No. 2 and the transaction contemplated thereunder constitute a non-exempt continuing connected transaction of the Company, and is subject to reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For further details, please refer to the announcement and the circular of the Company dated 11 March 2024 and 30 April 2024, respectively.

On 11 March 2024, the Company and Zhuhai Huafa Group Finance Co., Ltd.*（珠海華發集團財務有限公司）("**Huafa Finance Company**"), a subsidiary of Zhuhai Huafa and a connected person of the Company, entered into the supplemental agreement to the 2024–2026 Financial Services Framework Agreement (as defined in the announcement of the Company dated 25 September 2023) (the "**Financial Services Supplemental Agreement**") to increase the existing annual caps for the deposit services provided by Huafa Finance Company to the Group from RMB120 million to RMB300 million (the "**Revised Deposit Caps**") for each of the years ending 31 December 2024, 2025 and 2026, in order to cater for the Group's demand in such services, facilitate the Group in the overall capital management and support the Group's potential business growth. The Financial Services Supplemental Agreement and the deposit services contemplated thereunder constitute a discloseable transaction and a non-exempt continuing connected transaction of the Company, and is subject to reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules. For further details, please refer to the announcement and the circular of the Company dated 11 March 2024 and 30 April 2024, respectively.

On 11 March 2024, the Board proposed to amend the existing articles of association of the Company (the "**Articles of Association**") and to adopt the amended and restated Articles of Association in substitution for, and to the exclusion of, the existing Articles of Association, in order to (i) bring the Articles of Association in line with the relevant requirements of the applicable laws and regulations of the PRC and the Listing Rules; and (ii) make some other housekeeping changes. In view of the proposed amendments to the Articles of Association, the Board also proposed to make corresponding amendments to certain provisions of each of the rules of procedures for the general meeting of the Company, the rules of procedures for the Board and the rules of procedures for the board of supervisors of the Company (collectively, the "**Procedural Rules**").

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The Company will convene the AGM for the year ended 31 December 2023 to consider and, if thought fit, approve, among others, (i) the Financial Services Supplemental Agreement and the transaction contemplated thereunder (including the Revised Deposit Caps); (ii) the Photovoltaic Equipment and Components Purchase and Sales Framework Agreement No. 2 and the transaction contemplated thereunder (including the proposed cap); and (iii) the proposed amendments to the existing Articles of Association and the Procedural Rules. The proposed amendments to each of the existing Articles of Association and the Procedural Rules shall also be subject to the approval by the Shareholders at the forthcoming H share class meeting and the domestic share class meeting of the Company. For further details, please refer to the announcement and the circular of the Company dated 11 March 2024 and 30 April 2024, respectively.

The Company was informed by Zhuhai Huafa Technology Industry Group Co., Ltd. ("**Huafa Technology Industry Group**"), a controlling Shareholder, that the acting-in-concert agreement dated 29 January 2021 entered into between Huafa Technology Industry Group, Beijing Di Er Tong Consulting Company Limited ("**Di Er Tong**"), Digital Science & Technology Group Limited ("**Digital Science & Technology**") and Liu Donghai, Liu Songshan, Liu Hua, Liu Wencui, Liu Yongmei and Liu Wenli (collectively, the "**Liu Family**") has been expired on 7 April 2024.

On 8 April 2024, Digital Science & Technology and Liu Donghai have entered into a new acting-in-concert agreement (the "**New Concert Party Agreement**") with Huafa Technology Industry Group. Each of Di Er Tong, Liu Hua, Liu Songshan, Liu Wencui, Liu Yongmei and Liu Wenli is no longer a concert party under the New Concert Party Agreement. The New Concert Party Agreement shall be valid for the period (the "**Term**") from the date of the New Concert Party Agreement until the point at which any of the following events occurs, whichever is the earliest: (1) the date which is three years after the date of the New Concert Party Agreement; (2) subject to the compliance by each of Digital Science & Technology and Liu Donghai to the terms of the New Concert Party Agreement, (i) each of Digital Science & Technology and Liu Donghai ceasing to hold any Shares and (ii) each of Digital Science & Technology and Liu Donghai ceasing to hold any position as a Director, supervisor or senior management of the Company; or (3) Huafa Technology Industry Group providing a written notification to the other parties of the New Concert Party Agreement to terminate the New Concert Party Agreement.

Pursuant to the New Concert Party Agreement, amongst others:

1) during the Term, Digital Science & Technology and Liu Donghai shall take concerted action with and shall act in accordance with the will of Huafa Technology Industry Group in relation to any shares of the Company (the "**Share(s)**") that Digital Science & Technology and/or Liu Donghai hold directly or indirectly (and in relation to any Shares that Digital Science & Technology and/or Liu Donghai hold indirectly, Digital Science & Technology and/or Liu Donghai shall procure the direct holder of such Shares to act in accordance with the will of Huafa Technology Industry Group) as follows:

    a) exercising the voting rights at the meetings of the Board and general meetings of the Shareholders;

    b) exercising the right of proposing resolutions to the Board and at the general meetings of the Shareholders;

    c) exercising the right to nominate candidates for Directors and supervisors of the Company (the "**Supervisor(s)**");

d) exercising the power to convene the extraordinary general meetings of the Company;

e) ensuring that the Directors nominated by them shall act in accordance with the will of Huafa Technology Industry Group when exercising their voting rights at the Board meetings; and

f) any other major matters related to the Company's operation and management.

2) during the Term, Digital Science & Technology and Liu Donghai will irrevocably entrust to Huafa Technology Industry Group the right to exercise all direct and indirect Shareholder rights in relation to the 168,362,098 domestic shares of the Company (the "**Entrusted Shares**") held by Digital Science & Technology, including voting rights at general meetings of the Shareholders, voting rights in Board meetings, the right to propose resolutions in general meetings of the Shareholders and meetings of the Board, the right to nominate Directors, Supervisors and senior management of the Company and the right to convene extraordinary general meetings or general meetings of the Company and meetings of Directors, except that Digital Science & Technology and Liu Donghai shall retain the right, as the holders or ultimate beneficial owners of the Entrusted Shares, to dividends on the Entrusted Shares and the right to dispose the Entrusted Shares in accordance with applicable laws and regulations and the Articles of Association (provided that such disposal does not violate the terms of any agreement entered into by the parties);

3) in the event that the total number of issued Shares has changed due to reasons including but not limited to bonus issue or Share split, the number of Entrusted Shares shall be adjusted accordingly in a pro-rata manner to ensure the percentage of the Entrusted Shares out of the total number of issued Shares as at the date of the New Concert Party Agreement remains reasonably unchanged;

4) during the Term, neither Digital Science & Technology and Liu Donghai may cease to act in concert with Huafa Technology Industry Group or terminate the New Concert Party Agreement;

5) in the event any person of Digital Science & Technology and Liu Donghai (or persons nominated or designated by them) propose to resign from his or her position as a Director, Supervisor or senior management of the Company, such resignation must be on the condition that it shall not materially affect the Company's operations and be approved by the Board or the board of Supervisors (the "**Board of Supervisors**") (as applicable);

6) unless with the written consent of Huafa Technology Industry Group, from the date of the New Concert Party Agreement until the expiry of the Term, Digital Science & Technology and Liu Donghai shall not (and shall procure their concert parties not to) sell, purchase, transfer by way of gift, grant options over, encumber, grant third party rights over or engage in any "dealing" (as defined in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**")) in the Shares, or enter into any contract to carry out any of the foregoing. The aforesaid actions shall not (i) affect the obligations of each of Digital Science & Technology and Liu Donghai to act in concert with Huafa Technology Industry Group under the New Concert Party Agreement in relation to all Shares which remain to be held by them or (ii) result in the triggering of any obligation by any party to the New Concert Party Agreement to make a general offer for the Shares under the Codes on Takeovers and Mergers and Share Buybacks; and

7) in the event of disposal of the Shares by Digital Science & Technology and Liu Donghai after having obtained the written consent of Huafa Technology Industry Group, Huafa Technology Industry Group shall enjoy a right of first refusal over such disposal on the same terms and conditions agreed to by such seller with the counterparty.

Save as disclosed above, as at the date of this annual report, the Group does not have any material events after the financial year ended 31 December 2023.

III. BUSINESS OUTLOOK FOR 2024

The year of 2024 is full of opportunities and challenges. In light of intertwined factors such as the reduced consumption brought about by the downturn of the economic situation and the boost in consumption brought about by the return of the 5G series of the industry-leading brands, the core business of Digital Telecom is full of uncertainties. At the same time, leveraging on the resource advantages of the Huafa Group, the new energy and automobile export businesses conducted by Digital Telecom are facing a window period of rapid growth. Regardless of the changes in the core business and new business, Digital Telecom will seize the opportunities and navigate the difficulties to fully accomplish its business targets of 2024:

(I) **Making a concerted effort both online and offline to fully realise quality improvement and efficiency enhancement.** In terms of offline retail, Digital Telecom will, on the one hand, seize the opportunity of the decentralisation of carrier camps in key provinces to social channels, and station more high-quality carrier stores; on the other hand, Digital Telecom will continue to adjust and optimise the structure of the original general stores and brand franchised shops, and appropriately open brand cooperative stores with guaranteed operating efficiency. In addition to the appropriate growth in store scale, Digital Telecom will continue to focus on the operation quality of outlets and maintain a higher percentage of profitable stores. In terms of new retail, Digital Telecom will firstly stabilise its omni-channel partnership with JD.com, Meituan and major banking platforms, and continue to develop new cooperation models such as carrier contract-based performance cooperation on this basis; furthermore, Digital Telecom will expand its cooperation with Taobao and Kuaishou based on its mature business strategy; most importantly, Digital Telecom will comprehensively promote the development of livestreaming e-commerce businesses around the local life and "One-Hour Delivery" business segment of the livestreaming platform, combining the nationwide outlet network and abundant livestreaming resources.

(II) **Focusing on 1+N, Digital Telecom will explore the full potential of mobile phone post-service market and government and enterprise business.** Around the mobile phone category, Digital Telecom will first fully cooperate with the core brands to carry out product and marketing maneuvering in 2024, which will significantly increase its revenue and profit; in addition, Digital Telecom will also cooperate with all the mainstream brands on flagship models, sub-flagship models, and other key cooperations to enhance the output and influence of each brand of Digital Telecom. In addition to the new handset business, Digital Telecom will focus on the used handset business and the after-market business such as recycling and insurance to promote and realise the rapid growth of these businesses. By focusing on the product and carrier resources of its core business and combining its national service and capital advantages, Digital Telecom will fully roll out its government and enterprise business and focus on promoting the landing of projects of the DICT category, the security terminal category and the information and innovation category, thus realising significant increase in the revenue and profit of its government and enterprise business.

(III) **Rapidly rolling out the photovoltaic business and focusing on breakthroughs in the automobile export business, so as to realise large-scale contributions from new businesses.** Based on the foundation of our business development in 2023, Digital Telecom will fully roll out its photovoltaic business, striving to achieve scale expansion in at least six provinces in the household photovoltaic (PV) business and achieve breakthroughs in industrial and commercial photovoltaic business. In the course of business implementation, Digital Telecom will adjust its key partners and update its business operation model in order to maximise business revenue. In the border provinces of Northwest China, Southwest China and Northeast China, Digital Telecom will replicate the automobile agency and export business that has already been established in Xinjiang to construct the second growth curve of the new business.

(IV) **Continuously implementing measures of cost control and enhancing efficiency, and continuously strengthening refined management to achieve an effective balance between "Progress" and "Stability".** The measures of cost control and enhancing efficiency will be carried out throughout the operation and development of the Company. Both business departments and support departments such as Information Technology, legal affairs, finance and human resources will reduce the operating risks and enhance the operation quality of the Company through continuous business expansion, tool level optimisation and improving service efficiency and capability. In terms of refined management, Digital Telecom will, on the one hand, continue to promote the grading, categorisation and hierarchical management of outlets to ensure the continuous improvement of the operation quality of existing outlets and the high percentage of profitable new opened outlets; on the other hand, Digital Telecom will focus on the promotion of the construction of the mobile management system and the private domain platform for outlets, in order to provide more efficient and precise management and marketing tools for frontline outlets and employees to enhance the performance output and increase the stickiness of customers. Ultimately, under the guidance of the principle of "Stable yet Progressive Growth", Digital Telecom will achieve an effective balance between growth in business on the business aspect and risk control on the support side.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Ms. Xu Jili, aged 52, joined the Company as a non-executive Director and chairwoman of the Company in June 2021. She was re-designated as an executive Director and president in August 2021. Ms. Xu has been the chairwoman of Huafa Group Finance and Zhuhai Huafa Trade Holdings Ltd. ("**Huafa Trade**") since March 2015. Since April 2015, she has been a director of Zhuhai Huafa Investment Holdings Group Co., Ltd. (formerly known as Zhuhai Huafa Investment Holdings Co., Ltd. and Zhuhai Financial Investment Holdings Group Co. Ltd.) ("**Huafa Investment Holdings**"). From January 2017 to March 2020, she was the deputy general manager of Huafa Investment Holdings. From March 2020 to March 2023, she was the executive vice president of Huafa Investment Holdings. Ms. Xu has been a director of Zhuhai Huafa Properties Co., Ltd.（珠海華發實業股份有限公司）(a company listed on the Shanghai Stock Exchange, stock code: 600325) since March 2016. Since September 2016, she has been the general manager and a director of Zhuhai Huafa Multi-Business Development Co., Ltd.（珠海華發綜合發展有限公司）. Ms. Xu has been the chief financing officer of Zhuhai Huafa since March 2018, and has concurrently served as the deputy general manager since February 2023. She was a director of Johnson Cleaning Services Co., Ltd. ("**Johnson**") from April 2017 to June 2022. She was a director of Hong Kong Johnson Holdings Co., Ltd. (a company listed on the Main Board of the Stock Exchange, stock code: 1955) ("**Johnson Holdings**") from July 2018 to June 2022 and was re-designated as a non-executive director and chairwoman of the board of directors from January 2019 to June 2022. Ms. Xu has been a director of Johnson Investment Holding Co., Ltd. ("**Johnson Investment**") from August 2018 to June 2022.

Ms. Xu Jili obtained a Bachelor's degree in Economics from Nankai University in July 1993. She also obtained a Master's degree in Management from South China Agricultural University in June 2006.

Ms. Xu Liping, aged 43, joined the Company in June 2021 as an executive Director. Ms. Xu was the deputy general manager of Huafa Trade from May 2017 to May 2018 and was re-designated as the general manager since May 2018. She has been the general manager of Zhuhai Chuanghua International Trade Co., Ltd.（珠海創華國際商貿有限公司）and Zhuhai Zhihua International Trading Co., Ltd.（珠海致華國際商貿有限公司）, respectively, since June 2018, and concurrently served as executive director from May 2020.

Ms. Xu Liping received a Bachelor's degree in Law from Zhongnan University of Economics and Law in June 2004.

Mr. Liu Donghai, aged 58, joined the Company in June 2001 and was the chairman of the Board from December 2013 to June 2021. He was appointed as the executive president since August 2021. Mr. Liu joined the Group in December 1997 and held various positions in the Group, including the vice chairman of the Board from July 2010 to December 2013, the general manager of the Company from March 2011 to December 2013 and the internal risk control officer of the Company from June 2001 to March 2011.

Mr. Liu Donghai obtained a Master's degree in Business Administration from China Europe International Business School in September 2003. He has been the vice president of the China Electronics Chamber of Commerce since December 2012.

Non-executive Directors

Mr. Xie Hui, aged 43, is an intermediate economist. He joined the Company in September 2021 as a non-executive Director. Mr. Xie was the secretary of the board of directors and the general manager of the strategic innovation department at Huafa Investment Holdings from September 2012 to July 2017 and from September 2012 to May 2018, respectively. He has been a director of Johnson since September 2015. He was strategic director of Huafa Investment Holdings from July 2017 to March 2020. He has been the secretary of the board of directors of Zhuhai Huafa since June 2017. He has been a director and has been re-designated as a non-executive director of Johnson Holdings since July 2018 and January 2019, respectively, and has been subsequently serving as chairman of the board of directors of Johnson Holdings since June 2022. Mr. Xie has been a director of Johnson Investment since August 2018. Since April 2020, he has been the chief strategic operation officer at Zhuhai Huafa. 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. From September 2020 to October 2021, Mr. Xie served as 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）(“**Huafa Research Institute**”) and served as the executive director and general manager of Huafa Research Institute since October 2021. From June 2022 to April 2023, he has served as director of Huafa Property Services Group Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 0982). Mr. Xie also obtained a professional qualification of intermediate level in finance issued by the Guangdong Provincial Human Resources and Social Security Department in February 2012.

Mr. Xie Hui received a Bachelor’s degree from the 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 (Université Toulouse 1 Sciences Sociales) in France in July 2009.

Mr. Jia Zhaojie, aged 46, joined the Company in September 2021 as a non-executive Director. Mr. Jia served as the manager of business department I and the assistant to general manager of Huafa Trade from July 2014 to May 2018, and has been the deputy general manager of Huafa Trade since May 2018. He has been an executive director and the general manager of Shanghai Zhaohua International Trade Co., Ltd. and Nantong Yaohua International Trade Co., Ltd. since October 2021.

Mr. Jia Zhaojie received a Bachelor’s degree in Management Science from Harbin Institute of Technology in July 2001.

Ms. Pan Anran, aged 36, is a senior purchasing specialist. Ms. Pan joined the Company in September 2021 as a non-executive Director. Ms. Pan served as the deputy manager of business department I and the deputy manager of business department III of Huafa Trade from April 2016 to December 2017. She has been the deputy manager, deputy chief officer and deputy general manager of the legal and risk control department of Huafa Trade from December 2017 to May 2022. She has been re-designated as the deputy general manager of the risk management department since May 2022 and has also served as the assistant general manager of Huafa Trade since February 2023.

Ms. Pan Anran obtained a Bachelor’s degree in Literature from Central China Normal University in Hankou in June 2007.

Independent Non-executive Directors

Mr. Lv Tingjie, aged 68, has been an independent non-executive Director since November 2009, mainly responsible for attending the meetings of the Board, voting on the resolutions considered at the meetings of the Board, and overseeing the management of the Company. He has served as a professor, a doctoral tutor and the executive dean of School of Economics and Management of Beijing University of Posts and Telecommunications（北京郵電大學）since May 1997, June 1999 and September 2007, respectively. He has been the standing director of the International Telecommunications Society（國際電信協會）since June 2007, mainly responsible for coordinating the economic cooperation and academic exchanges in Asia and Greater China region, a member of the Expert Committee for Telecommunication Economy of the Ministry of Industry and Information Technology（工業和信息化部電信專家委員會）since 2004, mainly responsible for policy consultation, examination and appraisal work, and the vice chairman of the Teaching Steering Committee of Higher Education Institutions under the Ministry of Education（教育部電子商務教學指導委員會）since 2008, mainly responsible for revising education plans for e-commerce. Mr. Lv has served as independent non-executive director of China Communications Services Corporation Limited (a company listed on the Main Board of the Stock Exchange, stock code: 0552), since June 2015; independent non-executive director of China Satellite Communications Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 601698) from June 2017 to August 2023.

Mr. Lv Tingjie obtained a doctoral degree in Systems Engineering from Kyoto University in November 1997, a Master's degree in Management Engineering and a Bachelor's degree in Radio Engineering from Beijing University of Posts and Telecommunications in April 1985 and July 1982, respectively. Mr. Lv was conferred the teaching certificate for institutions of higher learning by the Ministry of Education in July 1997.

Mr. Lv Pingbo, whose pseudonym is Shui Pi, aged 59, is a well-known financial columnist and has been an independent non-executive Director since June 2019, mainly responsible for attending the meetings of the Board, voting on the resolutions considered at the meetings of the Board, and overseeing the management of the Company. He was the director of the editorial department and deputy editor-in-chief of the China Business Times from July 1989 to March 2007. From April 2007 to September 2021, Mr. Lv served as the chief editor and the president of Huaxia Shibao. Since April 2007, he has been serving as a managing director of Beijing Xin Cai Huaxia Media & Advertising Co., Ltd. (formerly known as Beijing Huaxia Shibao Media Ad Co., Ltd.).

Mr. Lv Pingbo received a Bachelor's degree in Journalism from Fudan University in July 1982 and a Master's degree in Journalism from the Graduate School of Chinese Academy of Social Sciences in June 1989.

Mr. Cai Chun Fai, aged 42, has been an independent non-executive Director since June 2021. Mr. Cai has over eleven years' experience in auditing, accounting and financial management and is now a director of CCT & Partners CPA Limited. Mr. Cai served as the company secretary of China Fortune Financial Group Ltd. (a company listed on Main Board of the Stock Exchange, stock code: 290) from February 2012 to April 2014. He was the chief operation officer and chief compliance officer of Enriched Goldenroad (H.K.) Credit Limited and Well Link Securities Limited from April 2014 to September 2018. Mr. Cai has been an independent non-executive director of Royal Catering Group Holdings Co., Ltd. (a company listed on GEM of the Stock Exchange, stock code: 8300) from July 2016 to November 2023. He served as an independent non-executive director of Inno-Tech Holdings Limited (a company previously listed on GEM of the Stock Exchange until 12 July 2021, stock code: 8202) and Ocean Star Technology Group Limited (formerly known as My Heart Bodibra Group Limited, a company listed on GEM of the Stock Exchange, stock code: 8297) from 2 February 2018 to 14 February 2018 and February 2018 to April 2021, respectively. He has been an executive director and secretary of Zhaobangji Properties Holdings Limited (a company listed on Main Board of the Stock Exchange, stock code: 1660) from March 2019 to June 2022.

Mr. Cai Chun Fai holds the degree of Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in 2003. He is a member of The Hong Kong Institute of Certified Public Accountants.

BOARD OF SUPERVISORS

The Board of Supervisors consists of three members, including an employee Supervisor. According to the Articles of Association, Supervisors are all elected by the Shareholders, except for the employee representative Supervisor. The Supervisors will serve for a term of three years, and are eligible for re-election upon expiry of their terms. The terms of reference of the Board of Supervisors include, but not limited to, reviewing and verifying the financial reports, business reports and profit distribution proposals prepared by the Board, and if in doubt, engaging certified public accountants and auditors to review the financial information of the Company; monitoring the financial activities of the Company; supervising the performance of the Directors and the senior management of the Company and monitoring whether they have violated the laws, regulations and the Articles of Association in performance of their duties; requiring the Directors and senior management of the Company to correct their behaviours which are harmful to the interests of the Company; and exercising other powers granted to them by the Articles of Association.

The table below provides certain information in respect of the Supervisors.

Name	Age	Position	Date of Appointment	Date of Joining the Group
Gao Zhiqiang	51	Chairman of Board of Supervisors	22 August 2022	August 2022
Liu Zhenlong	32	Employee Supervisor	22 May 2020	July 2016
Li Wanlin	61	Supervisor	20 May 2014	May 2014

SUPERVISORS

Mr. Gao Zhiqiang, aged 51, joined the Group in August 2022 and has been a Supervisor since then. Since 2014, he has joined Huafa Trade and has served in various positions, including the responsible person of the audit department from July 2014 to April 2016, the deputy manager of the audit department from April 2016 to April 2017 and the general manager of the audit department since April 2017.

Mr. Gao Zhiqiang obtained a Bachelor's degree in Economics with specialty in international trade from Sun Yat-sen University in June 1995.

Mr. Liu Zhenlong, aged 32, joined the Group in July 2016. He has been an employee Supervisor and chairman of the Board of Supervisors since May 2020 and resigned as chairman of the Board of Supervisors in June 2021. He joined the Group in July 2016 and had served successively as an assistant to the chairman of the Board, the general manager of new retail business segment and other positions. He has been the deputy general manager of the omni-channel operation centre of the Group since August 2021, and was re-designated as general manager of offline operation centre in December 2022, mainly responsible for sales management, outlet management, operator business and value-added business as well as new retail operation.

Mr. Liu Zhenlong obtained a Master's degree in Electronic Information and Communication Engineering from department of electronic engineering of Tsinghua University in July 2016.

Mr. Li Wanlin, aged 61, joined the Group in May 2014 and has been a Supervisor since then. Mr. Li has been general manager of Beijing Eversino Technology Ltd. since 2007. Since 2009, he has successively served as a professor in National Mobile Communications Research Laboratory and School of Information of North China University of Technology. From 1991 to 2007, Mr. Li held multiple positions in Siemens AG and Siemens, including senior vice president and chief technology officer of the group. Mr. Li is primarily responsible for reviewing and providing written comments on the regular reports of the Company, reviewing financial statements of the Company and supervising behaviours of the Directors and senior management members of the Company in performing their duties for the Company.

Mr. Li Wanlin obtained his Ph.D. degree in Information Science from University of Karlsruhe in Germany in 1991.

SENIOR MANAGEMENT

The table below sets out certain information relating to our senior management members:

Name	Age	Position	Date of Appointment	Date of Joining the Group
Xu Jili	52	President	10 August 2021	June 2021
Liu Donghai	58	Executive president	10 August 2021	June 2001
Su Fengjuan	40	Chief financial officer	7 November 2016	February 2009
Huang Mingqiang	39	Joint company secretary and Board secretary	1 August 2022	March 2022

Ms. Xu Jili, aged 52, joined the Company as a non-executive Director and Chairwoman in June 2021. She was re-designated as an executive Director and president in August 2021. As the president, she is primarily responsible for the overall business development planning and operation management of the Group. For the biography of Ms. Xu Jili, please refer to the section headed "Directors, Supervisors and Senior Management – Directors – Executive Directors".

Mr. Liu Donghai, aged 58, joined the Company in June 2001. He served as chairman of the Board from December 2013 to June 2021 and concurrently served as general manager from September 2020 to August 2021. He was appointed as the executive president in August 2021. As the executive president, he is mainly responsible for the daily operation and management of the Company. For the biography of Mr. Liu Donghai, please refer to the section headed "Directors, Supervisors and Senior Management – Directors – Executive Directors".

Ms. Su Fengjuan, aged 40, a Chinese certified public accountant, joined the Company in February 2009, has successively served as the head of financial management department, the assistant to chief financial officer and other positions of the Company, and has been the chief financial officer of the Group since November 2016. Ms. Su is primarily responsible for the Group's corporate financial planning and co-ordination of financial resources, risk management, accounting and financial management, etc.

Ms. Su Fengjuan obtained a Master's degree in Business Administration of Senior Executive from Renmin University of China in December 2021.

Mr. Huang Mingqiang, aged 39, joined the Company in March 2022 as a general manager of the securities and affairs department, and has concurrently served as the Board secretary and joint company secretary of the Company since 1 August 2022. Mr. Huang has about 15 years of managerial experience in listed companies and conglomerates. Mr. Huang joined Zhuhai Huafa, a controlling Shareholder, in April 2016 and is currently the vice general manager of the overseas capital operations department of the capital management center of Zhuhai Huafa. Mr. Huang also holds various positions in the subsidiaries of Zhuhai Huafa.

Mr. Huang Mingqiang obtained a Master's degree in Finance from Jiangxi University of Finance and Economics in January 2009.

BOARD OF DIRECTORS' REPORT

The Board is pleased to present the Group's annual report together with the audited financial statements for the year ended 31 December 2023 (the "**Reporting Period**").

PRINCIPAL ACTIVITIES

The principal activities of the Company are to engage in the retail sales of mobile telecommunications devices and accessories and the provision of related services. Analysis of the principal activities of the Group is set out in note 1 to the financial statements from pages 104 to 107 of this annual report.

RESULTS

The financial results of the Group for the year ended 31 December 2023 are set out from pages 96 to 103 of the financial statements of this annual report.

