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北京迪信通商貿股份有限公司

Beijing Digital Telecom Co., Ltd.

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

(Stock Code: 6188)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

AUDITED FINANCIAL HIGHLIGHTS

For the year ended 31 December 2023:

The revenue of the Group amounted to RMB17,145,992,000, representing an increase of 26.94% as compared to the revenue of the Group of RMB13,507,537,000 for the year ended 31 December 2022.

The net loss attributable to owners of the parent of the Company amounted to RMB630,045,000, representing an increase of 128.63% as compared to the net loss attributable to owners of the parent of the Company of RMB275,579,000 for the year ended 31 December 2022.

The basic loss per Share amounted to RMB0.84/Share, as compared to the basic loss per Share of RMB0.38/Share for the year ended 31 December 2022.

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

The Board (the "**Board**") of Directors (the "**Director(s)**") of Beijing Digital Telecom Co., Ltd. (the "**Company**" or "**Digital Telecom**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (together, the "**Group**" or "**we**") for the year ended 31 December 2023 together with the audited comparable figures for the year ended 31 December 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2023

	Notes	**2023** *RMB'000*	2022 *RMB'000*
REVENUE	*3*	**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	*3*	**134,953**	45,258
Selling and distribution expenses		**(395,605)**	(418,065)
Administrative expenses		**(204,999)**	(204,396)
Impairment losses on financial assets		**(709,312)**	(108,913)
Other expenses		**(79,327)**	(29,724)
Finance costs		**(179,827)**	(177,790)
Share of losses of:			
Joint ventures		**(4,026)**	(10,500)
Associates		**(4,288)**	6,221
LOSS BEFORE TAX		**(661,080)**	(260,477)
Income tax expenses	*4*	**(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	*6*	**(0.84)**	(0.38)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
Year ended 31 December 2023

	2023	2022
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(666,025)**	(279,145)
OTHER COMPREHENSIVE INCOME		
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		**46,425**	52,892
Right-of-use assets		**209,061**	197,543
Other intangible assets		**1,393**	2,414
Investments in joint ventures		**31,777**	41,613
Investments in associates		**38,065**	60,527
Equity investments designated at fair value through other comprehensive income		**20,000**	20,341
Total non-current assets		**346,721**	375,330
CURRENT ASSETS			
Inventories		**331,484**	275,887
Trade and bills receivables	*7*	**2,043,052**	2,320,654
Prepayments, other receivables and other assets	*8*	**1,953,808**	1,963,591
Financial assets at fair value through profit or loss		**443,377**	81,937
Investment in an associate classified as held for sale		**–**	179,000
Due from related parties		**698,840**	600,350
Pledged deposits		**1,797,640**	1,043,609
Cash and cash equivalents		**717,266**	224,133
Total current assets		**7,985,467**	6,689,161
CURRENT LIABILITIES			
Trade and bills payables	*9*	**413,067**	313,051
Other payables and accruals		**651,229**	466,776
Interest-bearing bank and other borrowings		**3,965,644**	2,687,737
Lease liabilities		**44,120**	80,523
Due to related parties		**3,015,159**	2,879,743
Tax payable		**27,996**	27,541
Total current liabilities		**8,117,215**	6,455,371

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2023

	2023	2022
	RMB'000	*RMB'000*
NET CURRENT (LIABILITIES)/ASSETS	**(131,748)**	233,790
TOTAL ASSETS LESS CURRENT LIABILITIES	**214,973**	609,120
NON-CURRENT LIABILITIES		
Long-term borrowings	**–**	14,846
Deferred tax liabilities	**333**	605
Lease liabilities	**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	**886,460**	732,460
Reserves	**(815,848)**	(303,895)
	70,612	428,565
Non-controlling interests	**(26,632)**	9,348
TOTAL EQUITY	**43,980**	437,913

NOTES TO FINANCIAL STATEMENTS

31 December 2023

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, 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 right 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 rights of the Company thereafter.

2. 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.

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.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*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.

Disaggregated revenue information

Mobile related

	Year ended 31 December	
	2023	2022
	RMB'000	*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

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 accrual litigation liabilities	**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.

