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北京迪信通商貿股份有限公司

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

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

**(Stock Code: 6188)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022**

### **FINANCIAL HIGHLIGHTS**

For the six months ended 30 June 2022:

The revenue of the Group amounted to RMB6,202,947,000, representing an increase of 8.29%, as compared to the same period of last year.

The net loss attributable to owners of the parent of the Company for the period amounted to RMB167,847,000, representing a decrease of 95.13%, as compared to the net loss attributable to owners of the parent of the Company of RMB3,443,514,000 in the same period of last year.

The basic loss per share amounted to RMB0.23, representing a decrease of 95.13%, as compared to the basic loss per share of RMB4.72 in the same period of last year.

The board (the “**Board**”) of directors (the “**Directors**”) of Beijing Digital Telecom Co., Ltd. (the “**Company**” or “**Digital Telecom**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (together, the “**Group**” or “**we**”) for the six months ended 30 June 2022 and the comparable figures for the same period of 2021.

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

*For the six months ended 30 June 2022*

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

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*30 June 2022*

		<b>30 June 2022</b>	31 December 2021
		<b>Unaudited</b>	Audited
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>62,221</b>	66,710
Right-of-use assets		<b>241,192</b>	282,565
Other intangible assets		<b>2,979</b>	3,557
Investments in joint ventures		<b>51,502</b>	54,531
Investments in associates		<b>254,003</b>	255,455
Debt instrument at amortised cost		–	500
Equity investments designated at fair value through other comprehensive income		<b>1,009</b>	1,009
		<hr/>	<hr/>
Total non-current assets		<b>612,906</b>	664,327
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Inventories	9	<b>285,817</b>	294,308
Trade and bills receivables	10	<b>2,781,664</b>	2,892,151
Prepayments, other receivables and other assets		<b>1,689,616</b>	2,167,047
Financial assets at fair value through profit or loss		<b>81,066</b>	104,399
Due from related parties		<b>468,491</b>	431,922
Pledged deposits		<b>652,629</b>	729,355
Cash and cash equivalents		<b>101,275</b>	91,225
		<hr/>	<hr/>
Total current assets		<b>6,060,558</b>	6,710,407
		<hr/>	<hr/>

		<b>30 June 2022</b>	31 December 2021
		<b>Unaudited</b>	Audited
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>11</i>	<b>179,749</b>	719,194
Other payables and accruals		<b>580,552</b>	1,144,445
Interest-bearing bank and other borrowings		<b>1,934,611</b>	2,139,954
Lease liabilities		<b>97,731</b>	115,354
Due to related parties		<b>3,116,339</b>	2,289,127
Tax payable		<b>5,614</b>	8,630
		<hr/>	<hr/>
Total current liabilities		<b>5,914,596</b>	6,416,704
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>145,962</b>	293,703
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>758,868</b>	958,030
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		<b>15,075</b>	17,970
Deferred tax liability		<b>1,360</b>	1,700
Lease liabilities		<b>161,612</b>	182,622
Other long term payable		<b>34,211</b>	37,742
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>546,610</b>	717,996
		<hr/>	<hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent:</b>			
Issued capital	<i>12</i>	<b>732,460</b>	732,460
Reserves		<b>(197,735)</b>	(27,378)
		<hr/>	<hr/>
		<b>534,725</b>	705,082
		<hr/>	<hr/>
<b>Non-controlling interests</b>		<b>11,885</b>	12,914
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>546,610</b>	717,996
		<hr/>	<hr/>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 30 June 2022

### 1. CORPORATE AND GROUP INFORMATION

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

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

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

### 2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

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

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

- (a) Amendments to IFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:
  - IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
  - IFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

#### 4. OPERATING SEGMENT INFORMATION

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

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

##### Information about major customers

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

##### Seasonality of operations

Due to the seasonal nature, historically higher revenues and operating profits are usually expected in the second half of the year rather than in the first six months. Higher sales during the period from July to early October are mainly attributable to the increased demand for mobile telecommunications devices and accessories during the holiday season, as well as in November and December, due to the increased demand for new series of mobile telecommunications devices. However, due to the prolonged COVID-19 pandemic and subsequent waves of further outbreaks, this has a significant negative impact on the Group's business, further details are set out in note 14, Events After The Reporting Period. This information is provided to allow for a better understanding of the results, however, management has concluded that the Group's business is not "highly seasonal" in accordance with IAS 34.