BUSINESS REVIEW

Operating Results and Financial Position

For the year ended 31 December 2023, the Group sold 3,838,000 mobile handsets, representing a decrease of 178,000 sets or 4.43% as compared with 4,016,000 sets for the same period of last year. Operating revenue for the year of 2023 amounted to RMB17,145,992,000, representing an increase of RMB3,638,445,000 or 26.94% from RMB13,507,537,000 for the same period of last year. Net loss for the year of 2023 amounted to RMB666,025,000, representing an increase of RMB386,880,000 or 138.59% from the net loss of RMB279,145,000 for the same period of last year.

For a detailed analysis on the Group's operating results and financial position, important events affecting the Group that have occurred since the end of the Reporting Period, and the discussion on the Group's future business development and business outlook, please refer to the "Management Discussion and Analysis" set out from pages 8 to 22 of this annual report. These discussions form part of this Board of Directors' Report.

MAJOR RISK FACTORS AND UNCERTAINTY

(I) Risk of Failure to Renew the Leases for Our Leased Properties before the Expiry of the Leases and Increase in Rental

Most of the Group's retail outlets are leased properties, and the Group may face the risks of failure to renew the leases before the expiry of the leases or the lease being renewed at a higher rent, which may affect the overall operating results of the Group.

Solutions: On the one hand, we may build long-term relationships with the lessors of the properties by word-of-mouth brand recognition and sound reputation. On the other hand, the Company keeps implementing its operation strategy of more visible presence in business districts, finding suitable premises to open outlets in various locations in prime business districts and at the same time identifying any other suitable properties in surrounding areas so that we are able to find a replacement property in time in case of failure in renewal of the lease of an outlet or increase in rental to avoid affecting the overall operating results of the Group.

(II) Risk of Liquidity

Although the inventory and trade receivable help the Company maintain continuous and stable operation, they reduce part of the Company's daily working capital, which brings considerable pressures on the Group's cash flow.

Solutions: The Company has been implementing a management system for the Group's capital pool. The revenues of the Group's subsidiaries will be collected on a real-time basis, which allows the management of the Group to timely understand the operation of the Group and adjust the operation strategies based on the actual circumstance.

FUTURE PROSPECT

For the Group's future development and business outlook, please refer to the section headed "Management Discussion and Analysis" set out from pages 21 to 22 of this annual report.

EMPLOYEES, ENVIRONMENTAL POLICIES AND PERFORMANCE AND COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

A discussion of compliance with relevant laws and regulations that have a material impact on the Group is set out in the "Corporate Governance Report" in this annual report, and a discussion of the Group's environmental policies and relationships with employees, customers and suppliers (key stakeholders) is set out in the Company's environmental, social and governance report for the year 2023.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023.

DIVIDEND POLICY

The Company has adopted a dividend policy as follows:

1. Ways of dividend distribution:

   The Company may use cash, Shares or a combination of both to distribute dividend.

2. Currency denominated for dividend:

   Ordinary dividend shall be denominated and declared in RMB. Dividend of domestic shares of the Company (the "**Domestic Share(s)**") shall be made in RMB. Dividend or other distributions of overseas listed foreign shares shall be made in the currency of the listing place of such foreign shares (in case of having more than one listing place, it will be made in the currency of the primary listing place determined by the Board). Dividend of non-listed foreign shares shall be made in HK$.

   For the dividend made in foreign currency, the applicable exchange rate would be the medium price of average RMB exchange rate with regard to foreign exchange quoted by the People's Bank of China five trading days preceding the declaration of dividend and other distribution.

3. Ratification procedures for the dividend distribution plan:

   The dividend distribution plan of the Company is formulated by the Board and subject to the consideration and approval by the general meeting.

   After the Board's consideration of the financial position of the Group and in accordance with the relevant requirements of laws and regulations, an ordinary resolution may be proposed by the Board at the general meeting to authorise the Board to distribute and pay dividend.

4. The Company pays dividends out of distributable profits, which are equal to the balance of profit after tax after withdrawal of the below items by sequence:

   1) loss recovery;

   2) withdrawal of statutory reserve funds; and

   3) any withdrawal of reserve funds after the approval by the general meeting.

5. The Board will review the dividend policy of the Company from time to time based on several factors below to determine whether to declare and pay dividend. Those factors include: operating results, cash flow, financial position, Shareholders' interests, overall business conditions and strategies, capital requirement, cash dividend paid to the Company by the subsidiaries, and other factors as the Board may deem relevant.

During the Reporting Period, the Board has reviewed the dividend policy of the Company and considers it effective.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years are set out on page 5 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year 2023, the Group’s transaction volume with its five largest customers accounted for 23.96% of the Group’s operating revenue for the year ended 31 December 2023. The Group’s transaction volume with its single largest customer accounted for 6.38% of the Group’s operating revenue for the year 2023.

Major Suppliers

For the year 2023, the Group’s transaction volume with its five largest suppliers accounted for 21.90% of the Group’s operating costs for the year ended 31 December 2023. The Group’s transaction volume with its single largest supplier accounted for 6.50% of the Group’s operating costs for the year 2023.

During the year, to the knowledge of the Directors, none of the Directors, Supervisors, any of their close associates or substantial Shareholders (who to the knowledge of the Directors are interested in more than 5% of the Company’s share capital) had any interest in the Group’s five largest suppliers or customers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group for the year are set out in note 15 to the financial statements from pages 144 to 145 of this annual report.

SHARE CAPITAL

For the year ended 31 December 2023, the total issued share capital of the Company was 886,460,400 Shares.

Details of movements in the share capital of the Company are set out in note 31 to the financial statements on page 161 of this annual report.

RESERVES

Details of changes in the reserves of the Group for the year are set out in the consolidated statement of changes in equity from pages 100 to 101 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company’s reserves available for distribution, calculated in accordance with the provisions of the Company Law of the People’s Republic of China (the “**Company Law**”), amounted to approximately RMB-1,849,637,000 (as at 31 December 2022: approximately RMB-1,219,592,000).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2023 are set out in note 30 to the financial statements on page 160 of this annual report.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year ended 31 December 2023 and up to the date of this annual report are as follows:

Executive Directors

Ms. Xu Jili *(Chairwoman)*
Ms. Xu Liping
Mr. Liu Donghai

Non-executive Directors

Mr. Xie Hui
Mr. Jia Zhaojie
Ms. Pan Anran

Independent Non-executive Directors

Mr. Lv Tingjie
Mr. Lv Pingbo
Mr. Cai Chun Fai

Supervisors

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

BIOGRAPHIES OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and senior management of the Company are set out in "Directors, Supervisors and Senior Management" from pages 23 to 27 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has made a confirmation on independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent during the year ended 31 December 2023 in accordance with Rule 3.13 of the Listing Rules.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

In light of the election of the Board of Directors during the Reporting Period, the members of the fifth session of Board of Directors, namely Ms. Xu Jili, Ms. Xu Liping, Mr. Liu Donghai, Mr. Xie Hui, Mr. Jia Zhaojie, Ms. Pan Anran, Mr. Lv Tingjie, Mr. Lv Pingbo and Mr. Cai Chun Fai entered into service agreements with the Company on 19 May 2023, respectively, with a fixed term of three years commencing from 19 May 2023 until the expiry of the fifth session of Board of Directors. The service agreements entered into between the Company and each of the Directors are subject to renewal in accordance with the Articles of Association and applicable laws, rules and regulations or early termination in accordance with their respective terms.

In light of the election of the Board of Supervisors during the Reporting Period, the members of the fifth session of Board of Supervisors, namely Mr. Gao Zhiqiang, Mr. Li Wanlin and Mr. Liu Zhenlong entered into service agreements with the Company on 19 May 2023, respectively, with a fixed term of three years commencing from 19 May 2023 until the expiry of the fifth session of Board of Supervisors. The service agreements entered into between the Company and each of the Supervisors are subject to renewal in accordance with the Articles of Association and applicable laws, rules and regulations or early termination in accordance with their respective terms.

Save as disclosed above, none of the Directors and Supervisors has a service contract with the Group which is not determinable by the Company within one year without the payment of compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

During the Reporting Period, save as disclosed in this annual report, no Directors, Supervisors or connected entities with such Directors or Supervisors directly or indirectly had any material interests in any transactions, arrangements or contracts of significance in relation to the Group's business, to which the Company, any of its subsidiaries or fellow subsidiaries was a party.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or subsisted during the Reporting Period.

EMOLUMENT POLICY

The remuneration and assessment committee of the Company (the "**Remuneration and Assessment Committee**") was set up for formulating the Group's emolument policy and structure of the Directors and senior management, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors, Supervisors and five highest paid individuals are set out in notes 10 and 11 to the financial statements on pages 138 to 141 of this annual report.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 4 to the financial statements on page 127 of this annual report.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Save as disclosed in this annual report, there was no change in any information relating to any Directors, Supervisors and senior management of the Company which were required to be disclosed in accordance with paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the Reporting Period.

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

As at 31 December 2023, the interests and short positions of the Directors, Supervisors and chief executives of the Company (the "**Chief Executive(s)**") in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in the Company:

Name of Director	Type of Shares	Nature of interests	Number of Shares/ underlying Shares held (long position/ short position/ lending pool)	Percentage of the relevant class of share capital (%) *(Note 1)*	Percentage of the total share capital (%) *(Note 1)*
Liu Donghai *(Note 2)*	Domestic Shares	Interest of controlled corporation	168,362,098 (long position)	49.86	18.99
		Person acting in concert	169,337,902 (long position)	50.14	19.10

Notes:

1. *The percentage is calculated with the total number of 886,460,400 Shares in issue as at 31 December 2023, comprising 337,700,000 Domestic Shares and 548,760,400 H shares of the Company (the "**H Share(s)**").*

2. *To the best of the Directors' knowledge after due enquiry, as at 31 December 2023, Digital Science & Technology directly holds 168,362,098 Domestic Shares, and the Liu Family jointly hold the entire equity interest in Digital Science & Technology. Accordingly, pursuant to the SFO, the Liu Family are deemed to be interested in 168,362,098 Domestic Shares held by Digital Science & Technology. In addition, Di Er Tong and Digital Science & Technology, together with the Liu Family, entered into an acting-in-concert agreement with Huafa Technology Industry Group on 29 January 2021. Accordingly, pursuant to the SFO, the Liu Family are deemed to be interested in 169,337,902 Domestic Shares held by Huafa Technology Industry Group, and Di Er Tong is deemed to be interested in 337,700,000 Domestic Shares held by Huafa Technology Industry Group. Given that the latest disclosure of interest form filed by Liu Songshan was dated 20 May 2021 and at that time Liu Songshan did not hold any equity interest in Digital Science & Technology, therefore the nature of interests in 337,700,000 Domestic Shares held by Liu Songshan as shown in the latest disclosure of interest form was in the capacity of person acting in concert.*

Save as disclosed above, as at 31 December 2023, none of the Directors, the Supervisors and the Chief Executive had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the Reporting Period was the Company or its subsidiaries a party to any arrangement that would enable the Directors or the Supervisors to acquire benefits by means of acquisition of any Shares or debentures in the Company or any other body corporate, and none of the Directors or the Supervisors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, to the knowledge of the Directors, the following persons (other than the Directors, Supervisors and Chief Executives) had interests or short positions in the Shares or underlying Shares which fell to be noticed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and were recorded in the register to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Type of Shares	Nature of interests	Number of Shares/ underlying Shares held (long position/ short position/ lending pool)	Percentage of the relevant class of share capital (%) *(Note 1)*	Percentage of the total share capital (%) *(Note 1)*
Liu Yongmei *(Note 2)*	Domestic Shares	Interest of controlled corporation	168,362,098 (long position)	49.86	18.99
		Person acting in concert	169,337,902 (long position)	50.14	19.10
Liu Hua *(Note 2)*	Domestic Shares	Interest of controlled corporation	168,362,098 (long position)	49.86	18.99
		Person acting in concert	169,337,902 (long position)	50.14	19.10
Liu Wenli *(Note 2)*	Domestic Shares	Interest of controlled corporation	168,362,098 (long position)	49.86	18.99
		Person acting in concert	169,337,902 (long position)	50.14	19.10
Liu Wencui *(Note 2)*	Domestic Shares	Interest of controlled corporation	168,362,098 (long position)	49.86	18.99
		Person acting in concert	169,337,902 (long position)	50.14	19.10
Liu Songshan *(Note 2)*	Domestic Shares	Person acting in concert	337,700,000 (long position)	100.00	38.09
Di Er Tong *(Note 2)*	Domestic Shares	Person acting in concert	337,700,000 (long position)	100.00	38.09
Digital Science & Technology *(Note 2)*	Domestic Shares	Beneficial owner	168,362,098 (long position)	49.86	18.99
		Person acting in concert	169,337,902 (long position)	50.14	19.10
Huafa Technology Industry Group *(Note 3)*	Domestic Shares	Beneficial owner	169,337,902 (long position)	50.14	19.10
		Person acting in concert	168,362,098 (long position)	49.86	18.99

Name of Shareholder	Type of Shares	Nature of interests	Number of Shares/ underlying Shares held (long position/ short position/ lending pool)	Percentage of the relevant class of share capital (%) *(Note 1)*	Percentage of the total share capital (%) *(Note 1)*
Zhuahai Huafa *(Note 3)*	Domestic Shares	Interest of controlled corporation	337,700,000 (long position)	100.00	38.09
	H Shares	Interest of controlled corporation	327,057,912 (long position)	59.60	36.89
Hong Kong Huafa Investment Holdings Limited ("**Hong Kong Huafa**") *(Note 3)*	H Shares	Beneficial owner	327,057,912 (long position)	59.60	36.89
China CITIC Bank Corporation Limited *(Note 4)*	H Shares	Interest of controlled corporation	77,000,000 (long position)	14.03	8.69
CITIC Group Corporation *(Note 4)*	H Shares	Interest of controlled corporation	77,000,000 (long position)	14.03	8.69
CITIC International Assets Management Limited *(Note 4)*	H Shares	Interest of controlled corporation	77,000,000 (long position)	14.03	8.69
CITIC International Financial Holdings Limited *(Note 4)*	H Shares	Interest of controlled corporation	77,000,000 (long position)	14.03	8.69
CITIC Limited *(Note 4)*	H Shares	Interest of controlled corporation	77,000,000 (long position)	14.03	8.69
Taihe Dali Investment Hongkong Limited *(Note 4)*	H Shares	Interest of controlled corporation	77,000,000 (long position)	14.03	8.69
Wang Wei *(Note 4)*	H Shares	Interest of controlled corporation	77,000,000 (long position)	14.03	8.69
YBN Holdings Limited *(Note 4)*	H Shares	Interest of controlled corporation	77,000,000 (long position)	14.03	8.69
YBN International Holdings Limited *(Note 4)*	H Shares	Interest of controlled corporation	77,000,000 (long position)	14.03	8.69
YBN Investments Limited *(Note 4)*	H Shares	Beneficial owner	77,000,000 (long position)	14.03	8.69

Name of Shareholder	Type of Shares	Nature of interests	Number of Shares/ underlying Shares held (long position/ short position/ lending pool)	Percentage of the relevant class of share capital (%) *(Note 1)*	Percentage of the total share capital (%) *(Note 1)*
Unicorn Link Group Limited *(Note 5)*	H Shares	Beneficial owner	77,000,000 (long position)	14.03	8.69
Xi Yue Cultural Industry Investment Fund L.P. (「**Xi Yue Fund L.P.**」) *(Note 5)*	H Shares	Interest of controlled corporation	77,000,000 (long position)	14.03	8.69
Glorious Maple Limited *(Note 5)*	H Shares	Interest of controlled corporation	77,000,000 (long position)	14.03	8.69
Vital Vision Limited *(Note 5)*	H Shares	Interest of controlled corporation	77,000,000 (long position)	14.03	8.69
Yeung Wan Yiu *(Note 5)*	H Shares	Interest of controlled corporation	77,000,000 (long position)	14.03	8.69
Dawn Galaxy International Limited *(Note 6)*	H Shares	Beneficial owner	42,000,000 (long position)	7.65	4.74

Notes:

1. *The percentage is calculated with the total number of 886,460,400 shares in issue of the Company as at 31 December 2023, comprising 337,700,000 Domestic Shares and 548,760,400 H Shares.*

2. *To the best of the Directors' knowledge after due enquiry, as at 31 December 2023, Digital Science & Technology directly holds 168,362,098 Domestic Shares, and the Liu Family jointly hold the entire equity interest in Digital Science & Technology. Accordingly, pursuant to the SFO, the Liu Family are deemed to be interested in 168,362,098 Domestic Shares held by Digital Science & Technology. In addition, Di Er Tong and Digital Science & Technology, together with the Liu Family, entered into an acting-in-concert agreement with Huafa Technology Industry Group on 29 January 2021. Accordingly, pursuant to the SFO, the Liu Family are deemed to be interested in 169,337,902 Domestic Shares held by Huafa Technology Industry Group, and Di Er Tong is deemed to be interested in 337,700,000 Domestic Shares held by Huafa Technology Industry Group. Given that the latest disclosure of interest form filed by Liu Songshan was dated 20 May 2021 and at that time Liu Songshan did not hold any equity interest in Digital Science & Technology, therefore the nature of interests in 337,700,000 Domestic Shares held by Liu Songshan as shown in the latest disclosure of interest form was in the capacity of person acting in concert.*

3. *Huafa Technology Industry Group directly holds 169,337,902 Domestic Shares. In addition, Huafa Technology Industry Group entered into an acting-in-concert agreement with Di Er Tong and Digital Science & Technology, together with the Liu Family, on 29 January 2021. Accordingly, pursuant to the SFO, Huafa Technology Industry Group is deemed to be interested in 168,362,098 Domestic Shares held by Di Er Tong and Digital Science & Technology, together with the Liu Family. Zhuhai Huafa directly holds 93.06 % equity interests in Huafa Technology Industry Group. Accordingly, pursuant to the SFO, Zhuhai Huafa is deemed to be interested in 337,700,000 Domestic Shares held by Huafa Technology Industry Group. Hong Kong Huafa directly holds a total of 327,057,912 H Shares, while Zhuhai Huafa directly holds 100% equity interest in Hong Kong Huafa. Accordingly, pursuant to the SFO, Zhuhai Huafa is deemed to be interested in 327,057,912 H Shares held by Hong Kong Huafa.*

4. *77,000,000 H Shares are directly held by YBN Investments Limited, which is wholly-owned by YBN International Holdings Limited, which holds a 70% equity interest in YBN International Holdings Limited. YBN Holdings Limited is interested in approximately 46.75% of CITIC International Assets Management Limited; CITIC International Financial Holdings Limited owns approximately 46.00% interest in CITIC International Assets Management Limited; China CITIC Bank Corporation Limited wholly owns 100% interest in CITIC International Financial Holdings Limited; CITIC Corporation Limited owns approximately 1.19% of China CITIC Bank Corporation Limited; CITIC Group Corporation wholly owns CITIC Polaris Limited; CITIC Polaris Limited owns approximately 27.52% interest in CITIC Limited; and CITIC Limited wholly owns as to 100% interest in CITIC Corporation Limited. Accordingly, pursuant to the SFO, CITIC International*

Assets Management Limited, CITIC International Financial Holdings Limited, China CITIC Bank Corporation Limited, CITIC Group Corporation and CITIC Limited are deemed to be interested in 77,000,000 H Shares held by YBN Investments Limited. In addition, Wang Wei is also interested in approximately 38.25% of YBN Holdings Limited through Taihe Dali Investment Hongkong Limited in which he holds 55.60% interest. Accordingly, Wang Wei and Taihe Dali Investment Hongkong Limited are deemed to be interested in 77,000,000 H Shares held by YBN Investments Limited under the SFO.

5. *Unicorn Link Group Limited directly holds 77,000,000 H Shares, and Xi Yue Fund L.P. wholly owns Unicorn Link Group Limited. The limited partner of Xi Yue Fund L.P. is United Wealth Ventures Limited, which is wholly owned by Glorious Maple Limited, which is owned as to 70% by Yeung Wan Yiu. The general partner of Xi Yue Fund L.P. is Vital Vision Limited. Accordingly, pursuant to the SFO, Xi Yue Fund L.P., Glorious Maple Limited and Vital Vision Limited are deemed to be interested in 77,000,000 H Shares held by Unicorn Link Group Limited.*

6. *To the best of the Directors' knowledge after due enquiry, following the closing of the mandatory conditional offer for H Shares on 3 June 2021, Dawn Galaxy International Limited is no longer a substantial Shareholder as it had made a valid acceptance for the offer. However, as there is no notification to cease to have a notifiable interest pursuant to Divisions 2 and 3 of Part XV of the SFO after the relevant event as recorded in the register to be kept by the Company pursuant to Section 336 of the SFO, Dawn Galaxy International Limited remains registered as a substantial Shareholder on 31 December 2023.*

Save as disclosed above, as at 31 December 2023, there was no other person (other than the Directors, Supervisors and Chief Executives) to the Directors' knowledge who had any interests or short positions in the shares or underlying Shares which fell to be noticed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or which have been recorded in the register to be kept by the Company pursuant to Section 336 of the SFO.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

On 28 January 2021, Digital Science & Technology pledged 63,270,000 Domestic Shares (representing approximately 8.6% of the total issued Shares as at 31 December 2020) to Beijing Jingdixin Technology Company Limited ("**Jingdixin**"), an investee company of the Company, as a guarantee for the delivery credit facility of approximately RMB380,000,000 provided by Jingdixin to the Company.

The pledged shares are part of the Domestic Shares which are subject to the entrustment arrangement in accordance with the acting-in-concert agreement dated 29 January 2021, where Digital Science & Technology has entrusted all Domestic Shares held by it to Huafa Technology Industry Group, a controlling Shareholder, such that Digital Science & Technology and the Liu Family shall take concerted action with and shall act in accordance with the will of Huafa Technology Industry Group.

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

EQUITY-LINKED AGREEMENT

During the Reporting Period, the Group neither entered into any agreements in relation to equity-linked products nor participated in any arrangement to purchase equity-linked wealth management products.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

During the Reporting Period, the Shareholders had no pre-emptive rights or any share option arrangements in accordance with applicable laws of the PRC and the Articles of Association.

NON-COMPETITION UNDERTAKING

During the Reporting Period, the Liu Family took concerted action with and acted in accordance with the will of Huafa Technology Industry Group pursuant to the acting-in-concert agreement dated 29 January 2021, notwithstanding that Huafa Group has controlled a total voting right of approximately 74.99% of the Company as at 31 December 2023. Pursuant to Rule 19A.14 of the Listing Rules, the Liu Family was still considered to be the controlling Shareholders. Accordingly, the non-competition undertaking issued on 4 March 2014 in favor of the Group (the "**Non-competition Undertaking**") by the Liu Family together with Digital Science & Technology and Di Er Tong remained in effect during the Reporting Period.

Pursuant to the Non-competition Undertaking, each of the parties to the Non-competition Undertaking has irrevocably undertaken that, among others: he/she would not and will procure that his/her associates (except any members of the Group) would not, directly or indirectly, or as principal or agent either on their own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition with the core business of any member of the Group (the "**Restricted Business**") from time to time; if there is any new business opportunity in the Restricted Business, it shall within seven days refer such new business opportunity to the Group. Such business opportunity shall have first been offered or made handling available to the Group and be considered by the Board or its committees which do not have a material interest in the business opportunity. Each of the controlling Shareholders shall not invest, participate, be engaged in and/or operate in such business opportunity unless our Board or its committees have declined in writing or failed to respond within six months after being notified of such opportunity; if he/she intends to transfer, sell, lease or license to a third party any business interests which compete, or may lead to competition, directly or indirectly, with the Restricted Business or its mobile virtual network operator ("**MVNO**") business, the Company shall have a pre-emptive right over these interests. Each of the parties to the above Non-competition Undertaking must provide us written notice as soon as possible in advance of any sale as described above. The Company must reply within six months (or such other period as may be agreed between the parties) after receiving the selling notice, in order to exercise our right. The exercise of such rights by the Company shall be permitted by the relevant regulations, in particular, the regulations of the Ministry of Industry and Information Technology by then with respect to the MVNO business. If the Company intends to exercise the right, the terms will be determined at fair market value. The controlling Shareholders (except for any members of the Group) shall not dispose such business and equity to any third party, unless the Board (including independent non-executive Directors) has refused in writing to purchase such business or equity, or each of the parties to the above Non-competition Undertaking has not received any notice about exercising the pre-emptive rights from the Group post to our receipt of the selling notice. In addition, any conditions of disposal offered by each of the parties to the above Non-competition Undertaking shall not be more favorable than those to be given to the Group; and each of the parties to the above Non-competition Undertaking has granted us the option to acquire any business that has been engaged by them or any equity of such business based upon the above new business opportunity. The Company is entitled to request at any time to acquire any business that has been engaged by each of the parties to the above Non-competition Undertaking or any equity of such business under the above new business opportunity, and each of the parties to the above Non-competition Undertaking shall grant the Group the option for acquisition on the condition that the considerations of the acquisition are made in the ordinary course of business following negotiation between the parties under the fair and reasonable principle. The acquisition shall be based on the valuation conducted by independent valuer consisting of our independent non-executive Directors and also in the best interest of the Group. Each of the parties to the above Non-competition Undertaking has granted us the option to acquire any business that has been engaged by them or any equity of such business based upon the above new business opportunity. Please refer to the prospectus of the Company dated 25 June 2014 for details of the above Non-competition Undertaking.

The Company has received from each of the parties to the above Non-competition Undertaking an annual written confirmation in respect of the compliance by them with the Non-competition Undertaking during the Reporting Period.

The independent non-executive Directors have reviewed and assessed if each of the parties to the above Non-competition Undertaking has complied with the Non-competition Undertaking. The independent non-executive Directors have confirmed that each of the parties to the above Non-competition Undertaking has not been in breach of the Non-competition Undertaking during the Reporting Period.

DIRECTORS' AND SUPERVISORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, during the Reporting Period, none of the Directors, the Supervisors and their associates had any competing interest in any business which competes or may compete directly or indirectly with the businesses of the Company.

CONTINUING CONNECTED TRANSACTION

During the Reporting Period, with the exception of connected transactions disclosed in the note 35 to the audited consolidated financial statements, details of the Group's connected transactions and continuing connected transactions as defined in the Listing Rules, which are subject to disclosure in accordance with the provisions under Appendix D2 and Chapter 14A of the Listing Rules, are summarised as follows:

On 18 November 2022, the Company and Zhuhai Huafa entered into (1) the 2023 Store Sharing Services Framework Agreement; (2) the 2023 Public Works Engineering Purchase and Sale Services Framework Agreement; (3) the 2023 Administrative Products Purchase and Sale Framework Agreement (as supplemented by the supplemental agreement dated 25 September 2023) (the "**Amended 2023 Administrative Products Purchase and Sale Services Framework Agreement**"); (4) the 2023 R&D and Consultancy Services Framework Agreement; (5) the 2023 Customers Referral Services Framework Agreement. On 18 November 2022, the Company and Huafa Finance Company entered into the Financial Services Framework Agreement. On 25 September 2023, the Company and Zhuhai Huafa entered into the Event Planning Services Framework Agreement, while the Company and Zhuhai Huafa Automobile entered into the Automotive Wholesale and Export Services Framework Agreement (the aforesaid framework agreements are collectively referred to as the "**2023 Framework Agreements**"). The 2023 Framework Agreements and the proposed annual caps thereof were entered into the ordinary and usual course of business of the Group on normal commercial terms, and were fair and reasonable and in the interests of the Company and the Shareholders as a whole. Unless otherwise defined, capitalised terms used in this part shall have the same meanings as those defined in the announcements of the Company dated 18 November 2022 and 25 September 2023.