4. 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	**(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

5. DIVIDENDS

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

6. 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 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)
Shares		
Weighted average number of ordinary shares in issue during the year	**748,228,000**	732,460,000

7. 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

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
Impairment losses	**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 have 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). 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

8. 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
Addition/(reversal) during the year	**263,481**	(84,937)
At end of year	**536,245**	272,764

As set out in note 7, 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 7 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 7.

9. 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.

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 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. 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.

8. 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.

9. 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 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 flow 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 flow 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 loan from related parties during the year ended 31 December 2023.

(iii) Balance sheet items

1. Trade and bills receivables

To enhance 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. 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.

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 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.

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. 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 was mainly attributable to the increase in purchases as a result of the expansion of the Group's business size during the year.

6. 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.

7. 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.

8. 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 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.

9. 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:

	As at 31 December			
Items	**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 material 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 2,561 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 announcement, 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 Company's controlling shareholder, Zhuhai Huafa Group Company Limited*（珠海華發集團有限公司）("**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 (as defined in the announcement of the Company dated 11 March 2024) 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 (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). For further details, please refer to the announcement of the Company dated 6 February 2024.

As the term of the Photovoltaic Equipment and Components Purchase and Sales Framework Agreement No. 1 (as defined in the announcement of the Company dated 11 March 2024) 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 of the Company at the forthcoming annual general meeting ("**AGM**") of the Company 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 (as defined in the announcement of the Company dated 11 March 2024) 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 of the Company dated 11 March 2024.

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 of the Company dated 11 March 2024.

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 Board, the rules of procedures for the general meeting of the Company and the rules of procedures for the board of supervisors (the "**Supervisors**") of the Company (collectively, the "**Procedural Rules**").

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 (as defined in the announcement of the Company dated 11 March 2024) and the transaction contemplated thereunder (including the proposed cap); and (iii) the proposed amendments to the Articles of Association and the Procedural Rules. The proposed amendments to each of the Articles of Association and the Procedural Rules shall also be subject to the approval by the shareholders of the Company at the forthcoming H share class meeting and the domestic share class meeting of the Company. For further details, please refer to the announcement of the Company dated 11 March 2024.

Save as disclosed above, as at the date of this announcement, 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 Data and Information Communication Technology ("**DICT**") category, the security terminal category and the information and innovation category, thus realizing 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 optimization 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.

ISSUE OF NEW H SHARES UNDER SPECIFIC MANDATE

As disclosed in the announcement of the Company 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 acceptances of the Offers in respect of 327,057,912 H shares of the Company (the "**H Share(s)**"), Zhuhai Huafa Technology Industry Group Co., Ltd. (formerly known as Zhuhai Huafa Industrial Investment Holding Co., Ltd.), Hong Kong Huafa Investment Holdings Limited and parties acting in concert with them held, controlled or directed 327,057,912 H Shares and 337,700,000 domestic shares of the Company (the "**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 issued shares of the Company (the "**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 in 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 was not satisfied. At the request of the Company, trading in the H Shares had 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 had been proactively formulating work plans for restoration of public float by the Company, and had used its best endeavours to contact and negotiate with potential investors regarding the subscription of the H Shares (the "**Subscription Share(s)**") in order to restore the minimum public float as soon as practicable. As disclosed in the announcement of the Company dated 1 September 2023 and circular dated 8 September 2023 (the "**Circular**"), on 1 September 2023, the Company entered into (i) the subscription agreement I with YBN Investments Limited ("**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) the subscription agreement II with Unicorn Link Group Limited ("**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**"). After completion of the three tranches of subscription of the H Shares by Subscriber I and Subscriber II, the percentage of the public float of the Company would be increased to 25.01%, which would satisfy the public float requirement. As at the date of entering into the Subscription Agreements, the closing price of the H Shares as quoted on the Stock Exchange (i.e. the closing price before the suspension of trading in the H Shares on 4 June 2021) was HK$3.83 per H Share.