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

##### (a) Revenue

An analysis of revenue is as follows:

##### Segments

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



	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2022</b>	2021
	<b>Unaudited</b>	Unaudited
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	5,969,592	5,517,696
Services transferred over time	233,355	210,476
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>6,202,947</b>	<b>5,728,172</b>
	<hr/>	<hr/>

**(b) Other income and gains**

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

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

## 6. LOSS BEFORE TAX

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2022</b>	2021
	<b>Unaudited</b>	Unaudited
	<b>RMB'000</b>	<b>RMB'000</b>
Cost of inventories sold and services provided	<b>5,945,702</b>	5,380,657
Depreciation of property, plant and equipment	<b>8,989</b>	20,831
Amortisation of intangible assets	<b>577</b>	96
Depreciation of right-of-use assets	<b>64,891</b>	73,962
Interest on lease liabilities	<b>6,261</b>	7,301
	<hr/>	<hr/>
Impairment of financial assets:		
Impairment and write down of trade receivables	<b>106,416</b>	645,882
(Reversal)/impairment and write down of other receivables	<b>(117,051)</b>	283,960
Impairment of financial assets at fair value through other comprehensive income	–	1,340
Fair value loss/(gain) on financial assets at fair value through profit or loss	<b>2,952</b>	(1,155)
Impairment and write-down of inventories	<b>17,109</b>	1,967,382
Impairment of goodwill	–	50,521
Impairment of property, plant and equipment	<b>838</b>	4,974
Impairment of right-of-use assets	<b>172</b>	–
Impairment of intangible assets	–	1,816
Loss on disposal of property, plant and equipment	<b>1,384</b>	745
	<hr/>	<hr/>

## 7. INCOME TAX

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

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

*Note:* For losses in prior period, tax credit is recognised up to the recoverable amount which represent unpaid tax provision brought forward. No deferred tax assets and accordingly tax credit recognised for current period losses in excess of this amount. In the opinion of the directors, it is not probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized.

## 8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Loss</b>		
Loss attributable to ordinary equity holders of the parent used in the basic loss per share calculation:	<b>(167,847)</b>	(3,443,514)
	<hr/>	<hr/>
<b>Shares</b>		
Weighted average number of ordinary shares	<b>732,460,400</b>	732,460,400
	<hr/>	<hr/>

## 9. INVENTORIES

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

## 10. TRADE AND BILLS RECEIVABLES

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

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

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

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

#### 11. TRADE AND BILLS PAYABLES

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

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

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

#### 12. ISSUED CAPITAL

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

### **13. DIVIDENDS**

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

### **14. EVENTS AFTER THE REPORTING PERIOD**

The outbreak of COVID-19 pandemic is still in a situation of multiple frequent occurrences, travel restrictions remain and certain cities introduced lockdown measures in order to contain the pandemic. These measures have a significant negative impact on the Group's business and the retail sector as a whole which includes all of the Group's potential customers. Many of the Group's retail shops did not operate full business hours, or on an "on and off" basis during the reporting period, and this resulted in the complete closure of retail shops as the pandemic is prolonged. The trend of closure of retail shops continued after the interim balance sheet date as the pandemic prolonged, and the expectation that the pandemic can be controlled in a short period of time became pessimistic following the outbreak of subsequent waves of COVID-19 pandemic.

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### I. BUSINESS REVIEW

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

### II. FINANCIAL POSITION AND OPERATING RESULTS

#### (I) Overview

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

#### 1. *Operating revenue*

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

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

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

**2. *Cost of sales***

For the six months ended 30 June 2022, the Group's cost of sales amounted to RMB5,945,702,000, representing an increase of RMB565,045,000 or 10.50% from cost of sales of RMB5,380,657,000 for the same period in 2021, which was mainly due to the increase in operating revenue.

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

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

**4. *Other income and gains***

Other income and gains include: (i) interest income; (ii) government grants; and (iii) others. The Group's other income and gains for the six months ended 30 June 2022 amounted to RMB39,076,000, representing a decrease of RMB84,490,000 or 68.38% from other income and gains of RMB123,566,000 for the same period in 2021. The decrease of other income and gains was mainly due to the absence of recognition of other income from writing-off amounts payable to dissolved vendors in the first half of 2022.

**5. *Selling and distribution expenses***

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



The Group's other selling and distribution expenses for the six months ended 30 June 2022 amounted to RMB10,567,000, representing a decrease of RMB21,438,000 or 66.98% from the other selling and distribution expenses of RMB32,005,000 for the same period in 2021. Such decrease was primarily due to the newly implemented refined management after Huafa Group becoming the Controlling Shareholder of the Company, which vigorously promoted cost reduction and expense cutting and reduced miscellaneous expenses, with significant results.