1. 2023 Store Sharing Services Framework Agreement

Parties

The Company (as the service provider) and Zhuhai Huafa (as the service recipient).

Principal terms

On 18 November 2022, the Company and Zhuhai Huafa entered into the 2023 Store Sharing Services Framework Agreement. Pursuant to the 2023 Store Sharing Services Framework Agreement, the Group agrees to apply the existing resources at the Stores for Zhuhai Huafa Group to organise sales and promotion activities in accordance with Zhuhai Huafa Group's requirements at the Stores, including (i) granting to the members of Zhuhai Huafa Group non-exclusive right to use certain space of the Stores for Zhuhai Huafa Group to showcase its products and services to the public and visitors at the Stores; and (ii) providing to the members of Zhuhai Huafa Group staff support, customer services support and office system and other ancillary support services at the Stores (collectively, the "**Store Sharing Services**"). In consideration of the Store Sharing Services provided by the Group, the relevant members of Zhuhai Huafa Group agree to pay to the Group service fees for the Store Sharing Services. The service fees shall be charged within 15 Business Days after the completion of individual service and settled within 15 Business Days upon receipt of the relevant invoice(s). The Company and Zhuhai Huafa may subsequently adopt any other payment terms by mutual agreement, but in any event, such other payment terms shall be no less favourable to the Company than those offered by the Company to any independent third parties. The 2023 Store Sharing Services Framework Agreement remained in effect from 1 January 2023 to 31 December 2023, with an annual cap of RMB120 million. For the period from 1 January 2023 to 31 December 2023, the actual transaction amount of approximately RMB112 million of the Company under the 2023 Store Sharing Services Framework Agreement did not exceed the relevant annual cap.

Description of the transaction and its purpose

The Group has over 600 Stores spreading across different regions of the PRC. Due to the sluggish retail industry, certain space and manpower resources of the Stores have not been fully utilised. Leveraging on the past experience of the Group in sharing certain space at the Stores with participants in other industries for sales activities in return for service fees, the Company believes that the showcase of diversified products and services at the Stores will improve the visitor traffic at the Stores, thereby increasing the chances for visitors to purchase products of the Group. The Company is of the view that the Store Sharing Services contemplated under the 2023 Store Sharing Services Framework Agreement will enable the Company to benefit from the utilisation of its existing resources to generate additional revenue, thereby improving the cost efficiency of the Company.

2. 2023 Public Works Engineering Purchase and Sale Services Framework Agreement

Parties

The Company (as the service provider) and Zhuhai Huafa (as the service recipient).

Principal terms

On 18 November 2022, the Company and Zhuhai Huafa entered into the 2023 Public Works Engineering Purchase and Sale Services Framework Agreement. Pursuant to the 2023 Public Works Engineering Purchase and Sale Services Framework Agreement, the Group agrees to provide the public works engineering purchase and sale services related to the public construction projects and the supply of the related telecommunications equipment for such projects to Zhuhai Huafa Group, including but not limited to the intelligent projects and public construction equipment, communication signals (corporate lines), fibre-to-the-home and wireless signal coverage projects (collectively, the "**Public Works Engineering Purchase and Sale Services**"). In consideration of the Public Works Engineering Purchase and Sale Services provided by the Group, the relevant members of Zhuhai Huafa Group agree to pay to the Group the service fees for the Public Works Engineering Purchase and Sale Services. The service fees shall be charged within 15 Business Days after the completion of individual service and settled within 15 Business Days upon receipt of the relevant invoice(s). The Company and Zhuhai Huafa may subsequently adopt any other payment terms by mutual agreement, but in any event, such other payment terms shall be no less favourable to the Company than those offered by the Company to any independent third parties. The 2023 Public Works Engineering Purchase and Sale Services Framework Agreement remained in effect from 1 January 2023 to 31 December 2023, with an annual cap of RMB120 million. For the period from 1 January 2023 to 31 December 2023, the actual transaction amount of approximately RMB17 million of the Company under the 2023 Public Works Engineering Purchase and Sale Services Framework Agreement did not exceed the relevant annual cap.

Description of the transaction and its purpose

The Group has the relevant expertise, personnel and supply channels in providing the relevant Public Works Engineering Purchase and Sale Services. In addition, Zhuhai Huafa has core business sectors including urban operations and real estate development. Zhuhai Huafa, through its various subsidiaries, would from time to time successfully tender for urban operation projects and real estate development projects. To fulfill the requirements of such projects, Zhuhai Huafa Group requires to obtain Public Works Engineering Purchase and Sale Services from time to time. The Company is of the view that the Public Works Engineering Purchase and Sale Services contemplated under the 2023 Public Works Engineering Purchase and Sale Services Framework Agreement will provide a stable source of income to the Group and allow the Group to maintain a strong strategic and business relationship with Zhuhai Huafa Group, thereby generating synergy potential and creating mutual economic benefits between the Group and Zhuhai Huafa Group.

3. 2023 Administrative Products Purchase and Sale Framework Agreement

Parties

The Company (as the product provider) and Zhuhai Huafa (as the product receiver).

Principal terms

On 18 November 2022, the Company and Zhuhai Huafa entered into the 2023 Administrative Products Purchase and Sale Framework Agreement. Pursuant to the 2023 Administrative Products Purchase and Sale Framework Agreement, the Group agrees to supply administrative electronic products to Zhuhai Huafa Group for their office and administrative uses, including but not limited to office computers, tablets, e-learning equipment, smart screens, electronic epidemic prevention products (such as electronic sentinels) and other electronic equipment (collectively, the "**Administrative Products**"). In consideration of the sale of the Administrative Products provided by the Group, the relevant members of Zhuhai Huafa Group agree to pay to the Group the purchase fees for the Administrative Products supplied. The service fees shall be charged within 15 Business Days after the completion of individual service and settled within 15 Business Days upon receipt of the relevant invoice(s). The Company and Zhuhai Huafa may subsequently adopt any other payment terms by mutual agreement, but in any event, such other payment terms shall be no less favourable to the Company than those offered by the Company to any independent third parties.

Description of the transaction and its purpose

The Group has laid solid foundation in the 5G industry, which the Group believes will convert into more sales opportunities. As Zhuhai Huafa is a conglomerate with various subsidiaries having offices located at different places, adding the needs to replace or update office and administrative equipment to improve work efficiency from time to time, Zhuhai Huafa Group requires the supply of Administrative Products from time to time. Leveraging on the existing expertise, personnel and supply channels in the supply of the Administrative Products, the Company is of the view that entering into the 2023 Administrative Products Purchase and Sale Framework Agreement can diversify the Group's customer base and enhance the revenue stream of the Group.

4. The Amended 2023 Administrative Products Purchase and Sale Framework Agreement

Parties

The Company (as the service provider) and Zhuhai Huafa (as the service recipient).

Summary of principal terms and its purpose

On 25 September 2023, the Company has entered into the Supplemental Agreement with Zhuhai Huafa to amend certain terms of the 2023 Administrative Products Purchase and Sale Framework Agreement with effect from 25 September 2023 as follows:

(i) The name of the original agreement was "Administrative Products Purchase and Sale Framework Agreement", which is now amended to "Administrative and Promotional Products Purchase and Sale Services Agreement", and the names appearing in the original agreement are replaced accordingly.

(ii) In the original agreement, the service scope was that "the Group agrees to supply administrative electronic products to Zhuhai Huafa Group for their office and administrative uses, including but not limited to office computers, tablets, e-learning equipment, smart screens, electronic epidemic prevention products (such as electronic sentinels) and other electronic equipment", which is now amended to "the Group agrees to supply administrative and promotional products to Zhuhai Huafa Group for the office and promotional use, including but not limited to electronic equipment, gift for promotional purpose and non-cash staff benefit products".

Save as the above amendments pursuant to the Supplemental Agreement, all other terms and conditions of the 2023 Administrative Products Purchase and Sale Framework Agreement (including the proposed annual caps) remain unchanged and in full force and effect.

The Amended 2023 Administrative Products Purchase and Sale Framework Agreement remained in effect from 1 January 2023 to 31 December 2023, with an annual cap of RMB120 million. For the period from 1 January 2023 to 31 December 2023, the actual transaction amount of approximately RMB24 million under the Amended 2023 Administrative Products Purchase and Sale Framework Agreement did not exceed the relevant annual cap.

5. 2023 R&D and Consultancy Services Framework Agreement

Parties

The Company (as the service provider) and Zhuhai Huafa (as the service recipient).

Principal terms

On 18 November 2022, the Company and Zhuhai Huafa entered into the 2023 R&D and Consultancy Services Framework Agreement. Pursuant to the 2023 R&D and Consultancy Services Framework Agreement, the Group agrees to provide to Zhuhai Huafa Group (i) R&D and Consultancy Services for the telecommunications retail industry and its upstream and downstream service sectors (for instance, smart residence) and associated service sectors (for instance, consumer finance); and (ii) research and development services relating to the industry information and system (collectively, the "**R&D and Consultancy Services**"). In consideration of the R&D and Consultancy Services provided by the Group, Zhuhai Huafa and the relevant members of Zhuhai Huafa Group agree to pay to the Group the service fees for the R&D and Consultancy Services. The service fees shall be charged within 15 Business Days after the completion of individual service and settled within 15 Business Days upon receipt of the relevant invoice(s). The Company and Zhuhai Huafa may subsequently adopt any other payment terms by mutual agreement, but in any event, such other payment terms shall be no less favourable to the Company than those offered by the Company to any independent third parties. The 2023 R&D and Consultancy Services Framework Agreement remained in effect from 1 January 2023 to 31 December 2023, with an annual cap of RMB60 million. For the period from 1 January 2023 to 31 December 2023, the actual transaction amount of approximately RMB11 million of the Company under the 2023 R&D and Consultancy Services Framework Agreement did not exceed the relevant annual cap.

Description of the transaction and its purpose

The Group has carried on the sales of mobile telecommunications devices and the provision of related services since 2001 and is one of the leading mobile telecommunications chain stores in the PRC. With the expertise and experience of the Group in the sales of telecommunications products industry and long-term collaboration relationships with mobile carriers accumulated in the past, the Group has the relevant expertise, personnel and supply channels in providing the relevant R&D and Consultancy Services. Zhuhai Huafa has core business sectors including the financial industry and industrial investments and therefore its subsidiaries which engage in the financial industry and industrial development from time to time require statistical data, research reports and feasibility studies for them to assess the development, market trends and feasibility and merits of potential investment projects of various industries. Value chain of the telecommunications products industry is one of the industries which Zhuhai Huafa may need to study. The Company is of the view that the R&D and Consultancy Services contemplated under the 2023 R&D and Consultancy Services Framework Agreement will provide an opportunity for the Company to leverage its existing experience and expertise to expand its business offerings.

6. 2023 Customers Referral Services Framework Agreement

Parties

The Company (as the service provider) and Zhuhai Huafa (as the service recipient).

Principal terms

On 18 November 2022, the Company and Zhuhai Huafa entered into the 2023 Customers Referral Services Framework Agreement. Pursuant to the 2023 Customers Referral Services Framework Agreement, the Group agrees to refer existing customers of the Group to Zhuhai Huafa Group by identifying and targeting existing customers of the Group and distributing to the Group's existing customers with physical or digital membership cards, entitlement cards, consumption coupons, etc., whereby the holders of the aforesaid cards or coupons are entitled to receive promotional materials from Zhuhai Huafa Group and enjoy discounts for services or products provided by Zhuhai Huafa Group (collectively, the "**Customers Referral Services**"). In consideration of the Customers Referral Services provided by the Group, the relevant members of Zhuhai Huafa Group agree to pay to the Group the service fees for the Customers Referral Services. The service fees shall be charged within 15 Business Days after the completion of individual service and settled within 15 Business Days upon receipt of the relevant invoice(s). The Company and Zhuhai Huafa may subsequently adopt any other payment terms by mutual agreement, but in any event, such other payment terms shall be no less favourable to the Company than those offered by the Company to any independent third parties. The 2023 Customers Referral Services Framework Agreement remained in effect from 1 January 2023 to 31 December 2023, with an annual cap of RMB120 million. For the period from 1 January 2023 to 31 December 2023, the actual transaction amount of approximately RMB116 million of the Company under the 2023 Customers Referral Services Framework Agreement did not exceed the relevant annual cap.

Description of the transaction and its purpose

The Group has a broad and high-quality existing customer base from both online and offline sales channels. The Group's "omni-channel fulfillment" cooperation model with mainstream e-commerce platforms has become a model of online and offline cooperation in the industry. The Group has accumulated prior experience in referring its existing customers to cooperating telecommunications business partners in return for customers referral service fees. With such previous experience in customers referral and the broad customer base which the Group enjoys, coupled with the huge customer database maintained by the Group which includes age group, region of residence, purchase preferences and occupation, etc., the Group is able to refer customers of the Group to various Zhuhai Huafa Group's subsidiaries based on the service and product types supplied by the relevant subsidiary and the Group's existing customers' preferences. The Company is of the view that the cooperation under the 2023 Customers Referral Services Framework Agreement will provide an opportunity for the Company to leverage its existing broad and high-quality existing customer base with Zhuhai Huafa Group by fully utilising its current resources and clientele to generate new income streams for the benefit of the Group and the Shareholders as a whole.

7. Financial Services Framework Agreement

Parties

The Company (as the service recipient) and Huafa Finance Company (as the service provider).

Principal terms

On 18 November 2022, the Company and Huafa Finance Company entered into the Financial Services Framework Agreement. Huafa Finance Company agrees to provide the following financial services to the Group pursuant to the terms and conditions of the Financial Services Framework Agreement:

Deposit services: provision of deposit services to the Group according to the requirements of the Group and formulation of optimal deposit portfolio for the Group, which include the current deposit, time deposit, call deposit and agreement deposit. The proposed cap in respect of the daily maximum outstanding balance of the deposits placed by the Group with Huafa Finance Company (including any accrued interest thereon) for the period from 1 January 2023 to 31 December 2023 shall be RMB120 million.

Credit services: provision of credit services to the Group according to the operation and development needs of the Group, which include but not limited to working capital loans, bill acceptance and trade financing, etc. The credit services shall be provided by Huafa Finance Company to the Group in accordance with normal commercial terms or better. No security over the assets, security over the rights or other guarantees of the Group shall be provided for the loans. None of the Group's deposit placed with Huafa Finance Company shall be used as the pledge to the credit services provided by Huafa Finance Company. The highest comprehensive credit limit of the Group that may be applied on a revolving basis shall be RMB3 billion.

The Financial Services Framework Agreement remained in effect from 1 January 2023 to 31 December 2023. For the period from 1 January 2023 to 31 December 2023, the actual daily maximum outstanding balance of the deposits placed by the Group with Huafa Finance Company (including accrued interests) of approximately RMB119 million, and the actual daily maximum application amount of comprehensive credit of approximately RMB2.816 billion, both did not exceed the relevant annual cap.

Description of the transaction and its purpose

Huafa Finance Company is a non-bank financial institution regulated by National Financial Regulatory Administration (the successor of the China Banking and Insurance Regulatory Commission) and is authorised to provide various financial services. By entering into the Financial Services Framework Agreement, the Group can use Huafa Finance Company as a medium to facilitate more efficient deployment of funds among the Company's subsidiaries. The financial services can promote capital liquidity within the Group, enhance overall capital management and the Group's controls and monitor financial risks, allow for quick and accurate monitoring and regulation of the use of the Group's funds. The deposit services form part of the Group's financial activities to further support its operational and financial needs, which helps improve the Group's efficiency of its cash management and working capital position. Unlike the credit services provided by some other financial institutions, the credit services offered by Huafa Finance Company do not require the Group to provide any security over the assets, security over the rights or other guarantees of the Group for the loans.

8. Event Planning Services Framework Agreement

Parties

The Company (as the service provider) and Zhuhai Huafa (as the service recipient).

Principal terms

On 25 September 2023, the Company and Huafa Finance Company entered into the Event Planning Services Framework Agreement.

Pursuant to the Event Planning Services Framework Agreement, the Group agrees to provide event planning services to Zhuhai Huafa Group at time and place designated by the relevant member of Zhuhai Huafa Group (such as the real-estate sales center), including but not limited to pre-event planning, organisation and delivery of personnel, materials and other resources for the event, and onsite maintenance during the execution and hosting of the event (collectively, the "**Event Planning Services**").

In consideration of the Event Planning Services provided by the Group, Zhuhai Huafa and the relevant members of Zhuhai Huafa Group agree to pay to the Group the service fees for the Event Planning Services. The service fees shall be charged after the completion of individual service and settled within 45 Business Days upon receipt of the relevant invoice(s). The Company and Zhuhai Huafa may subsequently adopt any other payment terms by mutual agreement, but in any event, such other payment terms shall be no less favourable to the Company than those offered by the Company to any independent third parties.

The Event Planning Services Framework Agreement remained in effect from 25 September 2023 to 24 September 2026, with a proposed annual cap of RMB50 million for the period from 25 September 2023 to 31 December 2023, RMB120 million per annum for the years ending 31 December 2024 and 2025, respectively, and RMB120 million for the period from 1 January 2026 to 24 September 2026. For the period from 25 September 2023 to 31 December 2023, the actual transaction amount of the Company under the Event Planning Services Framework Agreement amounted to approximately RMB30 million, which did not exceed the relevant annual cap.

Description of the transaction and its purpose

Since the establishment of the Group in 2001, the Group has been focusing on the sales of mobile telecommunications devices and the provision of related services, in particular the retail sales sector. While the Group has endeavoured to enhancing the competitive edge of its core business, it has been continuously seeking business channels and pursuing new business opportunities. With its proficient personnel, expertise, and experience in event planning accumulated through its consumer-facing business, the Group is well-equipped to provide the Event Planning Services.

Zhuhai Huafa, on the other hand, operates in core business segments such as real estate development and urban operations. Zhuhai Huafa, through its various subsidiaries, would successfully secure real estate development projects and urban operation contracts from time to time. In order to facilitate the marketing effort of the property sales, Zhuhai Huafa Group requires the Event Planning Services provided by service providers from time to time. By leveraging its capabilities of event planning targeting for consumers, the Group can effectively support Zhuhai Huafa Group in fulfilling its needs for marketing strategies and plans in the context of real estate development projects and urban operations.

In view of the above, the Company is of the view that the Event Planning Services contemplated under the Event Planning Services Framework Agreement will provide an opportunity for the Company to expand its business offerings and enhance its revenue stream.

9. Automotive Wholesale and Export Services Framework Agreement

Parties

The Company (as the provider of certain Revenue-related Automotive Wholesale and Export Services and recipient of certain Procurement-related Automotive Wholesale Services) and Zhuhai Huafa Automobile Sales Co. Ltd. (the "**Zhuhai Huafa Automobile**") (as the provider of certain Procurement-related Automotive Wholesale Services and recipient of certain Revenue-related Automotive Wholesale and Export Services).

Principal terms

On 25 September 2023, the Company has entered into the Automotive Wholesale and Export Services Framework Agreement with Zhuhai Huafa Automobile.

Revenue-related Automotive Wholesale and Export Services

Pursuant to the Automotive Wholesale and Export Services Framework Agreement, the Group agrees to provide the following wholesale and export services relating to automobiles and automobile-related products to Zhuhai Huafa Automobile:

Wholesale of automobiles and automobile-related products: according to Zhuhai Huafa Automobile's business requirements, the relevant members of the Group agree to purchase wholesale automobiles and automobile-related products from independent third party suppliers/manufacturers/distributors and resell such wholesale products to Zhuhai Huafa Automobile; and provision of export-related services for automobiles and automobile-related products: the relevant members of the Group agree to handle the export-related warehousing or agency matters to support Zhuhai Huafa Automobile in its export of the automobiles and automobile-related products business (collectively, the "**Revenue-related Automotive Wholesale and Export Services**").

In consideration of the wholesale of automobiles and automobile-related products sold by the Group to Zhuhai Huafa Automobile, Zhuhai Huafa Automobile agrees to pay to the relevant members of the Group the purchase fees for the wholesale automobiles and automobile-related products. In consideration of the provision of the export-related services for automobiles and automobile-related products by the Group to Zhuhai Huafa Automobile, Zhuhai Huafa Automobile agrees to pay to the Group service fees for the provision of the export-related services for automobiles and automobile-related products.

Procurement-related Automotive Wholesale Services

Pursuant to the Automotive Wholesale and Export Services Framework Agreement, leveraging on the broad customer base of the Group, the relevant members of the Group agree to procure from Zhuhai Huafa Automobile the wholesale automobiles and automobile-related products for which Zhuhai Huafa Automobile is an authorised distributor (the "**Procurement-related Automotive Wholesale Services**") for reselling to interested customers of the Group.

In consideration of the provision of the Procurement-related Automotive Wholesale Services from Zhuhai Huafa Automobile to the Group, the relevant members of the Group agree to pay to Zhuhai Huafa Automobile the procurement costs for the automobiles and automobile-related products purchased.

The fees shall be charged within 15 Business Days after the completion of individual Automotive Wholesale and Export Services agreements and settled within 15 Business Days upon receipt of the relevant invoice(s). The Company and Zhuhai Huafa Automobile may subsequently adopt any other payment terms by mutual agreement, but in any event, such other payment terms shall be no less favourable to the Company than those offered by the Company to any independent third parties.

The term of the Automotive Wholesale and Export Services Framework Agreement is from 25 September 2023 to 24 September 2026, and (i) the proposed annual cap for the fees receivable from the Revenue-related Automotive Wholesale and Export Services to be provided by the relevant members of the Group to Zhuhai Huafa Automobile from 25 September 2023 to 31 December 2023 shall be RMB20 million, RMB60 million per annum for the years ending 31 December 2024 and 2025, respectively, and RMB60 million for the period from 1 January 2026 to 24 September 2026; and (ii) the proposed annual cap for the fees payable for the Procurement-related Automotive Wholesale Services to be provided by Zhuhai Huafa Automobile to the Group from 25 September 2023 to 31 December 2023 shall be RMB60 million, RMB60 million per annum for the years ending 31 December 2024 and 2025, respectively, and RMB60 million for the period from 1 January 2026 to 24 September 2026. From 25 September 2023 to 31 December 2023, the actual transaction amount of the Company under the Revenue-related Automotive Wholesale and Export Services was approximately RMB0.19 million, and the actual transaction amount for the Procurement-related Automotive Wholesale Services was approximately RMB53 million, without exceeding the relevant annual cap.

Description of the transaction and its purpose

In the second half of 2023, the Group continued to explore opportunities in automobile business. In the automobile business, the Company has been accumulating experience in the retail and distribution of new energy vehicles, and has begun to leverage and utilise the customer resources accumulated through its mobile handset sales network. In the automobile import and export business, the Company's endeavours in Xinjiang have started to yield positive results. Building upon this success, the Company dedicated its efforts in the second half of 2023 to continuously expanding the scale of its automobile procurement and sales, warehousing, agency services, as well as import and export operations for Central Asia.

Given the Group's broad customer base, strong market development capabilities and customer sourcing channels, the Group expects to secure orders of the automobiles and automobile-related products from its interested customers. In addition, as the Group expects to be engaged as authorised distributors of some automobile brands or manufacturers, the capabilities of the Group to source automobiles and automobile-related products for customers (including Zhuhai Huafa Automobile) are expected to be enhanced.

On the other hand, Zhuhai Huafa Automobile has over 30 years of experience in the automotive industry and serves as an authorised distributor for various renowned automotive brands. It has established long-term and business relationships with major automobile manufacturers/suppliers. As such, Zhuhai Huafa Automobile can provide an ample supply of high-quality and cost-effective automobiles and automobile-related products to fulfill certain trade orders secured by the Group. In addition, given that Zhuhai Huafa Automobile has obtained the qualification for export of second-hand cars in Guangdong Province, it is expected that Zhuhai Huafa Automobile will be able to secure a number of orders of automobile related products from overseas customers. The Group plans to leverage its automotive resources on Zhuhai Huafa Automobile's export demand. In the event that the Group has the competitiveness and capability to source the automobiles or automobile-related products with a competitive price in the market, the Group will source the automobiles or automobile-related products for which Zhuhai Huafa Automobile is not the authorised distributor for reselling such products to Zhuhai Huafa Automobile. In addition, the Group will offer export-related warehousing and agency services related to the automobiles and automobile-related products to Zhuhai Huafa Automobile.

In light of the above factors, the Company is of the view that the Automotive Wholesale and Export Services contemplated under the Automotive Wholesale and Export Services Framework Agreement will provide an opportunity for the Company to further develop its new business in the automobile industry and enhance its revenue stream.

On 25 September 2023, the Company and Zhuhai Huafa entered into (1) the 2024-2026 Administrative and Promotional Products Purchase and Sale Framework Agreement; (2) the 2024-2026 Store Sharing Services Framework Agreement; (3) the 2024-2026 Public Works Engineering Purchase and Sale Services Framework Agreement; (4) the 2024-2026 R&D and Consultancy Services Framework Agreement; (5) the 2024-2026 Customers Referral Services Framework Agreement; and (6) the 2024-2026 Financial Services Framework Agreement (collectively, the "**2024-2026 Framework Agreements**"). The 2024-2026 Framework Agreements and the proposed annual caps thereof 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. Unless otherwise defined, capitalised terms used in this part shall have the same meanings as those defined in the announcement of the Company dated 25 September 2023.

1. 2024-2026 Administrative and Promotional Products Purchase and Sale Framework Agreement

Parties

The Company (as the service provider) and Zhuhai Huafa (as the service recipient).

Principal terms

On 25 September 2023, the Company has entered into the 2024-2026 Administrative and Promotional Products Purchase and Sale Framework Agreement with Zhuhai Huafa.

Pursuant to the 2024-2026 Administrative and Promotional Products Purchase and Sale Framework Agreement, the Group agrees to supply administrative and promotional products to Zhuhai Huafa Group for the office and promotional use, including but not limited to electronic equipment, gift for promotional purpose and non-cash staff benefit products (collectively, the "**Administrative and Promotional Products**").

In consideration of the sale of the Administrative and Promotional Products provided by the Group, the relevant members of Zhuhai Huafa Group agree to pay the Group the purchase fees for the Administrative and Promotional Products supplied. The service fees shall be charged within 15 Business Days after the completion of individual sale of Administrative and Promotional Products agreements and settled within 15 Business Days upon receipt of the relevant invoice(s). The Company and Zhuhai Huafa may subsequently adopt any other payment terms by mutual agreement, but in any event, such other payment terms shall be no less favourable to the Company than those offered by the Company to any independent third parties.

The 2024-2026 Administrative and Promotional Products Purchase and Sale Framework Agreement remained in effect from 1 January 2024 to 31 December 2026, with a proposed annual cap of RMB120 million per annum for the years ending 31 December 2024, 2025 and 2026.

Description of the transaction and its purpose

The Group has established a strong foundation in the 5G industry, and the Group believes that this will translate into increased sales opportunities. As Zhuhai Huafa is a conglomerate with various subsidiaries having offices located at different places, coupled with their demand in promoting their businesses and staff benefits and updating office and administrative equipment to improve work efficiency from time to time, Zhuhai Huafa Group requires the supply of Administrative and Promotional Products from time to time.

Leveraging on the existing expertise, personnel and supply channels in the supply of the Administrative and Promotional Products, the Group intends to continue to supply the Administrative and Promotional Products to Zhuhai Huafa Group with an aim to enhance the revenue stream of the Group and diversify its customer base.

2. 2024-2026 Store Sharing Services Framework Agreement

Parties

The Company (as the service provider) and Zhuhai Huafa (as the service recipient).

Principal terms

On 25 September 2023, the Company and Zhuhai Huafa entered into the 2024 – 2026 Store Sharing Services Framework Agreement.