On 28 September 2023, pursuant to the Subscription Agreements, the Company has completed the allotment and issuance of 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 H Shares and approximately 7.02% of the entire issued Shares immediately before the First Tranche Subscription, and (ii) approximately 11.52% of the total number of issued H Shares and approximately 6.56% of the entire issued Shares as enlarged by the allotment and issuance of the H Shares under the First Tranche Subscription. The total gross proceeds from the First Tranche Subscription were approximately HK$87.38 million. Given that the percentage of public float of the Company has increased to 15.20% following the 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 materialised by no later than 28 March 2024 subject to the terms and conditions of the Subscription Agreements, a formal application was made by the Company to the Stock Exchange 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.

On 22 December 2023, pursuant to the Subscription Agreements, the Company has completed the allotment and issuance of a total of 102,600,000 H Shares to Subscriber I and Subscriber II under specific mandate (the "**Second and Third Tranche Subscriptions**"), representing (i) approximately 23.00% of the total number of issued H Shares and approximately 13.09% of the entire issued Shares immediately before the Second and Third Tranche Subscriptions, and (ii) approximately 18.70% of the total number of issued H Shares and approximately 11.57% of the entire issued Shares as enlarged by the allotment and issuance of the H Shares under the Second and Third Tranche Subscription. The total gross proceeds from the Second and Third Tranche Subscriptions 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 total 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 related professional fees and all related expenses of approximately HK$1.05 million, amount to approximately HK$260.75 million, representing a net subscription price of approximately HK$1.69 per Subscription Share. As disclosed in the Circular, the Company intends to utilise all the net proceeds from the Subscriptions for the purpose of the general working capital for the Group (including the repayment of bank loans in relation to general operation). 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 the net proceeds from the Subscriptions as at 31 December 2023:

Item	**Approximate amount of net proceeds utilised as at 31 December 2023**	**Approximate unutilised net proceeds as at 31 December 2023**
	HK$ million	*HK$ million*
General working capital (including the repayment of bank loans in relation to general operation)	0	260.75

The Subscriptions have not only restored the Company's public float, but also provided a good opportunity for the Company to raise funds in this challenging capital market condition. The Subscriptions would enable the Company to replenish its working capital without increasing the Group's financing costs and sustain the continuous business and development of the Group.

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 with Subscriber II (collectively, the "**Supplemental Agreements**"), pursuant to which the relevant lock-up period for the subscribers of each of the Subscription Shares under the First Tranche Subscription and the Second and Third Tranche Subscriptions (the "**Lock-up Period**") has 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 aligned and fixed on the same date, i.e. the date falling nine months from the completion of the Second and Third Tranche Subscription. Save and except for the above amendments, all other terms and conditions of the Subscription Agreements (as amended and supplemented by the Supplemental Agreements) have remained unchanged and continued in full force and effect.

For details of the Subscriptions and the Supplemental Agreements, please refer to the announcements of the Company dated 1 September 2022, 25 September 2023, 28 September 2023 and 22 December 2023 and the Circular.

SUFFICIENCY OF PUBLIC FLOAT

Following the completion of the First Tranche Subscription, the Second and Third Tranche Subscriptions, 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.

FINAL DIVIDENDS

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

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Listing Rules as its own code of corporate governance. During the year ended 31 December 2023, save as disclosed below, the Company complied with all the 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 chief executive officer 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.

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 C3 to the Listing Rules as the code of conduct regarding securities transactions conducted by its Directors and Supervisors. 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 year ended 31 December 2023.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company, together with the management and external auditor of the Company, has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 December 2023.

This annual results announcement is based on the audited consolidated financial statements of the Group for the year ended 31 December 2023, as agreed with the auditor of the Company.

The Board has considered and approved the audited consolidated financial results of the Group for the year ended 31 December 2023 as set out in this annual results announcement.

PUBLICATION OF AUDITED ANNUAL RESULTS ANNOUNCEMENT AND 2023 ANNUAL REPORT

This announcement of audited annual results will be available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.dixintong.com). The 2023 Annual 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 respective websites of the Stock Exchange and the Company.

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

Beijing, the PRC
26 March 2024

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.

* *For identification purposes only*