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

#### **6. *Administrative expenses***

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

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

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

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

#### **7. *Finance costs***

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

## 8. *Other expenses*

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

## 9. *Income tax credit/(expense)*

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

## 10. *Indebtedness – bank and other borrowings*

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

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

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

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

The Directors confirmed that as at 30 June 2022 and as at the date of this announcement, we did not have any material default in payment of trade and non-trade payables and bank borrowings, nor did we breach any financial covenants. Save as disclosed herein, the agreements under our bank borrowings do not contain any covenant that will have a material adverse effect on our ability to make additional borrowings or issue debt securities or equity securities in the future. We did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 30 June 2022.

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

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

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

## **(III) Capital expenditure**

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

#### (IV) Key financial ratios

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

Items	As at 30 June 2022	As at 31 December 2021	Change	Percentage of change
Current ratio	1.02	1.05	(0.03)	(2.86%)
Gearing ratio	77.18%	74.22%	2.96%	3.99%
Net debt-to-equity ratio	<u>338.16%</u>	<u>287.84%</u>	<u>50.32%</u>	<u>17.48%</u>

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

Gearing ratio is net debt divided by the sum of net debt and total equity at the end of each financial period and multiplied by 100%. Net debt includes interest-bearing bank and other borrowings less cash and cash equivalents. As at 30 June 2022, our gearing ratio was 77.18%, representing an increase of 2.96 percentage points, or 3.99%, compared to a gearing ratio of 74.22% as at 31 December 2021. The increase was mainly due to the decrease in total equity.

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

#### (V) Material acquisitions and disposals

For the six months ended 30 June 2022, the Group had no material acquisitions and disposals.

#### (VI) Contingent liabilities

A subsidiary of the Group is currently a joint defendant in a litigation brought by a third party for breach of contract whereby the subsidiary of the Group has to bear joint and several liabilities. Based on the information from the legal counsel, the Group has made provision for an amount of RMB28,682,000 in the consolidated financial statements. In the opinion of the Directors, based on the information currently available, the amount provided for represented the maximum amount that the Group has to bear in this litigation.

**(VII) Foreign exchange rate risks**

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

**(VIII) Pledge of assets**

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

**(IX) Material investments**

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

**(X) Equity arrangements**

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

**(XI) Share capital**

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

**(XII) Material events after the reporting period**

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

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

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

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

### **III. BUSINESS OUTLOOK FOR THE SECOND HALF OF 2022**

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

- (I) With the continuous improvement of the operating quality of Digital Telecom, in the second half of 2022, the Company will focus on the refined operation of the retail business. On the one hand, we will reduce costs and improve efficiency, and enhance operating quality of each business to realise the stable growth of the Company's performance. On the other hand, based on the current business development, the Company will continue to strengthen the proportion of after-sales service business in the retail business, and continue to explore and enhance the revenue of service business with higher customer stickiness and profitability, such as insurance, recycling, instalment and maintenance, so as to lay a solid foundation for the long-term improvement of the Company's retail business.
- (II) We will continue to tie up with mobile carriers in depth and continue to obtain massive carrier resources in the 5G era in terms of retail business hall and store entry operations, diversified category services and government and enterprise business cooperation.

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

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

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

## **INTERIM DIVIDEND**

The Board does not recommend any interim dividend for the six months ended 30 June 2022.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as its own code of corporate governance. During the six months ended 30 June 2022, save as disclosed below, the Company complied with all applicable code provisions as set out in the CG Code and adopted most of the recommended best practices.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Ms. Xu Jili (“**Ms. Xu**”) as the chairwoman and president, which 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 at the current stage, as it helps to maintain the continuity of the policies and the stability and efficiency of the operations of the Company. The Board also meets on a regular basis to review the operations of the Company led by Ms. Xu. Accordingly, the Board believes that such arrangement will not affect the balance of power and authorisation between the Board and management of the Company. The Company will continue reviewing and enhancing its corporate governance codes to ensure compliance with the CG Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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

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

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

### **Audit Committee**

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

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

## **CONTINUED SUSPENSION OF TRADING**

At the request of the Company, trading in the H shares of the Company has been suspended with effect from 9:00 a.m. on 4 June 2021 and will remain suspended until further notice. The Company will make further announcement(s) on the restoration of public float in accordance with the Listing Rules in due course.



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

This interim results announcement of the Company will be available on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.dixintong.com](http://www.dixintong.com)), respectively. The 2022 interim report of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and will be made available on the websites of the Stock Exchange and the Company, respectively, in due course.

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

Beijing, the PRC  
26 August 2022

*As at the date of this announcement, the executive Directors are Ms. XU Jili, Ms. XU Liping and Mr. LIU Donghai; the non-executive Directors are Mr. XIE Hui, Mr. JIA Zhaojie and Ms. PAN Anran; and the independent non-executive Directors are Mr. LV Tingjie, Mr. LV Pingbo and Mr. CAI Chun Fai.*