Pursuant to the 2024-2026 Store Sharing Services Framework Agreement, the Group agrees to apply its existing resources at the Stores for Zhuhai Huafa Group to organise sales and promotion activities in accordance with Zhuhai Huafa Group's requirements at the Stores, including (i) granting to the members of Zhuhai Huafa Group non-exclusive right to use certain space of the Stores for Zhuhai Huafa Group to showcase its products and services to the public and visitors at the Stores; and (ii) providing to the members of Zhuhai Huafa Group staff support, customer services support and office system and other ancillary support services at the Stores (collectively, the "**Store Sharing Services**").

In consideration of the Store Sharing Services provided by the Group, the relevant members of Zhuhai Huafa Group agree to pay to the Group service fees for the Store Sharing Services. The service fees shall be charged within 15 Business Days after the completion of individual service and settled within 15 Business Days upon receipt of the relevant invoice(s). The Company and Zhuhai Huafa may subsequently adopt any other payment terms by mutual agreement, but in any event, such other payment terms shall be no less favourable to the Company than those offered by the Company to any independent third parties.

The 2024-2026 Store Sharing Services Framework Agreement remained in effect from 1 January 2024 to 31 December 2026, with a proposed annual cap of RMB120 million per annum for the years ending 31 December 2024, 2025 and 2026.

Description of the transaction and its purpose

The Group operates more than 700 Stores across various regions in the PRC. However, due to the sluggish overall retail industry, some of the Stores have not fully utilized their space and workforce. To optimise these resources, the Company intends to continue to collaborate with business partners and allow them to utilise certain space within the Stores for sales activities in exchange for service fees. The Board is of the view that this initiative will result in more efficient utilisation of Store resources, and by showcasing a diverse range of products and services at the Stores will improve visitor traffic at the Stores, which may in turn increase the chance of the public visiting the Stores to purchase the Group's products. Considering these factors, the Group intends to continue providing Store Sharing Services to Zhuhai Huafa Group. In view of the above, the Group intends to continue to supply the Store Sharing Services to Zhuhai Huafa Group in order to enhance the Group's revenue stream by leveraging its existing resources, thereby improving its cost efficiency and operational performance.

3. 2024-2026 Public Works Engineering Purchase and Sale Services Framework Agreement

Parties

The Company (as the service provider) and Zhuhai Huafa (as the service recipient).

Principal terms

On 25 September 2023, the Company and Zhuhai Huafa entered into the 2024-2026 Public Works Engineering Purchase and Sale Services Framework Agreement.

Pursuant to the 2024-2026 Public Works Engineering Purchase and Sale Services Framework Agreement, the Group agrees to provide the public works engineering purchase and sale services related to the public construction projects and the supply of the related telecommunications equipment for such projects to Zhuhai Huafa Group, including but not limited to the intelligent projects and public construction equipment, communication signals (corporate lines), fibre-to-the-home and wireless signal coverage projects (collectively, the "**Public Works Engineering Purchase and Sale Services**").

In consideration of the Public Works Engineering Purchase and Sale Services provided by the Group, the relevant members of Zhuhai Huafa Group agree to pay the Group the service fees for the Public Works Engineering Purchase and Sale Services. The service fees shall be charged within 15 Business Days after the completion of individual service and settled within 15 Business Days upon receipt of the relevant invoice(s). The Company and Zhuhai Huafa may subsequently adopt any other payment terms by mutual agreement, but in any event, such other payment terms shall be no less favourable to the Company than those offered by the Company to any independent third parties.

The 2024-2026 Public Works Engineering Purchase and Sale Services Framework Agreement remained in effect from 1 January 2024 to 31 December 2026, with a proposed annual cap of RMB120 million per annum for the years ending 31 December 2024, 2025 and 2026.

Description of the transaction and its purpose

Zhuhai Huafa has core business sectors including but not limited to urban operations and real estate development. Zhuhai Huafa, through its various subsidiaries, would from time to time successfully tender for urban operation projects and real estate development projects. To fulfill the requirements of such projects, Zhuhai Huafa Group requires to obtain the Public Works Engineering Purchase and Sale Services from time to time.

Leveraging on the relevant expertise, personnel and supply channels of the Group in providing the relevant Public Works Engineering Purchase and Sale Services, the Group intends to continue to supply the Public Works Engineering Purchase and Sale Services to Zhuhai Huafa Group pursuant to the 2024-2026 Public Works Engineering Purchase and Sale Services Framework Agreement. The Company is of the view that the Public Works Engineering Purchase and Sale Services contemplated under the 2024-2026 Public Works Engineering Purchase and Sale Services Framework Agreement will provide a stable source of income to the Group and enable the Group to foster a strong strategic and business relationship with Zhuhai Huafa Group, thereby creating synergy and mutual economic benefits between the Group and Zhuhai Huafa Group.

4. 2024-2026 R&D and Consultancy Services Framework Agreement

Parties

The Company (as the service provider) and Zhuhai Huafa (as the service recipient).

Principal terms

On 25 September 2023, the Company and Zhuhai Huafa entered into the 2024-2026 R&D and Consultancy Services Framework Agreement.

Pursuant to the 2024-2026 R&D and Consultancy Services Framework Agreement, the Group agrees to provide to Zhuhai Huafa Group (i) R&D and Consultancy Services for the telecommunications retail industry and its upstream and downstream service sectors (for instance, smart residence) and associated service sectors (for instance, consumer finance); and (ii) R&D services relating to the industry information and system (collectively, the "**R&D and Consultancy Services**").

In consideration of the R&D and Consultancy Services provided by the Group, Zhuhai Huafa and the relevant members of Zhuhai Huafa Group agree to pay the Group the service fees for the R&D and Consultancy Services. The service fees shall be charged within 15 Business Days after the completion of individual service and settled within 15 Business Days upon receipt of the relevant invoice(s). The Company and Zhuhai Huafa may subsequently adopt any other payment terms by mutual agreement, but in any event, such other payment terms shall be no less favourable to the Company than those offered by the Company to any independent third parties.

The 2024-2026 R&D and Consultancy Services Framework Agreement remained in effect from 1 January 2024 to 31 December 2026, with a proposed annual cap of RMB60 million per annum for the years ending 31 December 2024, 2025 and 2026.

Description of the transaction and its purpose

Since 2001, the Group has been actively engaged in the sales of mobile telecommunications devices and the provision of related services. As a prominent mobile telecommunications chain store in the PRC, the Group has gained extensive expertise and experience in the telecommunications products industry. Over the years, the Group has built long-term collaborative relationships with mobile carriers, further strengthening its position in the market.

Given its background, the Group possesses the necessary expertise, skilled personnel, and well-established supply channels to provide the R&D and Consultancy Services. Zhuhai Huafa, with its core business sectors in the financial industry and industrial investment, occasionally requires statistical data, research reports, and feasibility studies to evaluate the development, market trends, and viability of potential investment projects across various industries. The telecommunications products industry falls within the scope of industries that Zhuhai Huafa may need to study as part of their value chain analysis.

In light of the above, the Group intends to continue to provide the R&D and Consultancy Services to Zhuhai Huafa Group pursuant to the 2024-2026 R&D and Consultancy Services Framework Agreement in order to leverage its existing experience and expertise to enhance the revenue stream of the Group.

5. 2024-2026 Customers Referral Services Framework Agreement

Parties

The Company (as the service provider) and Zhuhai Huafa (as the service recipient).

Principal terms

On 25 September 2023, the Company and Zhuhai Huafa entered into the 2024-2026 Customers Referral Services Framework Agreement.

Pursuant to the 2024-2026 Customers Referral Services Framework Agreement, the Group agrees to refer existing customers of the Group to Zhuhai Huafa Group by identifying and targeting existing customers of the Group and distributing to the Group's existing customers with physical or digital membership cards, entitlement cards, consumption coupons, etc., whereby the holders of the aforesaid cards or coupons are entitled to receive promotional materials from Zhuhai Huafa Group and enjoy discounts for services or products provided by Zhuhai Huafa Group (collectively, the "**Customers Referral Services**").

In consideration of the Customers Referral Services provided by the Group, the relevant members of Zhuhai Huafa Group agree to pay the Group the service fees for the Customers Referral Services. The service fees shall be charged within 15 Business Days after the completion of individual service and settled within 15 Business Days upon receipt of the relevant invoice(s). The Company and Zhuhai Huafa may subsequently adopt any other payment terms by mutual agreement, but in any event, such other payment terms shall be no less favourable to the Company than those offered by the Company to any independent third parties.

The 2024-2026 Customers Referral Services Framework Agreement remained in effect from 1 January 2024 to 31 December 2026, with a proposed annual cap of RMB120 million per annum for the years ending 31 December 2024, 2025 and 2026.

Description of the transaction and its purpose

The Group has a broad and high-quality customer base derived from both online and offline sales channels. The Group's "omni-channel fulfilment" collaboration model with major e-commerce platforms has emerged as a prominent example of successful online and offline synergy within the industry. Drawing from past experiences, the Group has effectively referred its existing customers to telecommunications business partners in return for customer referral service fees.

Given the Group's vast customer base and the comprehensive customer database it maintains, including information such as age group, residential region, purchase preferences, and occupation, the Group is well-equipped to refer its customers to various subsidiaries of Zhuhai Huafa Group. This referral process takes into account the specific services and product types offered by each subsidiary, aligning with the preferences of the Group's existing customers.

In light of these factors, the renewal of the Customers Referral Services pursuant to the 2024-2026 Customers Referral Services Framework Agreement presents an opportunity for the Company to continue leveraging its extensive and high-quality customer base in collaboration with Zhuhai Huafa Group. By fully utilising its current resources and clientele, the Group can generate additional income to benefit the Group as a whole and the Shareholders.

6. 2024-2026 Financial Services Framework Agreement

Parties

The Company (as the service recipient) and Huafa Finance Company (as the service provider).

Principal terms

On 25 September 2023, the Company and Huafa Finance Company entered into the 2024-2026 Financial Services Framework Agreement. Huafa Finance Company agrees to provide the following financial services to the Group pursuant to the terms and conditions of the 2024-2026 Financial Services Framework Agreement:

Deposit services: provision of deposit services to the Group according to the requirements of the Group and formulation of optimal deposit portfolio for the Group, which include the current deposit, time deposit, call deposit and agreement deposit. The proposed cap in respect of the daily maximum outstanding balance of the deposits placed by the Group with Huafa Finance Company (including any accrued interest thereon) shall be RMB120 million.

Credit services: provision of credit services to the Group according to the operation and development needs of the Group, which include but not limited to working capital loans, bill acceptance and trade financing, etc. The credit services shall be provided by Huafa Finance Company to the Group in accordance with normal commercial terms or better. No security over the assets, security over the rights or other guarantees of the Group shall be provided for the loans. None of the Group's deposit placed with Huafa Finance Company shall be used as the pledge to the credit services provided by Huafa Finance Company. The highest comprehensive credit limit of the Group that may be applied on a revolving basis shall be RMB3 billion.

The 2024-2026 Financial Services Framework Agreement remained in effect from 1 January 2024 to 31 December 2026, with a proposed annual cap of daily maximum outstanding balance of the deposits placed by the Group with Huafa Finance Company (including accrued interests) of RMB120 million per annum for the years ending 31 December 2024, 2025 and 2026.

Description of the transaction and its purpose

Huafa Finance Company is a non-bank financial institution regulated by National Financial Regulatory Administration (the successor of the China Banking and Insurance Regulatory Commission) and is authorised to provide various financial services. The Group can use Huafa Finance Company as a medium to facilitate more efficient deployment of funds among the Company's subsidiaries. The financial services can promote capital liquidity within the Group, enhance overall capital management and the Group's controls and monitor financial risks, allow for quick and accurate monitoring and regulation of the use of the Group's funds. The deposit services form part of the Group's financial activities to further support its operational and financial needs, which helps improve the Group's efficiency of its cash management and working capital position. Unlike the credit services provided by some other financial institutions, the credit services offered by Huafa Finance Company do not require the Group to provide any security over the assets, security over the rights or other guarantees of the Group for the loans.

Listing Rules Implication

Zhuhai Huafa is a state-owned conglomerate based in Zhuhai and is owned by the State-owned Asset 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 Department of Finance of Guangdong Province（廣東省財政廳）as to approximately 93.51% and approximately 6.49%, respectively. Zhuhai Huafa, through its subsidiaries, is principally engaged in four core business sectors of urban operations, real estate development, financial industry, and industrial investment, as well as two comprehensive supplementary businesses commerce and trade services and modern services.

Huafa Finance Company is a limited liability company established in the PRC and a subsidiary of Zhuhai Huafa. Huafa Finance Company is a non-bank financial institution regulated by NAFR, 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 Automobile is a limited liability company established in the PRC and a subsidiary of Zhuhai Huafa. The scope of its operations mainly includes sale of automobiles, retail and wholesale of automobile-related spare parts and motor vehicle repair and maintenance. The ultimate beneficial owner of Zhuhai Huafa Automobile is Zhuhai Huafa.

As at the date of the announcement of the Company dated 25 September 2023, Huafa Technology Industry Group (and any parties acting in concert with it) and Hong Kong Huafa jointly hold, control or direct approximately 90.76% of the total number of issued Shares, and both Huafa Technology Industry Group and Hong Kong Huafa are subsidiaries of Zhuhai Huafa. Accordingly, Zhuhai Huafa is the controlling Shareholder and the connected person of the Company. Huafa Finance Company and Zhuhai Huafa Automobile, both being the subsidiaries of Zhuhai Huafa, are also the connected persons of the Company.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of each of the proposed annual caps under the 2023 Framework Agreements and the 2024-2026 Framework Agreements is over 0.1% but less than 5%, as such, the transactions contemplated under the 2023 Framework Agreements and the 2024-2026 Framework Agreements are subject to the reporting and announcement requirements but exempt from circular and the independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

For details about the 2023 Framework Agreements and the 2024-2026 Framework Agreements, please refer to the announcements of the Company dated 18 November 2022 and 25 September 2023.

* *For identification purposes only*

The independent non-executive Directors have reviewed the aforesaid continuing connected transactions under the 2023 Framework Agreements which were conducted by the Group during the year ended 31 December 2023, and confirmed that the aforesaid transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or, from the perspective of the Group, on terms no less favourable than the terms available to or from independent third parties; and

(iii) in accordance with relevant agreements on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditor of the Company was engaged to report on those continuing connected transactions under the 2023 Framework Agreements which were conducted by the Group during the year ended 31 December 2023 as set out above in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor of the Company has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions under the 2023 Framework Agreements which were conducted by the Group during the year ended 31 December 2023 as disclosed on pages 41 to 59 of this annual report in accordance with Rule 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions for the year ended 31 December 2023 are set out in note 35 to the financial statements. In respect of the related party transactions that constitute continuing connected transactions, the Company has complied with the annual review and disclosure requirements under Chapter 14A of the Listing Rules. Save as disclosed in this annual report, during the Reporting Period, no related party transactions set out in note 35 to the financial statements were connected transactions (including continuing connected transactions) which were subject to the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

ISSUE OF NEW H SHARES UNDER SPECIFIC MANDATE

As disclosed in the Company's announcement dated 3 June 2021 (the "**Closing Announcement**"), immediately following the close of the mandatory conditional cash offer (the "**Offers**") and taking into account the valid acceptance of the offer in respect of 327,057,912 H Shares, Huafa Technology Industry Group, Hong Kong Huafa and parties acting in concert with them held, controlled or directed 327,057,912 H Shares and 337,700,000 Domestic Shares, representing approximately 82.85% and 100% of the issued H Shares and Domestic Shares, respectively and representing in aggregate approximately 90.76% of the total number of issued Shares. Immediately after the close of the Offers, 67,702,488 H Shares (representing approximately 9.24% of the total number of issued shares as at the date of the Closing Announcement) were held by the public (as defined under the Listing Rules). Accordingly, the minimum public float requirement of 25% of the Shares as set out in Rule 8.08(1)(a) of the Listing Rules is not satisfied. At the request of the Company, trading in the H Shares has been suspended from 4 June 2021 since the percentage of public float fell below 15% following the close of the Offers.

Since the suspension of trading in the H Shares on 4 June 2021, the Company has been actively formulating a work plan to restore the Company's public float, and has used its best endeavours to contact and negotiate with potential investors regarding the subscription of H Shares (the "**Subscription Share(s)**") in order to restore the minimum public float as soon as practicable. In order to restore the Company's public float as soon as practicable, as disclosed in the Company's announcement dated 1 September 2023 and circular dated 8 September 2023 (the "**Circular**"), on 1 September 2023, the Company entered into (i) Subscription Agreement I with YBN Investments Limited (the "**Subscriber I**"), pursuant to which Subscriber I has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 77,000,000 Subscription Shares at the Subscription Price of HK$1.70 per Subscription Share in three tranches, and (ii) Subscription Agreement II with Unicorn Link Group Limited (the "**Subscriber II**"), pursuant to which Subscriber II has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 77,000,000 Subscription Shares at the Subscription Price of HK$1.70 per Subscription Share in three tranches (collectively, the "**Subscription Agreements**"). Upon completion of the three tranches of subscription of H Shares by Subscriber I and Subscriber II, the percentage of the Company's public float would be increased to 25.01%, which is in compliance with the public float requirement. The closing price of the H Shares as quoted on the Stock Exchange on the date of the Subscription Agreements (i.e. the closing price of the H Shares prior to the suspension of trading in the H Shares on 4 June 2021) was HK$3.83 per H Share.

On 28 September 2023, according to the Subscription Agreements, the Company allotted and issued a total of 51,400,000 H Shares to Subscriber I and Subscriber II under specific mandate (the "**First Tranche Subscription**"), representing (i) approximately 13.02% of the total number of issued Shares in the same class and approximately 7.02% of all issued Shares immediately before the First Tranche Subscription, and (ii) approximately 11.52% of the total number of issued Shares in the same class and approximately 6.56% of all issued Shares as enlarged by allotment and issue of the First Tranche Subscription Shares. The total proceeds from the First Tranche Subscription were approximately HK$87.38 million.

The total gross proceeds from the First Tranche Subscription amounted to approximately HK$87.38 million. In view of the fact that the percentage of the Company's public float has increased to 15.20% upon completion of the First Tranche Subscription and that the subscription of the second and third tranches of the H Shares by Subscriber I and Subscriber II were expected to be implemented on the terms and subject to the conditions of the Subscription Agreements no later than 28 March 2024, a formal application was made by the Company to the Stock Exchange, and the Stock Exchange approved, for resumption of trading in the H Shares on the Stock Exchange with effect from 9:00 a.m. on 29 September 2023, taking into account factors including, among other things, that an open market existed in the H Shares despite the temporary shortfall in the public float of the Company from 25% as prescribed under Rule 8.08(1)(a) of the Listing Rules, and that resumption of trading in the H Shares would facilitate the Company to carry out the proposed steps to restore its public float. The trading in the H Shares on the Stock Exchange was resumed at 9:00 a.m. on 29 September 2023.

The Subscriptions would not only restore the Company's public float, but also provide a sound opportunity for the Company to raise funds in this difficult capital market condition. The Subscriptions would enable the Company to replenish its working capital without increasing the Group's financing costs and maintain the Group's continued business and development.

On 22 December 2023, according to the Subscription Agreements, the Company allotted and issued a total of 102,600,000 H Shares to Subscriber I and Subscriber II under specific mandate (the "**Second Tranche Subscription and Third Tranche Subscription**"), representing (i) approximately 23.00% of the total number of issued Shares in the same class and approximately 13.09% of all issued Shares immediately before the Second Tranche Subscription and Third Tranche Subscription, and (ii) approximately 18.70% of the total number of issued Shares in the same class and approximately 11.57% of all issued Shares as enlarged by allotment and issue of H Shares under the Second Tranche Subscription and Third Tranche Subscription. The total proceeds from the Second Tranche Subscription and Third Tranche Subscription were approximately HK$174.42 million.

Given that all three tranches of the Subscription Shares have been fully subscribed by Subscriber I and Subscriber II (the "**Subscriptions**"), the gross proceeds from all three tranches of the Subscriptions amount to approximately HK$261.80 million and the net proceeds from all three tranches of the Subscriptions, after deducting the share of the relevant professional fees under the Subscriptions and all related expenses of approximately HK$1.05 million, amount to approximately HK$260.75 million, representing the net subscription price of approximately HK$1.69 per Subscription Share. As disclosed in the Circular, the Company intends to utilise the net proceeds for general working capital of the Group (including repayment of bank loans in relation to general operations). It is expected that the net proceeds from the Subscriptions will be utilised within one year after completion of all three tranches of the Subscriptions. The following table sets out the utilisation of proceeds from the Subscriptions up to 31 December 2023:

Item	Actual utilised as at 31 December 2023 HK$ million	Unutilised as at 31 December 2023 HK$ million
General working capital (including repayment of bank loans in relation to general operations)	0	260.75

On 22 December 2023, the Company entered into a supplemental agreement to Subscription Agreement I with Subscriber I and a supplemental agreement to Subscription Agreement II (collectively, "**Supplemental Agreement**") with Subscriber II, pursuant to which the relevant provisions to the respective lock-up period of subscribers (the "**Lock-up Period**") for the Subscription Shares under the First Tranche Subscription and the Subscription Shares under the Second Tranche Subscription and Third Tranche Subscription have been amended and supplemented, to the effect that the expiry dates of the Lock-up Period in respect of each tranche of the Subscription Shares will be the same and determined to be on the same date (i.e. the date on which nine months from the date of completion of the Second Tranche Subscription and Third Tranche Subscription). Save for the aforesaid amendments, all other terms and conditions in the Subscription Agreements (as amended and supplemented by the Supplemental Agreement) has remained unchanged and continued in full force and effect.

For details of the Subscriptions and the Supplemental Agreement, please refer to the announcements of the Company dated 1 September 2023, 8 September 2023, 25 September 2023, 28 September 2023 and 22 December 2023 and the Circular.

SUFFICIENCY OF PUBLIC FLOAT

After completion of the First Tranche Subscription, the Second Tranche Subscription and Third Tranche Subscription, 221,702,488 H Shares were held by the public (as defined in the Listing Rules), representing approximately 25.01% of the total number of issued Shares. Accordingly, the minimum public float requirement of 25% of the total number of issued Shares as set out in Rule 8.08(1)(a) of the Listing Rules has been fulfilled.

For details of the Subscriptions, please refer to the section headed "Issue of New H Shares under Specific Mandate" in this annual report.

SUBSCRIPTION OF STRUCTURED DEPOSIT PRODUCTS

During the Reporting Period, the Group has purchased the following structured deposit products (principal-guaranteed with floating return type). Unless otherwise specified, capitalised terms used in this part shall have the same meanings as those defined in the announcement of the Company dated 22 September 2023.

Purchase Date	Company Name	Bank Name	Amount (RMB in million)	Starting Date	Expiry Date	Expected Minimum Annualized Rate of Return	Expected Maximum Annualized Rate of Return
25 April 2022	Beijing D-phone Electronic Communication Technology Co., Ltd.	CBHB (Beijing Sub-branch)	80	27 April 2022	26 April 2023	1.80%	3.50%
6 January 2023	Zhuhai Dixintong Telecom Co., Ltd. ("**Zhuhai Dixintong**")	Bank of Communications (Zhuhai Yuehai Road Sub-branch)	200	9 January 2023	5 January 2024	1.75%	2.80%
17 January 2023	Zhuhai Dixintong	CBHB (Guangzhou Branch)	50	19 January 2023	18 January 2024	1.90%	3.30%
15 February 2023	Beijing D-phone Trading Co., Ltd.	CBHB (Beijing Branch)	100	17 February 2023	16 February 2024	1.90%	3.25%
24 April 2023	Zhuhai Dixintong	Industrial Bank (Zhuhai Branch)	130	25 April 2023	26 October 2023	1.80%	1.80%
27 April 2023	Zhuhai Dixintong	Industrial Bank (Zhuhai Branch)	70	28 April 2023	3 November 2023	1.80%	1.80%
5 May 2023	Zhuhai Dixintong	CBHB (Guangzhou Branch)	100	8 May 2023	7 November 2023	1.66%	3.10%
15 May 2023	Zhuhai Dixintong	Industrial Bank (Zhuhai Branch)	70	16 May 2023	17 November 2023	1.80%	1.80%
13 July 2023	Zhuhai Dixintong	Industrial Bank (Zhuhai Branch)	84.5	14 July 2023	17 January 2024	1.80%	1.80%
17 August 2023	the Company	CBHB (Beijing Branch)	100	17 August 2023	16 February 2024	1.66%	2.20%

For further details on the subscription of structured deposit products, please refer to the Company's announcement dated 22 September 2023.

CHARITY DONATIONS

During the Reporting Period, the Group made no charitable and other donations.

SIGNIFICANT LEGAL PROCEEDINGS

As of 31 December 2023, the Company was not engaged in any litigation or arbitration of material importance, and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

PERMITTED INDEMNITY PROVISION

The Company purchased an insurance covering the liability of the Directors and the senior management of the Company with a validity period of 12 months with effect from 31 March 2022, and was renewed for another 12 months in March 2023. Except for such insurance, the Company has no valid permitted indemnity provisions (as defined in Companies (Directors' Report) Regulation of the Chapter 622D of Hong Kong Laws) during the Reporting Period and as of the date of this annual report.

EVENTS AFTER THE FINANCIAL YEAR END DATE

Details of the major events occurring after the financial year end date are set out in the "Management Discussion and Analysis" section on pages 17 to 21 of this annual report.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed the Group's annual results for 2023 and the financial statements prepared in accordance with IFRSs for the year ended 31 December 2023 and this annual report.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Listing Rules as its own code of corporate governance.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Ms. Xu Jili ("**Ms. Xu**") as the chairwoman and president of the Company, has the same role and responsibility as the chief executive officer but with a different job title. The Board is of the view that it is appropriate and in the best interests of the Company that Ms. Xu holds both positions, as it helps to maintain the efficiency of the operations of the Company. The Board also meets on a regular basis to review the operations of the Company led by Ms. Xu. Accordingly, the Board believes that such an arrangement will not affect the balance of power and authorisation between the Board and management of the Company. The Company will continue reviewing and enhancing its corporate governance codes to ensure compliance with the CG Code.

For the Reporting Period, save as disclosed in this annual report, the Company complied with all the applicable code provisions as set out in the CG Code and adopted most of the recommended best practices.

AUDITOR

Ernst & Young was appointed as the auditor for the financial statements prepared in accordance with IFRSs for the year ended 31 December 2023. The accompanying financial statements prepared in accordance with IFRSs have been audited by Ernst & Young.

A resolution for the re-appointment of Ernst & Young as the auditor of the Company will be proposed at the forthcoming AGM.

The Company's auditor has not been changed for the past three years.

By order of the Board
Xu Jili
Chairwoman

Beijing, 26 March 2024

BOARD OF SUPERVISORS' REPORT

During the Reporting Period, the Group has forged ahead united and insisted on actively promoting the development of the Company amidst the sluggish recovery of the macro-economic environment. In 2023, all operations of the Company were carried out as planned, which was a difficult but still orderly and compliant year for the development of the Company. The Board of Supervisors supervised the Company's legal compliance of its operation and the acts of the Directors, managers and other senior management of the Company in performing their duties in strict compliance with the relevant requirements of the Company Law, the Articles of Association and Rules of Procedures for the Board of Supervisors with the authority granted by relevant laws and regulations, which facilitated a healthy and standardised development of the Company and effectively safeguarded the legitimate rights and interests of the Company and the Shareholders.

I. 2023 ANNUAL MEETINGS OF THE BOARD OF SUPERVISORS

During the Reporting Period, a total of three meetings of the Board of Supervisors were held, particulars of which are as follows:

1. On 24 March 2023, the Company held the twelfth meeting of the fourth session of Board of Supervisors in Beijing by face-to-face communication and electronic communication means. All three Supervisors attended the meeting, which met the quorum as required under the Articles of Association and thus was lawful and effective. The meeting was chaired by employee Supervisor Liu Zhenlong. Upon voting, six resolutions were approved.

2. On 19 May 2023, the Company held the first meeting of the fifth session of Board of Supervisors in Beijing by face-to-face communication and electronic communication means. All three Supervisors attended the meeting, which met the quorum as required under the Articles of Association and thus was lawful and effective. The meeting was chaired by employee Supervisor Liu Zhenlong. Upon voting, two resolutions were approved.

3. On 25 August 2023, the Company held the second meeting of the fifth session of Board of Supervisors, at which resolutions in writing were considered and approved. All three Supervisors attended the meeting, which met the quorum as required under the Articles of Association and thus was lawful and effective. The meeting was chaired by employee Supervisor Liu Zhenlong. Upon voting, one resolution was approved.

II. 2023 ANNUAL WORK REPORT OF THE BOARD OF SUPERVISORS

1. Supervision of the performance of duties

Members of the Board of Supervisors continuously monitor the Group's overall business management activities and effectiveness, closely monitor the Group's financial and internal control risk profile and supervise the performance of duties by the Directors and senior management of the Company by attending general meetings, meetings of the Board and its professional committees, etc. The Board of Supervisors is of the view that the Directors and senior management of the Company are able to comply with the provisions of the Articles of Association and perform their duties diligently.

2. Performance of the supervision of finance

During the Reporting Period, the Board of Supervisors continued to monitor the Group's consolidated and classified financial position, paying attention to trending issues and anomalies; carefully reviewed the annual accounts report; and strengthened communication with the external auditor of the Company on the audit of annual financial reports and review of interim financial reports, prompting key audit matters and making targeted recommendations.

3. Internal control of risks and other areas of supervision

During the Reporting Period, the Board of Supervisors listened to reports through meetings of the Board of Supervisors to understand the Group's work in risk management, internal control and compliance, connected transactions and internal audit, and made comments and suggestions on related work.

III. SUPERVISORY DUE DILIGENCE

During the Reporting Period, all Supervisors actively performed their supervisory duties, attended all meetings of the Board of Supervisors, and expressed their opinions in a prudent manner; actively sat in on meetings of the Board of Directors and general meetings of the Shareholders, performed the supervision and inspection functions of the Board of Supervisors; and actively participated in the internal and external training activities of the Company to continuously improve their ability and business level in performing their duties. Employee Supervisor attended the workers' congress of the Company and made annual work presentation. The Board of Supervisors is of the view that all Supervisors have performed their duties in compliance with the Company Law, the Articles of Association and other laws and regulations, regulatory provisions and the requirements of the Company's internal rules and regulations, and that the various supervision works have been effective.

IV. 2024 WORK PLAN OF THE BOARD OF SUPERVISORS

1. In 2024, the Board of Supervisors will, in strict compliance with the Company Law, the Listing Rules, the Articles of Association, the Rules of Procedures for the Board of Supervisors and related national laws and policies, faithfully perform their duties, supervise and inspect the decision-making and operation behaviour of the Board of Directors and the management of the Company, further promote the standardised operation of the Company, in a bid to effectively protect the interests of the Company and the Shareholders;

2. It will perform the supervision function and closely cooperate with the Board of Directors, attend the Board of Directors meetings according to law, supervise the procedural legality and compliance of the matters to be deliberated at the Board of Directors meetings, urge the implementation of resolutions of the Board of Directors, and implement the supervision function conferred by the general meeting of the Company;

3. The Board of Supervisors will hold regular meetings, strengthen the supervision and inspection on the Company's financial standing, regularly check the Company's financial statements, accounting vouchers and other materials, and actively maintain effective communication with the Company's internal audit department and external audit agency; and

4. It will actively supervise the establishment and effective operation of the internal control system, and establish a communication mechanism with employees and the Shareholders, so as to better safeguard the interests of the Company and the Shareholders.

By order of the Board of Supervisors
Beijing Digital Telecom Co., Ltd.

Beijing, 26 March 2024

CORPORATE GOVERNANCE REPORT

The Board of Directors is pleased to present the corporate governance report in the annual report of the Company for the year ended 31 December 2023.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code contained in Appendix C1 to the Listing Rules. The Board of Directors is of the view that save as disclosed in this annual report, the Company complied with all the applicable code provisions as set out in the CG Code and adopted most of the recommended best practices during the year ended 31 December 2023. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

BOARD OF DIRECTORS

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for the day-to-day management and operation of the Group to the senior management members of the Group. To oversee particular aspects of the Company's affairs, the Board has established four Board committees including the Audit Committee, the Remuneration and Assessment Committee, the nomination committee (the "**Nomination Committee**") and the strategy committee (the "**Strategy Committee**") (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders at all times.

The primary authorities exercisable by the Board include: convening Shareholders' meetings to report their work and carry out the resolutions approved thereat; determining the Company's business plans and investment proposals; developing annual financial budget plans, profit distribution plans and loss recovery plans of the Company; devising plans to increase or reduce the registered capital of the Company and issue corporate bonds; putting forward plans for merger, spin-off and dissolution of the Company; determining the establishment of the Company's internal management; appointing or dismissing the Company's general manager and, according to the nomination of the general manager, appointing or dismissing the Company's deputy general managers and other senior management members, as well as determining their remunerations; establishing the Company's fundamental management system; and proposing amendments to the Articles of Association.

The Board is well-functioning, and the forms, contents, procedures and implementation of the meetings are in compliance with the Articles of Association and relevant laws and regulations. Specifically, the Board shall convene at least four regular meetings each year and other extraordinary meetings as and when necessary. The notice of a regular meeting shall be given to all Directors at least fourteen days prior to the date of the meeting to ensure their attendance. The notice of an extraordinary meeting shall be given to Directors within a reasonable time with sufficient information such as relevant background information of the matters in the agenda to be considered, as well as data and statistics of the Company's business development for their easier understanding. As adopted by the Board, two or more external Directors who consider the information insufficient or insubstantial may request the Board in writing to postpone the Board meeting or the consideration of the matters in the agenda.

The minutes of the Board meetings shall be complete and true. The attended Directors, the secretary to the Board and the minutes taker shall sign on the minutes which shall then be maintained by dedicated personnel as important evidence in clarifying the responsibilities of the Directors.

The Board may delegate certain authorities to the chairman during the recess of the Board, as defined and specified in the Articles of Association.

In the event that a Director has a connected relationship with an enterprise involved in a resolution considered at a Board meeting, he/she shall not exercise his/her voting right over the resolution, nor shall he/she exercise other Directors' voting rights on behalf of them. The Board meeting shall be held only when more than half of the unconnected Directors attend the meeting. The resolution of the Board meeting must be passed by more than half of the unconnected Directors. If there are less than three unconnected Directors attending the Board meeting, such matter shall be considered by the Shareholders at a general meeting.

The primary duties and responsibilities of the Company's management include: implementing the resolutions of the Board, the Company's business plans and investment plans; implementing the Company's key management systems and supervising their implementation, managing the Company's revenues and expenditures and supervising fund flows, and determining the changes in key positions.

The Company purchased liability insurance for the Directors and senior management of the Company in 2023, with expiry on 31 March 2024. In March 2024, the Company renewed the insurance with a valid period from 31 March 2024 to 30 March 2025.

Board Composition

For the year ended 31 December 2023 and up to the date of this annual report, the Board comprises of nine members, including three executive Directors, three non-executive Directors and three independent non-executive Directors as set out below:

Executive Directors:

Ms. Xu Jili *(Chairwoman)*
Ms. Xu Liping
Mr. Liu Donghai

Non-executive Directors:

Mr. Xie Hui
Mr. Jia Zhaojie
Ms. Pan Anran

Independent Non-executive Directors:

Mr. Lv Tingjie
Mr. Lv Pingbo
Mr. Cai Chun Fai

The biographies of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" in this annual report.

As at the date of this annual report, none of the Directors, Supervisors and senior management of the Company has any personal relationship (including financial, business, family or other material or relevant relationship) with other Directors, Supervisors and senior management of the Company.

All Directors, including the independent non-executive Directors, have brought a wide spectrum of invaluable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration and Assessment Committee, the Nomination Committee and the Strategy Committee.

As the code provision in the CG Code requires Directors to disclose the number and nature of offices held in listed companies or organisations and other significant commitments as well as their identities and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company when appropriate.

Independent Non-executive Directors and Board Independence Evaluation Mechanism

Independent non-executive Directors play an important role in the Board because they provide impartial advice on issues of strategy, performance and control of the Group and have regard for the interests of all Shareholders of the Company. All independent non-executive Directors have appropriate educational background, professional qualifications or related financial management experience. No independent non-executive Director holds any other position in the Company or any of its subsidiaries or has any interest in any Shares.

The Company adopted the Board Independence Evaluation Mechanism on 29 April 2022 (the "**Board Independence Evaluation Mechanism**"). The Board Independence Evaluation Mechanism is designed to ensure a strong independent element on the Board, which allows the Board to effectively exercise independent judgment to better safeguard Shareholders' interests. The objectives of the Board Independence Evaluation Mechanism are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director. The Company established the Board Independence Evaluation Mechanism to enable Directors to seek independent professional advice in performing their duties and encourage them to access and consult with the Company's senior management independently.

The Nomination Committee and the Board will assess annually the independence of all independent non-executive Directors to ensure that they can provide independent views and advice to the Board. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate. All relevant factors to be considered include:

- the character, integrity, expertise, experience and stability necessary to carry out their duties;
- time and efforts to be invested in the affairs of the Company;
- moves to resolutely perform their duties as independent Directors and participate in the work of the Board of Directors;
- declaration of conflicts of interest as independent non-executive Directors;
- non-participation in the day-to-day management of the Company and no relationships or circumstances that would influence their independent judgment; and
- regular meetings to be held between the chairman of the Board and independent non-executive Directors in the absence of executive Directors.

The Board will review implementation and effectiveness of the Board Independence Evaluation Mechanism annually. During the Reporting Period, the Board has reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory. The Company has received an annual statement from each of the independent non-executive Directors confirming their independence. Pursuant to the criteria set out in Rule 3.13 of the Listing Rules, the Company considers all of them to be independent during the Reporting Period.

Board Diversity Policy

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted a board diversity policy to ensure that the Company will, when determining the composition of the Board, consider board diversity in terms of, among other things, age, cultural and educational background, professional experience, skills and knowledge. All board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board. The board diversity policy is summarised below:

Policy Statement

The Company is of the view that the diversity of the Board is one of the essential factors in sustaining the competitive edge of the Company and facilitating the sustainable development of the Company. When determining the composition of the Board, the Company will consider board diversity in terms of various factors, including but not limited to gender, age, cultural background, ethnicity and educational background, professional experience, knowledge and skills.

Measurable Objectives

The Board will review the measurable objectives relevant to the Board composition in accordance with the board diversity policy and will consider setting measurable objectives to implement the board diversity policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and term of service. The ultimate decision will be made based on the merits and contribution that the selected candidates can bring to the Board.

Monitoring and Reporting

The Nomination Committee will review the structure, size and composition of the Board and make recommendations or advice to the Board on the appointment of new Directors. The above review and recommendations or advice all take the benefits of board diversity into full consideration.

Review of the Policy

The Nomination Committee will disclose the diversification of the Board's composition in the Corporate Governance Report of the Company annually and monitors the implementation of the board diversity policy.

During the Reporting Period, the implementation of the board diversity policy was as follows:

1. The Board comprises of nine Directors, of which three are independent non-executive Directors. The arrangement is in compliance with Rules 3.10(1) and 3.10A of the Listing Rules in relation to "at least one-third of the members of the Board shall be independent non-executive Directors".

2. At least one of the independent non-executive Directors has obtained financial professional qualifications. Other Directors have professional experience in law, finance, business management and public services, and also meet the requirements of Rule 3.10(2) of the Listing Rules.

3. The Directors have different educational backgrounds, including master's degrees in law and accounting, bachelor's degrees in management, and doctorate in economics. Their ages range from 36 to 68 and three are female members. The Nomination Committee has reviewed the board diversity policy to ensure its effectiveness and believes that the members of the Board have achieved diversity.

The Company recognises and accepts the benefits of a diverse Board and believes that enhancing board diversity is critical to maintaining its competitive advantage. In accordance with the board diversity policy, the Nomination Committee will annually review the structure, size and composition of the Board of Directors in order to establish a channel of potential successors to Directors conducive to achieving gender diversity, and make recommendations for changes to the Board as appropriate to align with the Company's corporate policy and ensure a balanced and diverse Board.

The male to female ratio of the Company's entire staff (including senior management of the Company) is about 1:1.57. The Company aims to maintain an appropriate balance from the perspective of diversity in relation to the growth of its business. It also endeavours to ensure that recruitment and selection practices at all levels, from the Board to its staff, are properly established, so as to take into account candidates from different backgrounds. During the Reporting Period, the Company did not identify any factors or circumstances that would make achieving gender diversity in the workforce, including senior management, more challenging or would be irrelevant to gender diversity.

During the Reporting Period, the Nomination Committee and the Board have reviewed the Company's board diversity policy and consider it to be effective. Also, the Board considers that the current overall workforce is sufficiently diverse and is of the view that the current gender diversity has achieved the objective set by the Company. Going forward, the Board will continue its efforts in ensuring that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and recommended best practices.

Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The Company also arranges regular seminars to provide its Directors with updates on the latest development and changes of the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

During the Reporting Period, the Directors attended the training activities as follows:

Director	Type of training
Cai Chun Fai, Lv Tingjie and Lv Pingbo	A/B/C
Xie Hui, Jia Zhaojie and Pan Anran	A/B/C
Xu Jili, Xu Liping and Liu Donghai	A/B/C

Notes:

A: *Training sessions relating to corporate governance, Directors' duties and other relevant matters of a listed company held by the Stock Exchange or other securities regulators.*

B: *Training sessions, seminars and conferences on special topics such as economics, finance and management.*

C: *Reading materials on the regulations relating to corporate governance, Directors' duties, internal control and risk management and attendance of seminars, forums and conferences.*

Chairman and Chief Executive Officer

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Ms. Xu is the chairwoman and president (a position which serves the same role and responsibility as the chief executive officer but with different job title) of the Company. The Board is of the view that it is appropriate and in the best interests of the Company that Ms. Xu holds both positions, as it helps to maintain the efficiency of the operations of the Company. The Board also meets on a regular basis to review the operations of the Company led by Ms. Xu. Accordingly, the Board believes that such arrangement will not affect the balance of power and authorisation between the Board and the management of the Company. The Company will continue reviewing and enhancing its corporate governance codes to ensure compliance with the CG Code.

Appointment and Re-Election of Directors

As a result of the general election of the Board during the year, Ms. Xu Jili, Ms. Xu Liping, Mr. Liu Donghai, Mr. Xie Hui, Mr. Jia Zhaojie, Ms. Pan Anran, Mr. Lv Tingjie, Mr. Lv Pingbo, Mr. Cai Chun Fai, members of the fifth session of the Board of the Company, entered into service agreements with the Company on 19 May 2023 with a fixed term of three years commencing from 19 May 2023 until the expiry of the fifth session of Board of Directors. The service agreements entered into between the Company and each of the Directors are subject to renewal in accordance with the Articles of Association and applicable laws, rules and regulations or early termination in accordance with their respective terms.

Save as disclosed above, none of the Directors has a service contract with the Group which is not determinable by the Company within one year without the payment of compensation (other than statutory compensation).

In accordance with the Articles of Association, the Company shall establish the Board which is accountable to the general meetings. Directors shall be elected at the general meetings, with a term of office of three years. Upon expiry of their term of office, Directors are eligible for re-election. At the re-election of the Board, external Directors, being Directors who do not hold any positions in the Company, shall account for more than half of the total number of Directors. Where the number of vacancy of Directors is not more than the number specified by the Company Law of the PRC or not less than two-thirds of the number of Directors prescribed by the Articles of Association, the Board has the power to appoint any person as a Director to fill the casual vacancy, and any person to be appointed as a Director to fill a casual vacancy of the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, and for making recommendations to the Board on the appointment, re-election and succession planning of the Directors.

Board Meetings

The Company will adopt the practice of holding Board meetings regularly. Notices of not less than fourteen days will be given for all regular Board meetings to provide all Directors with an opportunity to attend regular meetings and discuss matters in the agenda.

For other committee meetings, written notices of fourteen days will be given to all committee members. Such notices will set out the agenda and relevant Board papers to ensure that the committee members have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the meeting prior to the meeting.

Minutes of the Board meetings and committee meetings will record in sufficient detail the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and committee meeting are/will be sent to each Director for comments within a reasonable time after the meeting is held.

During the Reporting Period, the Board of Directors held 5 Board meetings and 4 general meetings. The attendance of individual Directors at the meetings is set out in the table below:

Name of Director	Number of Board Meetings Attended /Total Number of Board Meetings	Number of General Meetings Attended/ Total Number of General Meetings
Ms. Xu Jili *(Chairwoman)*	5/5	4/4
Ms. Xu Liping	5/5	4/4
Mr. Liu Donghai	5/5	4/4
Mr. Xie Hui	5/5	4/4
Mr. Jia Zhaojie	5/5	4/4
Ms. Pan Anran	5/5	4/4
Mr. Lv Tingjie	5/5	4/4
Mr. Lv Pingbo	5/5	4/4
Mr. Cai Chun Fai	5/5	4/4

A total of 31 Board's resolutions were passed at five Board meetings held during the Reporting Period, details of which are as follows:

1. On 24 March 2023, the Company held the 52th meeting of the fourth session of Board of Directors by face-to-face communication and electronic communication means, at which 14 resolutions were considered and approved;

2. On 19 May 2023, the Company held the 1st meeting of the fifth session of Board of Directors by face-to-face communication and electronic communication means, at which 4 resolutions were considered and approved;

3. On 25 August 2023, the Company held the 4th meeting of the fifth session of Board of Directors by face-to-face communication and electronic communication means, at which 6 resolutions were considered and approved;

4. On 1 September 2023, the Company held the 5th meeting of the fifth session of Board of Directors by face-to-face communication and electronic communication means, at which 5 resolutions were considered and approved; and

5. On 15 December 2023, the Company held the 8th meeting of the fifth session of Board of Directors by face-to-face communication and electronic communication means, at which 2 resolutions were considered and approved.

Shareholders' General Meeting

Details of the Shareholders' general meetings held during the Reporting Period are as follows:

On 19 May 2023, the Company held the annual general meeting for the year 2022 in Beijing. Two Shareholders or their proxies holding 679,407,120 Shares, representing approximately 92.76% of the total number of the issued Shares as at the date of the meeting, attended the meeting. The meeting was chaired by chairwoman of the Company, Ms. Xu. All Directors, certain Supervisors and senior management members of the Company attended the meeting. Ten ordinary resolutions and one special resolution were approved by open voting at the meeting.

On 25 September 2023, the Company held the extraordinary general meeting in Beijing. Three Shareholders or their proxies holding 696,953,300 Shares, representing approximately 95.15% of the total number of the issued Shares as at the date of the meeting, attended the meeting. The meeting was chaired by chairwoman of the Company, Ms. Xu. All Directors and Supervisors as well as certain senior management members of the Company attended the meeting. One special resolution was approved by open voting at the meeting.

On 25 September 2023, the Company held the H share class meeting in Beijing. Two Shareholders or their proxies holding 359,253,300 H Shares, representing approximately 91.01% of the total number of the issued H Shares as at the date of the meeting, attended the meeting. The meeting was chaired by chairwoman of the Company, Ms. Xu Jili. All Directors and Supervisors as well as certain senior management members of the Company attended the meeting. One special resolution was approved by open voting at the meeting.

On 25 September 2023, the Company held the Domestic share class meeting in Beijing. Two Shareholders or their proxies holding 337,700,000 Domestic Shares, representing approximately 100.00% of the total number of the issued Domestic Shares as at the date of the meeting, attended the meeting. The meeting was chaired by chairwoman of the Company, Ms. Xu. All Directors and Supervisors as well as certain senior management members of the Company attended the meeting. One special resolution was approved by open voting at the meeting.

Model Code for Securities Transactions

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

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

Delegation by the Board

The Board reserves the decision for all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial data, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management of the Company. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any substantial transactions to be entered into by the management of the Company.

Corporate Governance Function

The Board recognises that corporate governance should be the collective responsibility of Directors and their corporate governance duties include:

1. to develop and review the Company's policies and practices on corporate governance;

2. to review and monitor the training and continuous professional developments of the Directors and senior management of the Company;

3. to review and monitor the Company's policies and practices on its compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors, Supervisors and employees; and

5. to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

BOARD COMMITTEES

Nomination Committee

The Nomination Committee comprises of three members, including one executive Director, Ms. Xu Jili (chairwoman), and two independent non-executive Directors, namely Mr. Lv Pingbo and Mr. Cai Chun Fai.

The principal duties of the Nomination Committee are as follows:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; and to the largest extent possible to ensure membership diversity in the composition of the Board;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to assess the independence of independent non-executive Directors;

4. to make recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors, in particular the chairman and the chief executive officer; and

5. to review the board diversity policy and the Directors' nomination policy of the Company.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skills and ability to commit time and effort to carry out the duties. The recommendations of the Nomination Committee will then be submitted to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Nomination Committee held one meeting. The attendance of each member of the Nomination Committee at the meeting is set out in the table below:

Name of Director	Number of Meetings Attended/ Total Number of Meetings
Ms. Xu Jili *(Chairwoman)*	1/1
Mr. Lv Pingbo	1/1
Mr. Cai Chun Fai	1/1

Details of the meeting are as follows:

On 24 March 2023, the Company held the 8th meeting of the Nomination Committee of the fourth session of Board of Directors by face-to-face communication and electronic communication means, at which 3 resolutions were considered and approved.

Directors' Nomination Policy

The Nomination Committee's responsibilities are to study and formulate the criteria and procedures pertaining to selecting and recommending candidates, and to examine and verify candidates for directorship, and make advice or recommendations to the Board thereon. Also, to review the structure, size and composition (including the skills, knowledge, experience, gender, age, cultural and educational background, and the term of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, and to the largest extent possible to ensure membership diversity in the composition of the Board. Summary of the diversity policy for board members of the Company, please refer to the section headed "Board Diversity Policy" under the "Corporate Governance Report" in this annual report.

The Nomination Committee shall seek for the right candidates for the position of Directors in the Company itself, holding (joint stock) company of the Company and the talent market, and collect information about the candidates including their occupation, academic background, title, working experience in detail and all the part-time jobs to produce written materials. After obtaining the consent of the nominees, the Nomination Committee shall convene its meeting, reviewing the candidates according to the qualification required by the Company. After the Nomination Committee forms a majority of votes, the Nomination Committee will conduct other follow-up work after decisions and feedback of the Board.

During the Reporting Period, the Nomination Committee and the Board have reviewed the Company's Director nomination policy and consider it effective.

Remuneration and Assessment Committee

The Remuneration and Assessment Committee comprises of three members, namely Mr. Cai Chun Fai (chairman), Ms. Xu Liping and Mr. Lv Pingbo. Apart from Ms. Xu Liping who is an executive Director, other members are independent non-executive Directors.

The principal duties of the Remuneration and Assessment Committee are as follows:

1. to consult the chairman and/or chief executive officer about their remuneration proposals for other executive Directors;
2. to make recommendations to the Board on the overall policy and structure for the remuneration of Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy;
3. to review and approve the management's remuneration proposals with reference to the corporate goals and objectives determined by the Board;
4. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management of the Company, which include benefits in kind, pension rights and compensation payments, including compensation payable for loss or termination of their office or appointment;
5. to make recommendations to the Board on the remuneration of non-executive Directors;
6. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
7. to ensure that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration; and
8. to consider any concrete plan proposed by the management of the Company for the grant of option or Share which has not been granted, and any plan to amend any existing share scheme of the Company; and to review and/or approve matters relating to the share schemes under Chapter 17 of the Listing Rules and ensure compliance of any share scheme of the Company with the provisions of Chapter 17 of the Listing Rules.

The written terms of reference of the Remuneration and Assessment Committee are available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Remuneration and Assessment Committee held one meeting. The attendance of each member of the Remuneration and Assessment Committee at the meeting is set out in the table below:

Name of Director	Number of Meetings Attended/ Total Number of Meetings
Mr. Cai Chun Fai *(Chairman)*	1/1
Ms. Xu Liping	1/1
Mr. Lv Pingbo	1/1

Details of the meeting are as follows:

On 24 March 2023, the Company held the 7th meeting of the Remuneration and Assessment Committee of the fourth session of Board of Directors by face-to-face communication and electronic communication means, at which three resolutions were considered and approved.

The Remuneration and Assessment Committee has reviewed the remuneration of Directors and senior management members of the Company for the year 2023, as well as the Company's policy and structure for the remuneration of all Directors and senior management of the Company. Based on the review, the Remuneration and Assessment Committee has made recommendations to the Board on the remuneration packages of individual executive Directors and senior management members of the Company.

Remuneration of Directors, Supervisors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on the remuneration of Directors, Supervisors and senior management of the Group. The Remuneration and Assessment Committee formulated the Group's emolument policy and structure of the Directors and senior management, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

Details of the remuneration of each of the Directors and Supervisors for the Reporting Period are set out in note 10 to the financial statements of this annual report on pages 138 to 140.

The biographies of the senior management are disclosed in the section headed "Directors, Supervisors and Senior Management" in this annual report. The remuneration by band of non-Director members of the senior management for the Reporting Period is as follows:

Remuneration band (RMB)	Number of individuals
0 – 500,000	2

Audit Committee

The Audit Committee comprises of three members, namely Mr. Cai Chun Fai (chairman), Ms. Pan Anran and Mr. Lv Tingjie. Apart from Ms. Pan Anran who is a non-executive Director, both of the other members are independent non-executive Directors.

The principal duties of the Audit Committee are to review and supervise the financial reporting procedures of the Company, which include, among other things, the following:

1. to assist the Board in fulfilling its responsibilities by supervision of financial and other reporting and providing an independent opinion to the Board as to the effectiveness of the internal controls of the Group, and as to the adequacy of the external and internal audits;

2. to assure that appropriate accounting principles and reporting practices are followed;

3. to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the recognised independent auditor (the "**External Auditor**"), and to approve the remuneration and terms of engagement of the External Auditor, and any questions of its resignation or dismissal;

4. to serve as a focal point for communication between other Directors, the External Auditor and the internal auditor or any person responsible for internal audit function (the "**IA People**") as regards their duties relating to financial and other reporting, internal controls, external and the IA People and such other matters as the Board determines from time to time;

5. to review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

6. to audit the Company's financial information and its disclosure;

7. to develop and implement policy on engaging the External Auditor to provide non-audit services;

8. to monitor integrity of the Company's financial statements, annual reports and accounts and half-year reports (including Board of Directors' Report, Chairman's Statement and Management Discussion and Analysis), and to review significant financial reporting judgments contained therein; and

9. to review, together with the External Auditor and the IA People, the Group's management as well as the adequacy of the Group's policies and procedures regarding internal control (including financial, operational and compliance controls); to review and monitor the effectiveness of the financial controls, internal control and risk management systems.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Audit Committee held two meetings. The attendance of each member of the Audit Committee at the meetings is set out in the table below:

Name of Director	Number of Meetings Attended/ Total Number of Meetings
Mr. Cai Chun Fai *(Chairman)*	2/2
Ms. Pan Anran	2/2
Mr. Lv Tingjie	2/2

Details of the meetings are as follows:

1. On 24 March 2023, the Company held the 11th meeting of the Audit Committee of the fourth session of Board of Directors by face-to-face communication and electronic communication means, at which five resolutions were considered and approved; and

2. On 25 August 2023, the Company held the first meeting of the Audit Committee of the fifth session of Board of Directors by face-to-face communication and electronic communication means, at which one resolution was considered and approved.

The Audit Committee has reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting functions), risk (including environmental, social and governance risks) management systems and processes and the re-appointment of the External Auditor. The Board has not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of the External Auditor.

The Audit Committee has also reviewed the annual results of the Group for the year ended 31 December 2023, this annual report as well as the audit report prepared by the External Auditor in relation to the accounting issues and major findings in course of audit.

Strategy Committee

The Strategy Committee is currently comprised of five members, including three executive Directors, namely Ms. Xu Jili (chairwoman), Ms. Xu Liping and Mr. Liu Donghai, and two non-executive Directors, namely Mr. Xie Hui and Mr. Jia Zhaojie.

The principal duties of the Strategy Committee are as follows:

1. to monitor the risk of legal sanctions against the Company;

2. to conduct research and make proposals on the long-term development strategies and plans of the Company;

3. to conduct research and make proposals on the significant investment and financing plans which need to be approved by the Board in accordance with the Articles of Association;

4. to conduct research and make proposals on the significant projects of capital manipulation and assets operation which need to be approved by the Board in accordance with the Articles of Association;

5. to conduct research and make proposals on the significant matters that affect the development of the Company;

6. to monitor the implementation of the above-mentioned issues; and

7. other matters that the Board has authorised it to deal with.

During the year ended 31 December 2023, the Strategy Committee held two meetings. The attendance of each member of the Strategy Committee at the meetings is set out in the table below:

Name of Director	Number of Meetings Attended/ Total Number of Meetings
Ms. Xu Jili *(Chairwoman)*	2/2
Ms. Xu Liping	2/2
Mr. Liu Donghai	2/2
Mr. Xie Hui	2/2
Mr. Jia Zhaojie	2/2

Details of the meetings are as follows:

1. On 24 March 2023, the Company held the 5th meeting of the Strategy Committee of the fourth session of Board of Directors by face-to-face communication and electronic communication means, at which one resolution was considered and approved; and

2. On 1 September 2023, the Company held the 1st meeting of the Strategy Committee of the fifth session of Board of Directors by face-to-face communication and electronic communication means, at which one resolution was considered and approved.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2023, which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management of the Company has provided the Board with such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the "Independent Auditor's Report" on pages 89 to 95 of this annual report.

WHISTLEBLOWING POLICY

The Company has adopted a whistleblowing policy (the "**Whistleblowing Policy**") on 29 April 2022. The Whistleblowing Policy was formulated to (i) promote compliance and ethics and achieve good corporate governance throughout the Group; and (ii) highlight the importance of ethical behaviour and encourage the reporting of improper, illegal and unethical behaviour.

The nature, status and handling outcome of complaints received under the Whistleblowing Policy shall be reported to the Audit Committee or to the chairwoman or president of the Company. Any convictions will be reported to the Board of Directors and the Audit Committee. During the Reporting Period, no fraud or misconduct that had a material impact on the financial statements or operations of the Group was detected. The Audit Committee will review the Whistleblowing Policy annually to ensure its effectiveness.

ANTI-CORRUPTION POLICY

The Company has adopted an anti-corruption policy (the "**Anti-corruption Policy**") on 29 April 2022, which covers anti-corruption, the code of conduct, the guidelines on gifts, hospitality and gratuities, the Group's expectations and requirements in business ethics, and the investigation and reporting mechanism for suspected corrupt practices. Any convictions will be reported to the Board of Directors and the Audit Committee.

The Group is committed to upholding the highest standards of integrity and ethical conduct in the conduct of its business. The Anti-corruption Policy forms part of the Group's corporate governance framework. The Anti-corruption Policy sets out specific behavioural guidelines to be followed by the Group's staff and business partners in the fight against corruption. This demonstrates the Group's commitment to practicing ethical business practices and complying with anti-corruption laws and regulations applicable to its local and overseas operations. To fulfill the commitment and ensure its transparency, the Group formulated the Anti-corruption Policy as a guide to the conduct of all employees of the Group and third parties dealing with the Group.

The Anti-corruption Policy will be regularly reviewed and updated to comply with applicable laws, regulations and industry best practices.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board confirms its responsibility to ensure that the Company has established and maintained a sound risk management and internal control system within the Group and is responsible for reviewing its effectiveness. The system is designed to manage and reduce the risks (including but not limited to material environmental, social and governance risks) associated with its business operation to an acceptable level, rather than to eliminate the risk of failure to meet its business objectives, and will only be able to provide reasonable, but not absolute, guarantee that no material misrepresentation, loss or fraud exists.

The Board has authorised the Audit Committee to monitor the Group's risk management and internal control system and to conduct an annual review of the effectiveness of the system. The review covers the monitoring on all major aspects, including financial monitoring, operational monitoring and compliance monitoring.

Under the Company's risk management and internal control system, the management of the Company is responsible for the design, implementation and maintenance of the risk management and internal control system to ensure that, in particular, (i) proper policies and procedures have been designed and established to safeguard the assets of the Group from not being misappropriated or improperly disposed of; (ii) relevant laws, rules or regulations have been observed and complied with; and (iii) reliable financial and accounting records are maintained in accordance with relevant audit standards and regulatory reporting requirements.

The Company's risk management and internal control system has the following key features: (i) the responsible persons of the key operating units or departments to manage and reduce the identified risks (including environmental, social and governance risks) in accordance with the internal guidelines approved by the Board and the Audit Committee; (ii) the responsibility of the management of the Company to ensure that proper measures have been taken to address material risks (including environmental, social and governance risks) arising from the Group's business and operation; and (iii) provision of independent confirmation from the IA People to the Board, the Audit Committee and the management of the Company on the effectiveness of the risk management and internal control system.

The key tasks under the Company's risk management and internal control system for the Reporting Period are as follows:

- Each key operating unit or department is responsible for day-to-day risk management activities, including identifying material risks (including environmental, social and governance risks) that may affect the performance of the Group; assessing and evaluating the identified material risks (including environmental, social and governance risks) based on its impact and possibility of occurrence; planning and implementing certain measures, control and contingency plans to manage and mitigate such risks (including environmental, social and governance risks);

- The management and the finance department of the Company monitor and review the risk management and internal control system on an on-going basis and report to the Audit Committee on the operation of the system;

- The management of the Company regularly follows up and reviews the measures, control and the contingency plans for the identified material risks (including environmental, social and governance risks) to ensure that adequate attention, control and response are in place for the identified material risks (including environmental, social and governance risks);

- The management of the Company regularly reviews the risk management and internal control system to detect if there are any defects in the program and the monitoring, and will design and implement remedy actions to address such defects; and

- The management of the Company has to ensure the normal operation of the appropriate program and measures, such as preventing of the assets from being misappropriated or disposed of without authorisation, controlling the capital expenditures, maintaining proper accounting records, and ensuring the reliability of the financial data used in the business operation and publication.

The Company's internal audit function plays a role in monitoring the internal governance of the Company and the provision of independent confirmation on the adequacy and effectiveness of the Company's risk management and internal control system. The senior executives in charge of internal audit functions report directly to the Audit Committee and submit an internal audit report to the Audit Committee in accordance with the audit plan agreed by the Board. The results on the internal audit have to be reported to all Directors. During the Reporting Period, the internal audit function has analysed and evaluated the adequacy and effectiveness of the Company's risk management and internal control system, in particular the inspection of the documents related to risks (including environmental, social and governance risks) prepared by the operating units and the management, and conducted face to face interviews with staff at various levels. The senior executives in charge of the internal audit function attended the meetings of the Audit Committee and explained the results of the internal audit and answered the questions raised by the Audit Committee.

The Company has formulated a policy to ensure that the inside information is disclosed to the public in a fair and timely manner in accordance with applicable laws and regulations. The senior executives appointed by the Group to be in charge of investor relations, corporate affairs and financial control functions are responsible for controlling and monitoring that proper procedures for disclosure of inside information are followed. Relevant senior executives may access to the inside information at any time on the "as needed" basis. The relevant personnel and other professionals involved will be reminded of keeping the inside information confidential until it is disclosed to the public. The Company has other procedures in place to avoid the possibility of erroneous handling of inside information in the Group, such as prior approval for dealing in the Company's securities by the Directors and of the Company's management members, notices of the fixed lock-up period, restrictions on dealings in securities by Directors and employees, as well as codes for identification of projects.

The Company has accepted relevant arrangements to assist employees and other stakeholders in raising their concerns in confidence on the possible irregularities in financial reporting, internal control or other aspects. The Audit Committee reviews such arrangements on a regular basis and ensures that appropriate arrangements are in place for carrying out a fair and independent investigation and taking appropriate action on such matters.

During the Reporting Period, the Audit Committee reviewed the effectiveness of the Company's risk management and internal control system. The annual review covered the following aspects: (i) reviewing the reports submitted from time to time by the operating units or departments and the management on the implementation of the risk management and internal control system; (ii) discussing on a regular basis with the senior executives at management level the effectiveness of the risk management and internal control and the work of the internal audit function; (iii) assessing the scopes and quality of the work done by the management for ongoing monitoring the risk management and internal control system; (iv) reviewing the effectiveness of the internal audit function to ensure the smooth cooperation between the internal units within the Group and between the internal units and the external auditors, and also ensure that the internal audit function is allocated sufficient resources for operation within the Group and has appropriate status; and (v) making recommendation to the Board on the scope and quality of the work done by the management for ongoing monitoring the risk management and internal control system. The above risks include, but are not limited to, material environmental, social and governance risks.

Based on the above, the Audit Committee has not identified any significant issues that adversely affect the effectiveness and adequacy of the Company's risk management and internal control system.

AUDITOR'S REMUNERATION

For the Reporting Period, Ernst & Young, as engaged by the Company, provided audit-related services only, and did not provide any non-audit services. The total remuneration paid or payable to Ernst & Young and auditors of the statutory financial statements of other subsidiaries by the Company amounted to RMB3,450,000 for the Reporting Period.

COMPANY SECRETARY

Mr. Huang Mingqiang ("**Mr. Huang**") was appointed as a joint company secretary and secretary of the Board of Directors on 1 August 2022.

The other joint company secretary of the Company is Ms. Ng Sau Mei ("**Ms. Ng**"). Ms. Ng, a director of the Listing Services Department of TMF Hong Kong Limited (an international corporate service provider), is responsible for advising the Board on corporate governance matters and ensuring compliance with the policies and procedures of the Board, as well as applicable laws, rules and regulations. Mr. Huang is the primary contact person of Ms. Ng at the Company.

Mr. Huang and Ms. Ng have undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules during the Reporting Period.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

CONVENING OF EXTRAORDINARY GENERAL MEETINGS AND PUTTING FORWARD PROPOSALS

(i) Procedures for convening an extraordinary general meeting:

In accordance with the Articles of Association, an extraordinary general meeting shall be convened on the requisition of the Shareholder(s) who individually or jointly hold(s) ten percent or more of the Company's issued and outstanding voting Shares. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition.

(ii) Procedures for shareholders to propose a person for election as a director:

In accordance with the Articles of Association, the Directors shall be elected at the Shareholders' meeting from candidates nominated by the Board of Directors or by Shareholders representing more than three percent (including three percent) of the Shares issued by the Company. A written notice of the intention to nominate candidates for the directorship and of their stated willingness to accept the nomination shall be sent to the Company seven days before the Shareholders' meeting is held. The minimum length of period for giving written notice of the intention to nominate a person for election as a Director and of his willingness to be elected shall be no less than 7 days, which shall commence on the date following the date of the notice of the Shareholders' meeting.

(iii) Enquiries to the Board:

Shareholders who intend to put forward their enquiries about the Company to the Board could e-mail their enquiries to the e-mail address at zhengquanshiwu@dixintong.com.

SHAREHOLDERS COMMUNICATION POLICY AND INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and promoting their understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of its information, which will enable shareholders and investors to make informed investment decisions.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its Shareholders, and the Company maintains a website at www.dixintong.com, where up-to-date information on the Company's business operation and development, financial data, corporate governance practices and other information are available for public access.

The annual general meeting of the Company provides an opportunity for the Shareholders to communicate directly with the Directors. The Company's chairman and the chairman of each Board Committee will attend the annual general meeting to answer enquiries from the Shareholders. The External Auditor will also attend the annual general meeting to answer questions about the conduct of audit, the preparation and contents of the auditor's report, the accounting policies and auditor's independence. When the Company is to convene the Shareholders' meeting, Shareholder(s) who individually or jointly hold(s) three percent or more of the Shares carrying voting rights shall have the right to put forward new proposals in writing to the Company. The Company shall include matters falling within the scope of responsibilities of the Shareholders' meeting into the agenda of such meeting.

For the avoidance of doubt, Shareholders shall submit a duly signed written request, notice or declaration or enquiry, as the case may be, to the email address at zhengquanshiwu@dixintong.com, and provide full name, contact details and proof of identity for their validity. Shareholders' information may be disclosed as required by law. The Company generally does not accept oral or anonymous enquiries.

During the Reporting Period, the Board of Directors has reviewed the implementation and effectiveness of the Company's shareholders communication policy. The Company considers the current shareholders communication policy to be effective as the Company communicated well with the Shareholders during the previous periods.

DIVIDEND POLICY

The Company has adopted a dividend policy to distribute dividends. The Company does not have any predetermined dividend payout ratio. Depending on the financial position of the Company and the Group and the conditions and factors set out in the dividend policy, the Board of Directors may propose and/or declare a dividend in a financial year, in which any final dividend is subject to Shareholders' approval. Details are disclosed on pages 29 to 30 of this annual report.

CHANGE IN CONSTITUTIONAL DOCUMENTS

With a special resolution passed at the extraordinary general meeting, the H share class meeting and the domestic share class meeting held on 25 September 2023, the Company has amended the Articles of Association, the amendments to which were effective on 28 September 2023 (namely the completion date of the First Tranche Subscription) and 22 December 2023 (namely the completion date of the Second Tranche Subscription and Third Tranche Subscription), respectively. For details of the amendments to the Articles of Association, please refer to the announcement of the Company dated 25 September 2023, the circular of the Company dated 8 September 2022, and the updated Articles of Association posted on the website of the Stock Exchange on 28 September 2023 and 22 December 2023.

Save as disclosed above, there was no material change to the Articles of Association during the Reporting Period.

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Beijing Digital Telecom Co., Ltd.
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Beijing Digital Telecom Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 96 to 178, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

To the shareholders of Beijing Digital Telecom Co., Ltd.
(Established in the People's Republic of China with limited liability)

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
In 2023, the Group recorded revenue from operations of RMB17,146 million in the consolidated financial statements, which mainly included revenue from the sales of mobile telecommunications devices and accessories and others of RMB16,425 million and revenue from rendering of services of RMB721 million. The total operating revenue increased by RMB3,638 million as compared to 2022, representing an increase of 27%. Taking into consideration that there was a significant increase in revenue during the year, inappropriate recognition of revenue might have a material effect on the financial statements. Therefore, revenue recognition was identified as a key audit matter. Related disclosures are included in note 4, and note 7 to the consolidated financial statements.	The audit procedures performed in relation to the revenue recognition in our audit mainly included: Understood, assessed and tested the effectiveness of the design and operation of internal controls related to revenue recognition; Obtained main sales contracts, checked and identified the terms and conditions in the contracts which were related to the transfer of control and revenue recognition, and assessed whether the accounting policies on revenue recognition had been compliance with the requirements of with the IFRS; Confirmed on a sample basis the current sales with major customers in line with confirmation of accounts receivable, and conducted alternative test on samples without reply; Selected samples from revenue around the balance sheet date and checked supporting documents such as outbound delivery orders and logistics documents to assess whether relevant revenue had been recognised during the appropriate accounting period; Conducted detailed test on revenue recognition and checked supporting documents such as outbound delivery orders, logistics documents and sales invoices; Conducted analytical review procedures to compare the movements of various revenues and gross profit margins and analyse the reasonableness of the movements; Checked whether there was any significant reversal of revenue or sales return after the Reporting Period; Reviewed the disclosures of operating revenue in the notes to the consolidated financial statements.

To the shareholders of Beijing Digital Telecom Co., Ltd.
(Established in the People's Republic of China with limited liability)

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables and other receivables	
As at 31 December 2023, the Group's trade receivables amounted to RMB2,824 million and the corresponding provision for impairment amounted to RMB822 million. As at the same day, the Group's other receivables amounted to RMB1,664 million and the corresponding provision for impairment amounted to RMB536 million. The Group's controlling shareholders (the Former Controlling Shareholders) before the Huafa Group becoming the New Controlling Shareholders in 2021 guaranteed the collection of certain trade receivables and other receivables (the "Guaranteed Receivables") in an aggregated amount of approximately RMB2.23 billion. The rest of trade receivables and other receivables are non-guaranteed receivables ("Non-Guaranteed Receivables"). The Group assessed the Guaranteed Receivables and Non-Guaranteed Receivables separately. For the Guaranteed Receivables, the Group first applied the simplified approach prescribed by IFRS 9 to determine the potential credit losses, using the lifetime expected loss provision for the Guaranteed Receivables. The Group then assessed if the Former Controlling Shareholders has sufficient asset backings to cover the potential credit losses and provision for impairment was considered for the shortfall. For the Non-Guaranteed Receivables, the Group applied the simplified approach to determine the provision for expected credit losses prescribed by IFRS 9, which required the use of the lifetime expected loss provision for the trade receivables and other receivables. The above involved management's judgement, which included checking the ageing of the balance, recent historical payment patterns, and forecasts of future conditions and assessing any other available information concerning the creditworthiness of the counterparties. The Group used such information to determine whether a provision for impairment is required either for a specific transaction or for the overall balance of a customer category. Related disclosures are included in note 5, note 23 and note 24 to the consolidated financial statements.	The audit procedures performed in relation to the recoverability of trade receivables and other receivables in our audit mainly included: Obtained management's accounting policy and assumptions underlying the loss allowance for impairment of trade receivables and other receivables; Considered the overdue period, the customers' historical payment patterns and whether any post year-end payments were received up to the date of the completion of our audit procedures; Assessed the appropriateness of the approach and the models along with the key assumptions and parameters used in the matrix of expected credit losses on trade receivables and other receivables by corroborating the underlying facts along with other relevant information and performed testing on a sample basis on the receivable and other receivables; Obtained and examined information and evidences supporting asset backings of the Former Controlling Shareholders; Assessed the adequacy of the Group's disclosures in the financial statements in accordance with IFRS 9.

To the shareholders of Beijing Digital Telecom Co., Ltd.
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KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Provision for impairment of inventories	
The gross balance of inventories as at 31 December 2023 amounted to RMB372 million, against which provision for inventories in the amount of approximately RMB41 million was made. Inventories balance comprises merchandise for resale. At the end of the year, inventories were measured at the lower of cost and net realisable value. The Group's management reviewed the inventories ageing list to identify slow-moving and obsolete inventories and then estimated the amount of provision for slowing moving and obsolete inventories. The determination of provision for slow-moving and obsolete inventories required management to exercise judgement in identifying slow-moving and obsolete inventories and making estimates of the appropriate level of provision required. These estimates are based on the current market condition and the historical experience of selling products of a similar nature which could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. The Group's management also assessed the net realisable value of inventories based on the latest invoice prices, and the estimated selling expense and taxes. We focused on this area because it required a high level of management judgement and the amounts involved were significant. Related disclosures are included in note 4, note 5 and note 22 to the consolidated financial statements.	The audit procedures performed in relation to provision for impairment of inventories in our audit mainly included: Discussed with management to obtain an understanding of the management's assessment of the provision for impairment of inventories; Examined management's assessment by observing the inventories and the physical condition of the inventories, checking the accuracy of the inventories ageing list, and comparing the net realisable value of the selling price, and the estimated selling expenses and taxes, with the carrying amounts. Assessed the adequacy of the Group's disclosures of the provision for inventories in the consolidated financial statements.

To the shareholders of Beijing Digital Telecom Co., Ltd.
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OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

To the shareholders of Beijing Digital Telecom Co., Ltd.
(Established in the People's Republic of China with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

To the shareholders of Beijing Digital Telecom Co., Ltd.
(Established in the People's Republic of China with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

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

26 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	7	**17,145,992**	13,507,537
Cost of sales		**(16,364,641)**	(12,870,105)
Gross profit		**781,351**	637,432
Other income and gains	7	**134,953**	45,258
Selling and distribution expenses		**(395,605)**	(418,065)
Administrative expenses		**(204,999)**	(204,396)
Impairment losses on financial assets	8	**(709,312)**	(108,913)
Other expenses		**(79,327)**	(29,724)
Finance costs	9	**(179,827)**	(177,790)
Share of losses of:			
Joint ventures		**(4,026)**	(10,500)
Associates		**(4,288)**	6,221
LOSS BEFORE TAX	8	**(661,080)**	(260,477)
Income tax expenses	12	**(4,945)**	(18,668)
LOSS FOR THE YEAR		**(666,025)**	(279,145)
Attributable to:			
Owners of the parent		**(630,045)**	(275,579)
Non-controlling interests		**(35,980)**	(3,566)
		(666,025)	(279,145)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted (RMB) For loss for the year	14	**(0.84)**	(0.38)

	2023 RMB'000	2022 RMB'000
LOSS FOR THE YEAR	**(666,025)**	(279,145)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**4,768**	2,140
Share of other comprehensive loss of joint ventures	**(2,090)**	(2,417)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**2,678**	(277)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive loss:		
Changes in fair value	**–**	(409)
Impairment of deferred tax assets	**–**	(252)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**–**	(661)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**2,678**	(938)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(663,347)**	(280,083)
Attributable to:		
Owners of the parent	**(627,367)**	(276,517)
Non-controlling interests	**(35,980)**	(3,566)
	(663,347)	(280,083)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	**2023 RMB'000**	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**46,425**	52,892
Right-of-use assets	*16*	**209,061**	197,543
Other intangible assets	*17*	**1,393**	2,414
Investments in joint ventures	*18*	**31,777**	41,613
Investments in associates	*19*	**38,065**	60,527
Equity investments designated at fair value through other comprehensive income	*20*	**20,000**	20,341
Total non-current assets		**346,721**	375,330
CURRENT ASSETS			
Inventories	*22*	**331,484**	275,887
Trade and bills receivables	*23*	**2,043,052**	2,320,654
Prepayments, other receivables and other assets	*24*	**1,953,808**	1,963,591
Financial assets at fair value through profit or loss	*25*	**443,377**	81,937
Investment in an associate classified as held for sale	*19*	**–**	179,000
Due from related parties	*27*	**698,840**	600,350
Pledged deposits	*26*	**1,797,640**	1,043,609
Cash and cash equivalents	*26*	**717,266**	224,133
Total current assets		**7,985,467**	6,689,161
CURRENT LIABILITIES			
Trade and bills payables	*28*	**413,067**	313,051
Other payables and accruals	*29*	**651,229**	466,776
Interest-bearing bank and other borrowings	*30*	**3,965,644**	2,687,737
Lease liabilities	*16*	**44,120**	80,523
Due to related parties	*27*	**3,015,159**	2,879,743
Tax payable		**27,996**	27,541
Total current liabilities		**8,117,215**	6,455,371
NET CURRENT (LIABILITIES)/ASSETS		**(131,748)**	233,790
TOTAL ASSETS LESS CURRENT LIABILITIES		**214,973**	609,120

	Notes	**2023 RMB'000**	2022 RMB'000
NON-CURRENT LIABILITIES			
Long-term borrowings	*30*	**–**	14,846
Deferred tax liabilities	*21*	**333**	605
Lease liabilities	*16*	**170,660**	133,901
Other long-term liabilities		**–**	21,855
Total non-current liabilities		**170,993**	171,207
NET ASSETS		**43,980**	437,913
EQUITY			
Equity attributable to owners of the parent			
Share capital	*31*	**886,460**	732,460
Reserves	*32*	**(815,848)**	(303,895)
		70,612	428,565
Non-controlling interests		**(26,632)**	9,348
TOTAL EQUITY		**43,980**	437,913

Xu Jili
Director

Liu Donghai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent									
	Share capital RMB'000 *(Note 31)*	Capital reserve RMB'000 *(Note 32)*	Share-based payment reserve RMB'000	Statutory reserve funds RMB'000 *(Note 32)*	Accumulated losses RMB'000	Fair value reserve RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2021	732,460	635,392	25,295	313,765	(944,013)	(38,046)	(19,771)	705,082	12,914	717,996
Loss for the year	–	–	–	–	(275,579)	–	–	(275,579)	(3,566)	(279,145)
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	–	2,140	2,140	–	2,140
Change in fair value of equity investments at fair value through other comprehensive loss, net of tax	–	–	–	–	–	(661)	–	(661)	–	(661)
Share of other comprehensive loss of joint ventures	–	–	–	–	–	–	(2,417)	(2,417)	–	(2,417)
Total comprehensive loss for the year	–	–	–	–	(275,579)	(661)	(277)	(276,517)	(3,566)	(280,083)
At 31 December 2022	732,460	635,392	25,295	313,765	(1,219,592)	(38,707)	(20,048)	428,565	9,348	437,913

	Attributable to owners of the parent									
	Share capital RMB'000 *(Note 31)*	Capital reserve RMB'000 *(Note 32)*	Share-based payment reserve RMB'000	Statutory reserve funds RMB'000 *(Note 32)*	Accumulated losses RMB'000	Fair value reserve RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2022	732,460	635,392	25,295	313,765	(1,219,592)	(38,707)	(20,048)	428,565	9,348	437,913
Loss for the year	–	–	–	–	(630,045)	–	–	(630,045)	(35,980)	(666,025)
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	–	4,768	4,768	–	4,768
Share of other comprehensive loss of joint ventures	–	–	–	–	–	–	(2,090)	(2,090)	–	(2,090)
Total comprehensive loss for the year	–	–	–	–	(630,045)	–	2,678	(627,367)	(35,980)	(663,347)
New shares issued	154,000	84,664	–	–	–	–	–	238,664	–	238,664
Disposal of subsidiaries with losing control	–	30,750	–	–	–	–	–	30,750	–	30,750
At 31 December 2023	886,460	750,806	25,295	313,765	(1,849,637)	(38,707)	(17,370)	70,612	(26,632)	43,980

* *These reserve accounts comprise the consolidated reserves of RMB(815,848,000) (2022: RMB(303,895,000)) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	**2023 RMB'000**	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(661,080)**	(260,477)
Adjustments for:			
Finance costs	*9*	**179,827**	177,790
Interest income		**(21)**	(101)
Share of profits and losses of joint ventures		**4,026**	10,500
Share of profits and losses of associates		**4,288**	(6,221)
Provision for impairment of held for sale		**–**	1,192
Impairment of trade receivables	*8*	**420,047**	156,824
Impairment/(reversal) of other receivables	*8*	**263,481**	(84,937)
Impairment of amounts due from related parties		**25,784**	35,834
Provision for impairment of right-of-use assets	*8*	**–**	842
Impairment and write-down of inventories	*8*	**(26,188)**	20,574
Provision for other long-term assets	*8*	**–**	508
Fair value (gain)/loss on financial assets at fair value through profit or loss	*7*	**(7,439)**	528
Depreciation of property, plant and equipment	*8*	**19,110**	21,978
Depreciation of right-of-use assets	*8*	**123,750**	116,463
Covid-19-related rent concessions from lessors	*16*	**–**	(1,060)
Amortisation of intangible assets	*8*	**1,110**	1,143
Loss on disposal of items of property, plant and equipment	*8*	**–**	5,978
Impairment loss on investment in joint ventures	*18*	**3,719**	–
Loss on disposal of an associate		**2,923**	–
Loss/(gain) on disposal of a subsidiary		**–**	(1,468)
Foreign exchange loss, net		**5,107**	1,857
		358,444	197,747
(Increase)/decrease in trade and bills receivables		**(142,343)**	414,672
(Increase)/decrease in prepayments, deposits and other receivables		**(228,591)**	291,902
Decrease/(increase) in pledged deposits		**3,490**	(2,775)
Increase in inventories		**(29,408)**	(2,154)
Increase/(decrease) in trade and bills payables		**100,016**	(406,143)
Decrease in other payables and accruals		**(34,507)**	(646,376)
Decrease in other long-term payables		**(32,314)**	(12,911)
Increase in amounts due from related parties		**(124,276)**	(204,260)
Increase/(decrease) in contact liabilities		**263,705**	(38,424)
Decrease in amounts due to related parties		**(71,931)**	(189,915)
Cash generated from/(used in) operations		**62,285**	(598,637)
Income tax paid		**(4,762)**	(852)
Net cash flows generated from/(used in) operating activities		**57,523**	(599,489)

	Notes	**2023 RMB'000**	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from an associate		**564**	481
Purchases of items of property, plant and equipment		**(18,217)**	(12,692)
Interest received		**21**	101
Disposal of investment in a joint venture		**14,500**	–
Disposal of investment in an associate classified as held for sale		**179,000**	–
(Purchase)/sale of financial products, net		**(354,101)**	22,435
Purchases of items of other intangible assets		**(89)**	–
Net cash flows (used in)/generated from investing activities		**(178,322)**	10,325
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**7,091,011**	5,357,727
Loan from a related party	*33*	**3,313,773**	4,442,060
Increase in pledged deposits		**(782,291)**	(313,384)
Repayment of bank loans and corporate bonds		**(5,831,986)**	(4,811,164)
Principal portion of lease payments	*16*	**(140,393)**	(127,179)
Repayment of loan from related parties	*33*	**(3,106,426)**	(3,661,529)
Interest paid		**(168,420)**	(165,088)
New shares issued		**238,664**	–
Net cash flows generated from financing activities		**613,932**	721,443
NET INCREASE IN CASH AND CASH EQUIVALENTS		**493,133**	132,279
Cash and cash equivalents at beginning of year		**224,133**	91,225
Effect of foreign exchange rate changes, net		**–**	629
CASH AND CASH EQUIVALENTS AT END OF YEAR		**717,266**	224,133
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**717,266**	224,133
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF FINANCIAL POSITION		**717,266**	224,133

1. CORPORATE AND GROUP INFORMATION

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

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

In the opinion of the directors of the Company, before Zhuhai Huafa Technology Industry Group Co., Ltd. (formerly known as Zhuhai Huafa Industrial Investment Holding Co., Ltd.) and Hong Kong Huafa Investment Holdings Limited (collectively referred to as "Huafa Group") became the controlling shareholders of the Company (the "New Controlling Shareholders", or the "Controlling Shareholders"), the former controlling shareholders of the Company (the "Former Controlling Shareholders") were Mr. Liu Donghai, Mr. Liu Songshan, Ms. Liu Hua, Ms. Liu Wencui, Ms. Liu Yongmei and Ms. Liu Wenli, who are siblings (the "Liu Family").

Huafa Group acquired 67.77% of the Company's equity interests from the Liu Family and other minority shareholders in 2021, and under a concert party agreement with the Liu Family, controlled a total voting rights of 90.76% of the Company therefrom.

In September and December 2023, the Company issued a total of 154,000,000 subscription shares at the subscription price of HK$1.70 per subscription share in three tranches. Huafa Group then controlled 74.99% of the total voting right of the Company thereafter.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name of the principal subsidiaries	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities	Principal country of operation
Beijing D-phone Trading Co., Ltd.* （北京迪信商貿有限責任公司）	RMB100,000,000	100	–	(1)	China
Beijing D-phone Electronic Communication Technology Co., Ltd.*（北京偉信電子商務有限公司）	RMB10,000,000	100	–	(1)	China
Shanghai Chuanda Communication Technology Co., Ltd.*（上海川達通信技術有限公司）	RMB10,000,000	100	–	(1)	China

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name of the principal subsidiaries	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities	Principal country of operation
Shanghai Dixin Electronic Communication Technology Co., Ltd.* (上海迪信電子通信技術有限公司)	RMB20,000,000	100	–	(1)	China
Hefei D-phone Communication Technology Co., Ltd.* (合肥迪信通通信技術有限公司)	RMB10,000,000	100	–	(1)	China
Shenyang Tongliansihai Electronic Communication Technology Co., Ltd.* (瀋陽通聯四海電子通信技術有限公司)	RMB10,000,000	100	–	(1)	China
Zhejiang D-phone Trading Co., Ltd.* (浙江迪信通商貿有限公司)	RMB10,000,000	100	–	(1)	China
Sichuan Yijialong Communication Technology Chain Co., Ltd.* (四川億佳隆通訊連鎖有限公司)	RMB5,000,000	100	–	(1)	China
Beijing D-phone Fengze Electronic Equipment Co., Ltd.* (北京迪信通豐澤電子設備有限公司)	RMB5,000,000	–	100	(1)	China
Jinan Dixin Electronic Communication Technology Co., Ltd.* (濟南迪信電子通信技術有限公司)	RMB10,500,000	100	–	(1)	China
Qingdao D-phone Communication Technology Co., Ltd.* (青島迪信通通信技術有限公司)	RMB5,000,000	–	100	(1)	China
Hunan Zhongxuntong Electronic Science and Technology Co., Ltd.* (湖南中訊通電子科技有限公司)	RMB5,000,000	100	–	(1)	China

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name of the principal subsidiaries	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities	Principal country of operation
Chongqing Digital Intelligent Technology Co., Ltd.* (重慶迪信通智能技術有限公司)	RMB400,000,000	100	–	(1)	China
Henan D-phone Electronic Communication Technology Co., Ltd.* (河南迪信通電子通信技術有限公司)	RMB20,000,000	100	–	(1)	China
Tianjin D-phone Electronic Communication Technology Co., Ltd.* (天津迪信通電子通信技術有限公司)	RMB30,000,000	100	–	(1)	China
Guangdong D-phone Trading Co., Ltd.* (廣東迪信通商貿有限公司)	RMB10,000,000	100	–	(1)	China
Hebei Dixin Electronic Communication Equipment Co., Ltd.* (河北迪信電子通信設備有限公司)	RMB3,000,000	100	–	(1)	China
Wenzhou D-phone Electronic Communication Technology Co., Ltd.* (溫州迪信通電子通信技術有限公司)	RMB2,000,000	100	–	(1)	China
Henan D-phone Trading Co., Ltd.* (河南迪信通商貿有限公司)	RMB10,000,000	60	–	(1)	China
Wuhan Yitongda Communication Equipment Co., Ltd.* (武漢易通達通訊器材有限公司)	RMB2,000,000	–	100	(1)	China
Yunnan D-phone Electronic Communication Technology Co., Ltd.* (雲南迪信通電子通信技術有限公司)	RMB20,000,000	–	100	(1)	China

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name of the principal subsidiaries	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities	Principal country of operation
Beijing Tailongji Trading Co., Ltd.*（北京市泰龍吉貿易有限公司）	RMB50,000,000	100	–	(2)	China
Ningbo Hi-tech District Shunjixin Technology Co., Ltd.*（寧波高新區順吉信科技有限公司）	RMB60,000,000	100	–	(1)	China
Dixin Simaier Technology (Guangdong) Co., Ltd.*（迪信斯麥爾科技（廣東）有限公司）	RMB200,000,000	100	–	(1)	China
Zhuhai D-phone Trading Co., Ltd.*（珠海迪信通商貿有限公司）	RMB200,000,000	100	–	(1)	China
Khorgos Zhonglian International Trade Co., Ltd.*（霍爾果斯眾聯國際貿易有限公司）	RMB50,000,000	100	–	(3)	China

Notes:

(1) Sale of mobile telecommunications devices and accessories and provision of related services

(2) Online sale of mobile telecommunications devices and accessories

(3) Sales of vehicles

* *The English translations of names are for identification purposes only. The companies were registered as domestic companies with limited liability under the laws of the PRC.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

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

As at 31 December 2023, the Group had net current liabilities of RMB131,748,000 (2022: net current assets RMB233,790,000). In view of this, the directors of the Company have given consideration to the future liquidity of the Group and its available sources of finance, including the revolving credit facility of RMB3 billion granted by Zhuhai Huafa Group Finance Co., Ltd., a subsidiary of Zhuhai Huafa Group Company Limited, as well as a financial support letter received from Zhuhai Huafa Group Finance Co., Ltd. in assessing whether the Group will have sufficient financial resources to continue as a going concern. As at the date of these financial statements, taking into account the Group's cash flow projection, including the revolving credit facility, the directors of the Company consider that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period. Accordingly, these financial statements have been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2023. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights result in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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

If the Group loses control over a subsidiary, it derecognises the related assets, liabilities, any non-controlling interest and exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities rising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

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

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 4 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

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

(c) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any. The amendments did not have any significant impact on the Group's financial statements.

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

3. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020" Amendments")*[1,4]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[1,4]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[1]

1 *Effective for annual periods beginning on or after 1 January 2024*
2 *Effective for annual periods beginning on or after 1 January 2025*
3 *No mandatory effective date yet determined but available for adoption*
4 *As a consequence of the 2020 Amendments and 2022 Amendments, International Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion.*

3. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

3. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

4. MATERIAL ACCOUNTING POLICIES

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The annual depreciation of property, plant and equipment is as follows:

Buildings	2.5% to 5%
Motor vehicles	10% to 20%
Office equipment	20% to $33^1/_3$%
Leasehold improvements	Over the shorter of the lease terms and 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software copyrights

Purchased software copyrights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of two to six years.

Distribution network

Distribution network is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 16 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee (Continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt investments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement (Continued)

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach (Continued)

The Group considers that a financial asset in default when contractual payments are 30–90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and other receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related parties and interest-bearing bank and other borrowings.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sale of goods

Revenue from the sale of mobile telecommunications devices and accessories is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(b) Service income from mobile carriers and revenue from provision of online and offline sales and marketing services.

Revenue from the provision of services to mobile carriers is recognised over time, using an output method to measure progress towards complete satisfaction of the service according to the underlying contract terms. The output method recognises revenue based on direct measurements of the value to the mobile carriers and the online and offline sales and marketing services transferred to date relative to the remaining services promised under the contract.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in Renminbi ("RMB"), which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Vendor rebates

Volume-related vendor rebates are recognised as a deduction from cost of sales on an accrual basis according to the expected entitlement earned up to the reporting date for each relevant supplier contract. Rebates relating to items purchased but still held at the reporting date are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Significant judgement in determining the lease terms of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of buildings due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., one to three years) and there will be a significant negative effect on sales if a replacement is not readily available.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

(i) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of a similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than the previously estimated lives, or it will write off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(ii) Leases – estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

(iii) Provision for expected credit losses on trade receivables and other receivables

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

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

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

The Group also assess if impairment provision is required for trade receivables and other receivables guaranteed by the Former Controlling Shareholders.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(iv) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for sale of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(v) Net realisable value of inventories

Net realisable value of an inventory is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature which could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at the end of the reporting period.

6. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments which are:

1) traditional based operation – mobile related: the sale of mobile telecommunications devices and accessories, and related services;

2) new developed operation – others: the sale of vehicles and others.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit/(loss) before tax from continuing operations except interest income and finance costs.

Segment assets exclude cash and cash equivalents, pledged deposits and long-term equity investments as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, loans from related parties and deferred tax liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

6. OPERATING SEGMENT INFORMATION *(Continued)*

The Group's operation by business segment is as follows:

Year ended 31 December 2023

	Mobile related RMB'000	Others RMB'000	Total RMB'000
Segment revenue *(note 7)*			
Revenue from external customers	17,076,441	69,551	17,145,992
Segment results	(540,980)	(3,480)	(544,460)
Reconciliation:			
Interest income			63,207
Finance costs			(179,827)
Loss before tax			(661,080)
Segment assets	5,737,413	59,871	5,797,284
Reconciliation:			
Corporate and other unallocated assets			2,534,906
Total assets			8,332,190
Segment liabilities	1,542,731	23,699	1,566,430
Reconciliation:			
Corporate and other unallocated liabilities			6,721,779
Total liabilities			8,288,209
Other segment information			
Capital expenditure*	16,433	1,873	18,306
Investments in associates	38,065	–	38,065
Investments in joint ventures	31,777	–	31,777
(Written off) for inventories	(26,188)	–	(26,188)
Impairment loss on investment of joint venture	3,719	–	3,719
Share of losses of:			
– Associates	4,288	–	4,288
– Joint ventures	4,026	–	4,026
Depreciation and amortisation	143,231	739	143,970

* *Capital expenditure consists of additions to property, plant and equipment, goodwill, other intangible assets.*

6. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2022

	Mobile related RMB'000	Others RMB'000	Total RMB'000
Segment revenue *(note 7)*			
Revenue from external customers	13,507,537	–	13,507,537
Segment results	(115,019)	–	(115,019)
Reconciliation:			
Interest income			32,332
Finance costs			(177,790)
Loss before tax			(260,477)
Segment assets	5,776,409	–	5,776,409
Reconciliation:			
Corporate and other unallocated assets			1,288,082
Total assets			7,064,491
Segment liabilities	1,374,934	–	1,374,934
Reconciliation:			
Corporate and other unallocated liabilities			5,251,644
Total liabilities			6,626,578
Other segment information			
Capital expenditure*	14,141	–	14,141
Investments in associates	60,527	–	60,527
Investments in joint ventures	41,613	–	41,613
Provision for inventories	20,574	–	20,574
Share of (profits) and losses of:			
– Associates	(6,221)	–	(6,221)
– Joint ventures	10,500	–	10,500
Depreciation and amortisation	139,584	–	139,584

* *Capital expenditure consists of additions to property, plant and equipment, goodwill, other intangible assets.*

6. OPERATING SEGMENT INFORMATION *(Continued)*

Information about major customers

During the year, the Group had no customers from whom the revenue derived individually accounted for more than 10% of the Group's total revenue.

Geographical information

The Group mainly operates in Chinese Mainland, Spain, Romania and Bulgaria (The subsidiaries in Spain, Romania and Bulgaria have been closed in 2023), and the geographical segment information as required by IFRS 8 *Operating Segments* is presented as follows:

(a) Revenue from external customers

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Chinese Mainland	**17,079,778**	13,102,348
Spain	**66,214**	388,673
Romania	–	5,516
Bulgaria	–	11,000
Total segment revenue	**17,145,992**	13,507,537

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Chinese Mainland	**326,721**	307,234
Spain	–	43,262
Romania	–	3,252
Bulgaria	–	1,241
Total non-current assets	**326,721**	354,989

The non-current asset information above is based on the locations of the assets and excludes equity investments designated at fair value through other comprehensive income.

7. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December 2023 RMB'000	2022 RMB'000
Revenue from contracts with customers		
Sales of mobile telecommunications devices and accessories	**16,356,788**	12,923,373
Including:		
Retail	**4,370,684**	3,529,268
Sales to franchisees	**494,672**	598,652
Wholesale	**11,491,432**	8,795,453
Sales of vehicles	**68,378**	–
Service income from mobile carriers	**226,589**	257,421
Revenue from provision of online and offline sales and marketing services*	**278,700**	216,429
Other service fee income	**215,537**	110,314
Total	**17,145,992**	13,507,537

* *The Group generated service income for providing service to Zhuhai Huafa Group Company Limited and its subsidiaries (collectively referred to as "Zhuhai Huafa Group") during the year. Further details of the related party transactions are set out in note 35.*

Disaggregated revenue information

Mobile related

	Year ended 31 December 2023 RMB'000	2022 RMB'000
Geographical markets		
Chinese Mainland	**17,010,227**	13,102,348
Spain	**66,214**	388,673
Romania	**–**	5,516
Bulgaria	**–**	11,000
Total revenue from contracts with customers	**17,076,441**	13,507,537

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

Disaggregated revenue information *(Continued)*

Others

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Geographical markets		
Chinese Mainland	**69,551**	–
Total revenue from contracts with customers	**69,551**	–
Timing of revenue recognition		
Goods transferred at a point in time	**16,425,166**	12,923,372
Services transferred over time	**720,826**	584,165
Total revenue from contracts with customers	**17,145,992**	13,507,537

An analysis of other income and gains is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Other income		
Interest income	**63,207**	32,332
Government grants *(note (a))*	**4,238**	4,185
Others	**18,353**	7,026
Total other income	**85,798**	43,543
Gains		
Reversal of provision against a litigation	**41,695**	–
Fair value gain on financial assets at fair value through profit or loss	**7,439**	–
Gain on financial investments	**21**	101
Gain on disposal of a joint venture	**–**	1,603
Gain on foreign exchange	**–**	11
Total gains	**49,155**	1,715
Total other income and gains	**134,953**	45,258

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

8. LOSS BEFORE TAX

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Cost of inventories sold and services provided	**16,364,641**	12,870,105
Depreciation of property, plant and equipment *(note 15)*	**19,110**	21,978
Depreciation of right-of-use assets *(note 16)*	**123,750**	116,463
Amortisation of intangible assets *(note 17)*	**1,110**	1,143
Lease payments not included in the measurement of lease liabilities	**7,631**	36,044
Interest on lease liabilities *(note 16)*	**6,837**	11,292
Auditors' remuneration	**3,450**	3,450
Employee benefit expense (including directors' remuneration as set out in note 10):		
Wages and salaries	**251,908**	245,459
Pension scheme contributions	**29,553**	29,203
	281,461	274,662
Impairment of property, plant and equipment *(note 15)*	**–**	508
Impairment of right-of-use assets *(note 16)*	**–**	842
Impairment losses on investments of joint ventures	**3,719**	–
Impairment of financial assets:		
Impairment of trade receivables *(note 23)*	**420,047**	156,824
Impairment (reversal) of other receivables *(note 24)*	**263,481**	(84,937)
Impairment of amounts due from related parties	**25,784**	35,834
Impairment losses on held for sale	**–**	1,192
	713,031	110,263
Impairment and write-down of inventories *(note 22)*	**(26,188)**	20,574
Loss on disposal of items of property, plant and equipment	**–**	5,978
Loss on disposal of subsidiaries	**55,737**	–
Loss on disposal of an associate	**2,923**	–

9. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Interest on bank loans and other borrowings	**172,990**	166,498
Interest on lease liabilities	**6,837**	11,292
Total	**179,827**	177,790

10. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors', supervisors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Remuneration:		
Salaries, allowances and benefits in kind	**2,626**	2,566
Pension scheme contributions	**58**	29
Total	**2,684**	2,595

(a) Independent non-executive directors

The fees paid to independent non-executive directors were as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Mr. Lv Tingjie	**76**	60
Mr. Lv Pingbo	**76**	60
Mr. Cai Chun Fai	**176**	135
Total	**328**	255

There were no other emoluments payable to the independent non-executive directors during the year.

10. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors, non-executive directors, supervisors and the chief executive

	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2023			
Executive directors:			
Mr. Liu Donghai	**2,159**	**47**	**2,206**
Ms. Xu Liping	–	–	–
Ms. Xu Jili	–	–	–
Total	**2,159**	**47**	**2,206**
Non-executive directors:			
Mr. Xie Hui	–	–	–
Mr. Jia Zhaojie	–	–	–
Ms. Pan Anran	–	–	–
Total	–	–	–
Supervisors:			
Mr. Li Wanlin	**49**	–	**49**
Mr. Liu Zhenlong	**90**	**11**	**101**
Ms. Yang Hui	–	–	–
Subtotal	**139**	**11**	**150**
Total	**2,298**	**58**	**2,356**

10. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors, non-executive directors, supervisors and the chief executive *(Continued)*

	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2022			
Executive directors:			
Mr. Liu Donghai	2,182	24	2,206
Ms. Xu Liping	–	–	–
Ms. Xu Jili	–	–	–
Total	2,182	24	2,206
Non-executive directors:			
Mr. Xie Hui	–	–	–
Mr. Jia Zhaojie	–	–	–
Ms. Pan Anran	–	–	–
Total	–	–	–
Supervisors:			
Mr. Li Wanlin	40	–	40
Mr. Liu Zhenlong	89	5	94
Mr. Gao Zhiqiang	–	–	–
Subtotal	129	5	134
Total	2,311	29	2,340

11. FIVE HIGHEST PAID EMPLOYEES

An analysis of the five highest paid employees within the Group during the year is as follows:

	Number of employees Year ended 31 December	
	2023	2022
Directors, supervisors and the chief executive	**1**	1
Non-director, non-supervisor and non-chief executive employees	**4**	4
Total	**5**	5

Details of directors' remuneration are set out in note 10 above.

Details of the remuneration of the above highest paid employees who are neither a director, a supervisor nor chief executive of the Company are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**4,172**	4,285
Pension scheme contributions	**329**	329
Total	**4,501**	4,614

The number of non-director, non-supervisor and non-chief executive highest paid individuals whose remuneration fell within the following band is as follows:

	Number of employees Year ended 31 December	
	2023	2022
Nil to HK$1,000,000	**4**	4

12. INCOME TAX EXPENSES

The provision for the PRC current income tax has been provided at the statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which became effective on 1 January 2008, except for Sichuan Yijialong Communication Technology Chain Co., Ltd., a subsidiary of the Company, which was subject to tax at a preferential rate of 15%, for the year ended 31 December 2023. The major components of income tax expenses are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current		
Tax charge for the year	**5,217**	19,763
Deferred *(note 21)*	**(272)**	(1,095)
Total tax expenses for the year	**4,945**	18,668

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loss before tax	**(661,080)**	(260,477)
Tax at the statutory tax rate	**(165,270)**	(65,119)
Lower tax rates for certain entities	**(87)**	(137)
Adjustments in respect of current tax of previous periods	**323**	145
Losses attributable to associates and joint ventures	**2,125**	1,070
Expenses not deductible for tax	**439**	458
Tax losses not recognised	**167,415**	82,251
Tax expense at the Group's effective rate	**4,945**	18,668

13. DIVIDENDS

The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2023.

14. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share amount is based on the loss attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 748,228,000 (2022: 732,460,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

The calculation of basic loss per share amount is based on:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation:		
From continuing operations	**(630,045)**	(275,579)

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year	**748,228,000**	732,460,000

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2023					
At 1 January 2023:					
Cost	72,355	531,883	68,687	30,457	703,382
Accumulated depreciation	(43,610)	(519,360)	(61,774)	(25,746)	(650,490)
Net carrying amount	28,745	12,523	6,913	4,711	52,892
At 1 January 2023, net of accumulated depreciation	28,745	12,523	6,913	4,711	52,892
Additions	–	11,028	3,739	3,450	18,217
Disposals	–	–	(5,058)	(516)	(5,574)
Depreciation provided during the year	(3,207)	(12,208)	(2,618)	(1,077)	(19,110)
At 31 December 2023, net of accumulated depreciation	25,538	11,343	2,976	6,568	46,425
At 31 December 2023:					
Cost	72,355	542,911	67,368	33,391	716,025
Accumulated depreciation and impairment	(46,817)	(531,568)	(64,392)	(26,823)	(669,600)
Net carrying amount	25,538	11,343	2,976	6,568	46,425

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2022					
At 1 January 2022:					
Cost	77,940	519,984	66,796	30,479	695,199
Accumulated depreciation	(40,163)	(505,264)	(58,114)	(24,948)	(628,489)
Net carrying amount	37,777	14,720	8,682	5,531	66,710
At 1 January 2022, net of accumulated depreciation	37,777	14,720	8,682	5,531	66,710
Additions	–	12,462	2,184	–	14,646
Disposals	(5,585)	(78)	(293)	(22)	(5,978)
Depreciation provided during the year	(3,447)	(14,117)	(3,616)	(798)	(21,978)
Impairment	–	(464)	(44)	–	(508)
At 31 December 2022, net of accumulated depreciation	28,745	12,523	6,913	4,711	52,892
At 31 December 2022:					
Cost	72,355	531,883	68,687	30,457	703,382
Accumulated depreciation and impairment	(43,610)	(519,360)	(61,774)	(25,746)	(650,490)
Net carrying amount	28,745	12,523	6,913	4,711	52,892

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings (offices properties and retail stores) used in its operations. Leases of buildings generally have lease terms between 2 and 16 years. Other leases generally have lease terms of 12 months or less and/or are individually of low value. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(a) Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the year are as follows:

	Buildings RMB'000
As at 1 January 2022	282,565
Additions	71,299
Depreciation charge	(116,463)
Decrease	(39,016)
Impairment	(842)
As at 31 December 2022 and 1 January 2023	197,543
Additions	173,685
Depreciation charge	(123,750)
Decrease	(38,417)
As at 31 December 2023	209,061

16. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 **RMB'000**	2022 RMB'000
Carrying amount at 1 January	**214,424**	297,976
New leases	**171,282**	76,056
Accretion of interest recognised during the year	**6,837**	11,292
Covid-19-related rent concessions from lessors	**–**	(1,060)
Decrease	**(37,370)**	(42,661)
Payments	**(140,393)**	(127,179)
Carrying amount at 31 December 2023	**214,780**	214,424
Analysed into:		
Current portion	**44,120**	80,523
Non-current portion	**170,660**	133,901

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 **RMB'000**	2022 RMB'000
Interest on lease liabilities	**6,837**	11,292
Depreciation charge of right-of-use assets	**123,750**	116,463
Expense relating to short-term leases (included in profit and loss)	**8,025**	16,344
Variable lease payments not included in the measurement of lease liabilities (included in selling and distribution expenses)	**652**	15,092
Covid-19-related rent concessions from lessors	**–**	(1,060)
Impairment of right-of-use assets	**–**	1,357
Total amount recognised in profit or loss	**139,264**	159,488

16. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(d) Variable lease payments

The Group leased a number of the retail stores and units in a shopping mall which contain variable lease payment terms that are based on the Group's turnover generated from the retail stores and the units in the shopping mall. Management's objective is to align the lease expense with the revenue earned. The following provides information on the Group's variable lease payments, including the summary magnitude in relation to fixed payments:

2023

	Fixed payments RMB'000	**Variable payments RMB'000**	**Total RMB'000**
Fixed rent	**144,557**	**–**	**144,557**
Variable rent with minimum payment	**14,831**	**644**	**15,475**
Variable rent only	**–**	**8**	**8**
Total	**159,388**	**652**	**160,040**

2022

	Fixed payments RMB'000	Variable payments RMB'000	Total RMB'000
Fixed rent	139,487	–	139,487
Variable rent with minimum payment	236	14,061	14,297
Variable rent only	–	1,031	1,031
Total	139,723	15,092	154,815

A 5% increase in sales produced by the retail stores and units would increase the total lease payments by 0.3% to 0.5%.

(e) The total cash outflow for leases relating to leases that have not yet commenced are disclosed in note 33 to the financial statements.

17. OTHER INTANGIBLE ASSETS

	Software copyrights RMB'000	Distribution network RMB'000	Total RMB'000
31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation	**1,172**	**1,242**	**2,414**
Additions	**89**	**–**	**89**
Amortisation provided during the year	**(621)**	**(489)**	**(1,110)**
At 31 December 2023	**640**	**753**	**1,393**
At 31 December 2023:			
Cost	**7,085**	**7,242**	**14,327**
Accumulated amortisation	**(6,445)**	**(4,380)**	**(10,825)**
Accumulated impairment	**–**	**(2,109)**	**(2,109)**
Net carrying amount	**640**	**753**	**1,393**
31 December 2022			
Cost at 1 January 2022, net of accumulated amortisation	1,937	1,620	3,557
Amortisation provided during the year	(765)	(378)	(1,143)
At 31 December 2022	1,172	1,242	2,414
At 31 December 2022:			
Cost	6,996	7,242	14,238
Accumulated amortisation	(5,824)	(3,891)	(9,715)
Accumulated impairment	–	(2,109)	(2,109)
Net carrying amount	1,172	1,242	2,414

18. INVESTMENTS IN JOINT VENTURES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Share of net assets	**31,777**	37,894
Goodwill	**–**	3,719
Total	**31,777**	41,613

Particulars of the Group's joint ventures are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Guangzhou Zhongqi Energy Technology Co., Ltd.*	Registered capital of RMB1 each	PRC/ Mainland China	46	46	46	Sale of mobile telecommunications devices and accessories
Shenzhen Chuanshi Electronic Technology Ltd.*	Registered capital of RMB1 each	PRC/ Mainland China	50	50	50	Equity investment and investment consultation

* *English translations of names for identification purposes only*

The above investments are directly held by the Company.

The following table illustrates the financial information of the Group's joint ventures:

	2023	2022
	RMB'000	RMB'000
Share of the joint ventures' losses for the year	**(4,026)**	(10,500)
Share of the joint ventures' other comprehensive losses	**(2,090)**	(2,417)
Impairment of joint ventures	**(3,719)**	–
Share of the joint ventures' total comprehensive losses	**(9,835)**	(12,917)

19. INVESTMENTS IN ASSOCIATES

Financial information of investments in associates

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Share of net assets	**37,541**	60,003
Goodwill on acquisition	**524**	524
Total	**38,065**	60,527

Particulars of the Group's associates are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Comservice Commercial Factoring Co., Ltd.*	Ordinary shares	PRC/Chinese Mainland	46	Provision of trade finance and credit investigation and evaluation services
Yangzhou D-phone Science and Technology Information Co., Ltd.	Ordinary shares	PRC/Chinese Mainland	43	Wholesale and retail of communication equipment and after-sales services
China Ocean Intelligent Equipment Manufacturing (Shenzhen) Company Limited *	Ordinary shares	PRC/Chinese Mainland	50	Research and development, production and imports and exports of smart devices and automation equipment
DIMI Technology (Thailand) Co., Ltd.	Ordinary shares	Thailand	49	Sale of mobile telecommunications devices and accessories

* *English translations of names for identification purposes only*

19. INVESTMENTS IN ASSOCIATES *(Continued)*

Financial information of investments in associates *(Continued)*

On 6 June 2023, the Group signed a share transfer agreement to sell its 13% interest in an associate, Shenzhen Aizuji Machinery Technology Co., Ltd. at a consideration of RMB14,500,000 to a third party, Guangtie Hu, resulting in a deposal loss of RMB2,923,000. The sales transaction completed by 30 June 2023.

The Group's shareholdings in all associates comprise equity shares held by the Company, except for Comservice Commercial Factoring Co., Ltd., the shareholdings in which are held through subsidiaries of the Company.

The following table illustrates the financial information of the Group's associates:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Share of the associates' (Loss)/profit for the year	**(4,288)**	6,221

20. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value Beijing Jingdixin Technology Co., Ltd.*	**20,000**	20,341

* *English translations of names for identification purposes only. The companies were registered as domestic companies with limited liability under the laws of the PRC.*

On 23 September 2022, the Group signed a share transfer agreement to sell its 44% interest in an associate, Beijing Jingdixin Technology Co. Ltd., at a consideration of RMB179 million to a third party, Suqian Jiashi Information Technology Co., Ltd. The share transaction was completed in 2023.

The Group's remaining interest of 5% in Beijing Jingdixin Technology Co. Ltd., at the carrying amount of RMB20 million was classified as financial assets at fair value through other comprehensive income as at 31 December 2023.

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

21. DEFERRED TAX

The movements in deferred tax liabilities during the year is as follows:

	Fair value adjustments arising from acquisition of subsidiaries RMB'000	**Total** RMB'000
Gross deferred tax liabilities at 1 January 2022	1,700	1,700
Deferred tax credited to profit or loss during the year	(1,095)	(1,095)
Gross deferred tax liabilities at 31 December 2022 and 1 January 2023	605	605
Deferred tax credited to profit or loss during the year	(272)	(272)
At 31 December 2023	333	333

Deferred tax assets in respect of tax losses and temporary differences amounting to RMB663,287,000 (2022: RMB333,156,000) have not been recognised, as it is not considered probable that taxable profits will be available against which the above tax losses can be utilised.

22. INVENTORIES

	As at 31 December	
	2023 **RMB'000**	2022 RMB'000
Merchandise for resale	**372,107**	342,551
Consumable supplies	**–**	147
	372,107	342,698
Provision against inventories	**(40,623)**	(66,811)
Total	**331,484**	275,887

22. INVENTORIES *(Continued)*

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
At beginning of year	**66,811**	46,237
Additions/written off *(note 8)*	**(26,188)**	20,574
At end of year	**40,623**	66,811

23. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade receivables	**2,824,061**	2,723,024
Bills receivable	**41,471**	63
Impairment	**(822,480)**	(402,433)
Net carrying amount	**2,043,052**	2,320,654

The Group grants different credit periods to customers. The Group's retail sales to consumers are cash sales. Credit periods are offered to customers of volume sales of telecommunications devices and accessories. The credit periods offered to customers of volume sales are considered on a case-by-case basis.

The Group maintains strict control over and closely monitors its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by the management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within 90 days	**663,848**	613,661
91 to 180 days	**209,894**	133,762
181 to 365 days	**440,102**	432,811
Over 1 year	**729,208**	1,140,420
Total	**2,043,052**	2,320,654

23. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
At beginning of year	**402,433**	245,609
Additions *(note 8)*	**420,047**	156,824
At end of year	**822,480**	402,433

As set out in note 1, Huafa Group acquired a controlling interest in the Company, and became the New Controlling Shareholders in 2021. In order to facilitate the smooth transition of the Group's business to the new management team of the New Controlling Shareholders and the collection of trade and other receivables arising from doing business with the Group under the management team of the Former Controlling Shareholders, the Former Controlling Shareholders agreed to collect and provide guarantees for the collection of certain trade and other receivables in the aggregate amount of approximately RMB2.23 billion (the "Guaranteed Receivables"). The guarantees are secured by certain assets pledged by the Former Controlling Shareholders, and the general personal guarantee of Mr. Liu Donghai.

The Group assessed impairment losses for the Guaranteed Receivables and non-Guaranteed Receivables separately.

Guaranteed Receivables

For the Guaranteed Receivables, the Group first applied the simplified approach prescribed by IFRS 9 to determine the potential credit losses, using the lifetime expected loss provision for the Guaranteed Receivables. The Group then assessed if the Former Controlling Shareholders has sufficient asset backings to cover the potential credit losses and provision for impairment was considered for the shortfall. In assessing the asset backings of the Former Controlling Shareholders, the Group considered assets identified and/or controlled by the Group, and considered that the general personal guarantee of Mr. Liu Donghai without assets identified to be minimal. For assets controlled by the Group, valuation by an external independent valuer was performed in determining the value of the assets if required. For assets identified but not controlled by the Group, the value of the assets were estimated based on information available. As a result, a provision for impairment loss in an amount of RMB278 million (2022: RMB87 million) was made for the Guaranteed Receivables.

23. TRADE AND BILLS RECEIVABLES *(Continued)*

Non-Guaranteed Receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

As at 31 December 2023

		Past due				
	Current	**Less than 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**Total**
Expected credit loss rate	**9.38%**	**8.40%**	**13.06%**	**20.12%**	**83.15%**	**29.12%**
Gross carrying amount (RMB'000)	**975,330**	**559,071**	**211,757**	**380,614**	**697,289**	**2,824,061**
Expected credit losses (RMB'000)	**91,470**	**46,989**	**27,653**	**76,595**	**579,773**	**822,480**

As at 31 December 2022

		Past due				
	Current	Less than 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Expected credit loss rate	3.01%	4.70%	5.19%	5.32%	43.02%	14.78%
Gross carrying amount (RMB'000)	988,934	584,078	128,465	267,862	753,685	2,723,024
Expected credit losses (RMB'000)	29,801	27,476	6,673	14,263	324,220	402,433

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Prepayments and deposits	**739,633**	419,010
Other assets	**86,538**	89,986
Other receivables	**1,663,882**	1,727,359
	2,490,053	2,236,355
Impairment allowance	**(536,245)**	(272,764)
Total	**1,953,808**	1,963,591

The movements in the loss allowance for impairment of prepayments, deposits, and other receivables are as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
At beginning of year	**272,764**	357,701
Additions/(reversal) during the year *(note 8)*	**263,481**	(84,937)
At end of year	**536,245**	272,764

As set out in note 23, the Former Controlling Shareholders guaranteed the collection of the Group's trade and other receivables in the aggregate amount of approximately RMB2.23 billion. Please refer to note 23 for further details of the Guaranteed Receivables and the assessment of impairment losses.

Specific impairment provisions are made for prepayments and deposits when the recoverability of the amount is doubtful.

For other receivables which are non-Guaranteed Receivables, the Group performed an impairment analysis, which is the same as non-guaranteed trade receivables as disclosed in note 23.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Other unlisted investments, at fair value	**443,377**	81,937

The above unlisted investments were wealth management products issued by banks in Chinese Mainland. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

At 31 December 2023, the Group's financial assets at fair value through profit or loss with a carrying amount of approximately RMB443,377,000 (2022: RMB81,937,000) were pledged to secure bank borrowings, as set out in note 30 to the financial statements.

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Cash and bank balances	**717,266**	224,133
Time deposits	**1,797,640**	1,043,609
	2,514,906	1,267,742
Less: Pledged time deposits:		
Pledged for bank borrowings	**50,000**	10,000
Pledged for bank acceptance notes	**1,720,500**	1,002,979
Other pledged deposits	**27,140**	30,630
Cash and cash equivalents	**717,266**	224,133

At 31 December 2023, cash and cash equivalents and pledged deposits that the Group deposits with Zhuhai Huafa Group Finance Co., Ltd. amounted to RMB119,933,000 (2022: RMB74,677,000).

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS *(Continued)*

Other currencies included in cash and cash equivalents at the end of the period are as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Other currencies included in cash and cash equivalents:		
– denominated in Hong Kong Dollars	**4**	16
– denominated in Euros	**–**	7,365
– denominated in United State Dollars	**19**	325
– denominated in Bulgarian Lev	**–**	1,440
– denominated in Romanian Leu	**–**	304
	23	9,450

* *All other cash and cash equivalents held by the Group are denominated in RMB.*

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between three months and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

27. BALANCES WITH RELATED PARTIES

Further details of the Group's balances with related parties are set out in note 35.

28. TRADE AND BILLS PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade payables	**413,067**	313,051

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within 90 days	**323,672**	236,312
91 to 180 days	**1,851**	14,820
181 to 365 days	**6,791**	31,218
Over 1 year	**80,753**	30,701
Total	**413,067**	313,051

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

29. OTHER PAYABLES AND ACCRUALS

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
Payroll and welfare payable		**32,961**	35,568
Contract liabilities in respect of sale of goods		**361,667**	97,962
Accrued expenses		**49,275**	76,213
Other payables	*(a)*	**207,326**	224,719
Accrued liabilities		–	32,314
Total		**651,229**	466,776

Note:

(a) *Other payables are non-interest-bearing and have an average term of three months.*

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2023		2022	
	Maturity	**RMB'000**	Maturity	RMB'000
Current				
Bank loans:				
Unsecured, repayable within one year	**2024**	**1,095,644**	2023	1,143,915
Secured, repayable within one year	**2024**	**1,670,000**	2023	1,102,805
Other loans:				
Unsecured, repayable within one year	**2024**	**275,000**	2023	391,017
Secured, repayable within one year	**2024**	**925,000**	2023	50,000
		3,965,644		2,687,737
Non-current				
Bank loans, unsecured		–	2024–2027	14,846
		3,965,644		2,702,583

Notes:

(a) *The bank loans bear interest at rates ranging from 1.15% to 6.00% (2022: 1.27% to 5.40%) per annum.*

(b) *The Group's bank loans were secured by pledged deposits, which had an aggregate carrying value of RMB1,770,500,000 (2022: RMB1,012,979,000), and financial assets at fair value through profit or loss with a carrying amount of RMB443,377,000 (2022: RMB81,937,000) at the end of the reporting period.*

31. SHARE CAPITAL

Shares

	As at 31 December **2023** **RMB'000**	2022 RMB'000
Issued and fully paid:		
886,460,400 (2022: 732,460,400) ordinary shares	**886,460**	732,460

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital** RMB'000
At 1 January 2022	732,460,400	732,460
At 31 December 2022 and 1 January 2023	732,460,400	732,460
New shares issued	154,000,000	154,000
At 31 December 2023	886,460,400	886,460

In September and December 2023, the Company issued a total of 154,000,000 Subscription Shares at the Subscription Price of HK$1.70 per Subscription Share in three tranches.

32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Statutory reserve funds

Pursuant to the relevant PRC laws and regulations, Sino-foreign equity joint ventures registered in the PRC are required to transfer a certain percentage, as approved by the board of directors, of their profit after income tax, as determined in accordance with the PRC accounting rules and regulations, to the reserve funds, the enterprise expansion fund and the employee bonus and welfare fund. These funds are restricted as to use.

In accordance with the relevant PRC laws and regulations, each of the PRC domestic companies is required to transfer 10% of its profit after income tax, as determined in accordance with the PRC accounting regulations, to the statutory common reserve fund, until the balance of the fund reaches 50% of its registered capital. Subject to certain restrictions as set out in the relevant PRC laws and regulations, the statutory common reserve fund may be used to offset against accumulated losses, if any.

32. RESERVES *(Continued)*

Distributable reserves

For dividend purposes, the amounts which the PRC companies can legally distribute by way of a dividend are determined by reference to the distributable profits as reflected in their PRC statutory financial statements which are prepared in accordance with PRC GAAP.

In accordance with the Company Law of the PRC, profit after tax of the PRC companies can be distributed as dividends after the appropriation to the statutory reserve funds as set out above.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB152,267,000 and RMB152,267,000, respectively, in respect of lease arrangements for buildings (2022: RMB127,641,000 and RMB127,641,000).

(b) Changes in liabilities arising from financing activities

2023

	Bank and other loans RMB'000	Lease liabilities RMB'000	Due to related parties RMB'000
At 1 January 2023	2,702,583	214,424	2,879,743
Changes from financing cash flows	1,263,061	(140,393)	3,313,773
New leases	–	171,282	–
Interest expense	–	6,837	–
Decrease in operating cash flow	–	–	(71,931)
Decrease	–	(37,370)	(3,106,426)
At 31 December 2023	3,965,644	214,780	3,015,159

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Changes in liabilities arising from financing activities *(Continued)*

2022

	Bank and other loans RMB'000	Lease liabilities RMB'000	Due to related parties RMB'000
At 1 January 2022	2,157,924	297,976	2,289,127
Changes from financing cash flows	544,659	(127,179)	4,442,060
New leases	–	76,056	–
Interest expense	–	11,292	–
Covid-19 related rent concessions from lessors	–	(1,060)	–
Decrease in operating cash flow	–	–	(189,915)
Decrease	–	(42,661)	(3,661,529)
At 31 December 2022	2,702,583	214,424	2,879,743

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 RMB'000	2022 RMB'000
Within operating activities	**9,197**	31,436
Within financing activities	**140,393**	127,179
Total	**149,590**	158,615

34. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in note 30 to the financial statements.

35. RELATED PARTY TRANSACTIONS

(a) The Group had the following major transactions with related parties during the year:

	Notes	Year ended 31 December 2023 RMB'000	2022 RMB'000
Companies controlled/significantly influenced by Zhuhai Huafa Group:			
Sales of goods		**30,861**	13,167
Purchases of vehicles		**52,644**	–
Revenue from provision of online and offline sales and marketing services		**278,700**	216,429
Loans received	*(ii)*	**3,313,773**	4,443,137
Loans repaid	*(ii)*	**3,106,426**	3,676,610
Total		**6,782,404**	8,349,343
Associates:			
Beijing Jingdixin Technology Co., Ltd.			
Purchases of goods	*(iii)*	**–**	2,792,027
Joint ventures:			
Guangzhou Zhongqi Energy Technology Co., Ltd.			
Purchases of goods		**249,958**	30,680
Sales of goods		**58,656**	41,714
Total		**308,614**	72,394
Other associates and joint ventures			
Purchases of goods		**205**	4,116
Sales of goods		**280**	–
Total		**485**	4,116

Notes:

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

(ii) The interest rate ranged from 2.15% to 6% which approximates the market interest rate.

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

35. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Major outstanding balances with related parties:

	Notes	As at 31 December **2023** **RMB'000**	 2022 RMB'000
Trade in nature balances			
Due from：			
Companies controlled/significantly Influenced by Zhuhai Huafa Group	*(v)*	**329,438**	214,238
Companies controlled/significantly influenced by the Liu Family		**1,462**	1,465
Guangzhou Zhongqi Energy Technology Co., Ltd.		**54,082**	38,156
Other associates and joint ventures		**2,020**	1,191
Total		**387,002**	255,050
Due to：			
Companies controlled/significantly influenced by Zhuhai Huafa Group	*(v)*	**–**	105
Companies controlled/significantly influenced by the Liu Family		**9**	9
Beijing Jingdixin Technology Co., Ltd.	*(iii)*	**312**	23,265
Other associates and joint ventures		**99**	1,653
Total		**420**	25,032
Financing in nature balances			
Due to：			
Companies controlled/significantly influenced by the Zhuhai Huafa Group		**2,755,802**	2,548,456

35. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Major outstanding balances with related parties: *(Continued)*

		As at 31 December	
		2023	2022
	Notes	**RMB'000**	RMB'000
Other non-trade in nature balances			
Due from：			
Companies controlled/significantly influenced by Zhuhai Huafa Group	*(v)*	**301**	172
Companies controlled/significantly influenced by the Liu Family		**306,147**	327,496
Guangzhou Zhongqi Energy Technology Co., Ltd.		**5,292**	15,424
Beijing Jingdixin Technology Co., Ltd.	*(iii)*	**98**	100
Other associates and joint ventures		**–**	2,108
Total		**311,838**	345,300
Due to：			
Companies controlled/significantly influenced by the Liu Family		**258,923**	283,152
Shanghai Diju Information Technology Co., Ltd.	*(iv)*	**–**	22,789
Other associates and joint ventures		**14**	314
Total		**258,937**	306,255

Notes:

(iv) Shanghai Diju Information Technology Co., Ltd. has been deregistered on November 30, 2023.

(v) Other than the loans from Huajin International Commercial Factoring (Zhuhai) Co., Ltd. and Zhuhai Huafa Group Finance Co., Ltd., all other related party balances are unsecured, interest free, and repayable on demand.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

As at 31 December 2023

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income			
	Mandatorily designated as such RMB'000	Debt investments RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	20,000	–	20,000
Trade and bills receivables	–	41,471	–	2,001,581	2,043,052
Financial assets at fair value through profit or loss	443,377	–	–	–	443,377
Financial assets included in prepayments, other receivables and other assets	–	–	–	1,127,564	1,127,564
Due from the related parties	–	–	–	698,840	698,840
Pledged deposits	–	–	–	1,797,640	1,797,640
Cash and cash equivalents	–	–	–	717,266	717,266
Total	443,377	41,471	20,000	6,342,891	6,847,739

36. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

Financial assets *(Continued)*

As at 31 December 2022

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income			
	Mandatorily designated as such RMB'000	Debt investments RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	20,341	–	20,341
Trade and bills receivables	–	63	–	2,320,591	2,320,654
Financial assets at fair value through profit or loss	81,937	–	–	–	81,937
Financial assets included in prepayments, other receivables and other assets	–	–	–	1,526,272	1,526,272
Due from the related parties	–	–	–	600,350	600,350
Pledged deposits	–	–	–	1,043,609	1,043,609
Cash and cash equivalents	–	–	–	224,133	224,133
Total	81,937	63	20,341	5,714,955	5,817,296

36. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

Financial liabilities

	Financial liabilities at amortised cost as at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade and bills payables	**413,067**	313,051
Financial liabilities included in other payables and accruals	**145,814**	178,743
Due to related parties	**3,015,159**	2,879,743
Lease liabilities	**214,780**	214,424
Interest-bearing bank and other borrowings	**3,965,644**	2,702,583
Total	**7,754,464**	6,288,544

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

The fair values of the non-current portion of lease liabilities and interest-bearing loans and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2023 were assessed to be insignificant.

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

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

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Equity investments designated at fair value through other comprehensive income	**–**	**–**	**20,000**	**20,000**
Financial assets at fair value through profit or loss	**–**	**443,377**	**–**	**443,377**
Bills receivable	**–**	**41,471**	**–**	**41,471**
Total	**–**	**484,848**	**20,000**	**504,848**

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	20,341	20,341
Financial assets at fair value through profit or loss	–	81,937	–	81,937
Bills receivable	–	63	–	63
Total	–	82,000	20,341	102,341

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing loans, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets and liabilities such as trade receivables and trade and bills payables as well as other receivables and payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. Generally, the Group introduces conservative strategies on its risk management. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to both fair value and cash flow interest rate risks. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's borrowings with a floating interest rate.

At 31 December 2023, all the balances of interest-bearing bank and other borrowings were with fixed interest rate, interest rate risk is insignificant.

At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations.

Foreign currency risk

The Group's businesses are mainly located in Chinese Mainland and the majority of transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group's exposure to foreign currency risk relates to the Group's bank deposits and other receivables denominated in USD and Hong Kong Dollar, which are insignificant. The Group has not hedged its foreign exchange rate risk.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging (Continued)

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	2,824,061	2,824,061
Financial assets included in prepayments, other receivables and other asset*					
– Normal	121,681	–	–	1,636,800	1,758,481
Due from related parties	698,840	–	–	–	698,840
Pledged deposits					
– Not yet past due	1,797,640	–	–	–	1,797,640
Cash and cash equivalents					
– Not yet past due	717,266	–	–	–	717,266
Total	3,335,427	–	–	4,460,861	7,796,288

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging (Continued)

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	2,723,024	2,723,024
Financial assets included in prepayments, other receivables and other asset*					
– Normal	77,014	–	–	1,722,021	1,799,035
Due from related parties	600,350	–	–	–	600,350
Pledged deposits					
– Not yet past due	1,043,609	–	–	–	1,043,609
Cash and cash equivalents					
– Not yet past due	224,133	–	–	–	224,133
Total	1,945,106	–	–	4,445,045	6,390,151

* *For trade receivables and other receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 23 to the financial statements.*

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are disclosed in note 23 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings and lease liabilities. In addition, on 25 September 2023, the Group entered into a finance services framework agreement with Zhuhai Huafa Group Finance Co., Ltd. which granted a revolving credit facility of RMB3 billion for the three years from 1 January 2024 to 31 December 2026 to the Group.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

31 December 2023

	On demand RMB'000	**Less than 3 months RMB'000**	**3 to 12 months RMB'000**	**More than 12 months RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings	**–**	**1,939,765**	**2,089,156**	**–**	**4,028,921**
lease liabilities	**–**	**28,517**	**22,155**	**180,591**	**231,263**
Trade and bills payables	**80,753**	**323,672**	**8,642**	**–**	**413,067**
Financial liabilities included in other payables and accruals	**–**	**46,606**	**99,208**	**–**	**145,814**
Due to related parties	**–**	**182,815**	**2,832,344**	**–**	**3,015,159**
Total	**80,753**	**2,521,375**	**5,051,505**	**180,591**	**7,834,224**

31 December 2022

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	More than 12 months RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	601,266	2,172,529	14,846	2,788,641
lease liabilities	–	28,680	59,170	152,175	240,025
Trade and bills payables	12,879	254,133	46,039	–	313,051
Financial liabilities included in other payables and accruals	–	36,260	142,483	–	178,743
Due to related parties	–	953,372	1,926,371	–	2,879,743
Total	12,879	1,873,711	4,346,592	167,021	6,400,203

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, loans from an associate included in amounts due to related parties, and lease liabilities, less cash and cash equivalents. Capital represents total equity.

During the year, the Group's strategy was to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The gearing ratios at the end of the reporting periods are as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Interest-bearing bank and other borrowings	**3,965,644**	2,702,583
Loans from related parties	**2,755,802**	2,548,456
Lease liabilities	**214,780**	214,424
Less: Cash and cash equivalents	**717,266**	224,133
Net debt	**6,218,960**	5,241,330
Total equity	**43,980**	437,913
Net debt and total equity	**6,262,940**	5,679,243
Gearing ratio	**99%**	92%

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 **RMB'000**	2022 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**14,489**	17,009
Right-of-use assets	**5,565**	8,118
Investments in subsidiaries	**1,270,922**	1,221,722
Investments in joint ventures	**31,777**	41,613
Investments in associates	**9,459**	31,076
Equity investments designated at fair value through other comprehensive income	**20,000**	20,341
Total non-current assets	**1,352,212**	1,339,879
CURRENT ASSETS		
Inventories	**35,496**	3,672
Trade and bills receivables	**166,791**	198,003
Prepayments, deposits and other receivables	**702,483**	291,036
Investment in an associate classified as held for sale	**–**	179,000
Due from subsidiaries	**2,641,875**	2,099,593
Due from related parties	**122,969**	38,709
Pledged deposits	**623,500**	224,000
Cash and cash equivalents	**483,638**	117,020
Total current assets	**4,776,752**	3,151,033

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	2023 RMB'000	2022 RMB'000
CURRENT LIABILITIES		
Trade and bills payables	**153,926**	24,122
Other payables and accruals	**454,579**	267,728
Interest-bearing bank and other borrowings	**1,418,724**	680,000
Lease liabilities	**3,203**	2,703
Due to related parties	**2,818,459**	2,824,082
Tax payable	**–**	1
Total current liabilities	**4,848,891**	3,798,636
NET CURRENT LIABILITIES	**(72,139)**	(647,603)
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,280,073**	692,276
NON-CURRENT LIABILITIES		
Other long-term liabilities	**–**	22,459
Lease liabilities	**4,001**	7,204
Total non-current liabilities	**4,001**	29,663
NET ASSETS	**1,276,072**	662,613
EQUITY		
Share capital	**886,460**	732,460
Reserves *(note)*	**389,612**	(69,847)
Total equity	**1,276,072**	662,613

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Statutory reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Retained profits RMB'000	Total RMB'000
At 31 December 2021 and 1 January 2022	646,207	50,171	(4,412)	(28,535)	(578,423)	85,008
Loss for the year	–	–	–	–	(133,884)	(133,884)
Change in fair value of equity investments at fair value through other comprehensive	–	–	(2,417)	(18,554)	–	(20,971)
Total comprehensive loss for the year	–	–	(2,417)	(18,554)	(133,884)	(154,855)
At 31 December 2022	646,207	50,171	(6,829)	(47,089)	(712,307)	(69,847)
At 31 December 2022 and 1 January 2023	**646,207**	**50,171**	**(6,829)**	**(47,089)**	**(712,307)**	**(69,847)**
Profit for the year	–	–	–	–	**346,135**	**346,135**
Change in fair value of equity investments at fair value through other comprehensive	–	–	**(2,090)**	–	–	**(2,090)**
Total comprehensive income for the year	–	–	**(2,090)**	–	**346,135**	**344,045**
New shares issued	**84,664**	–	–	–	–	**84,664**
Disposal of subsidiaries with losing control	**30,750**	–	–	–	–	**30,750**
At 31 December 2023	**761,621**	**50,171**	**(8,919)**	**(47,089)**	**(366,172)**	**389,612**

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2024.