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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 2023**

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2023:

The revenue of the Group amounted to RMB9,149,602,000, representing an increase of 47.50%, as compared to the revenue of the Group of RMB6,202,947,000 for the same period of last year.

The net loss attributable to owners of the parent of the Company for the period amounted to RMB26,436,000, representing a decrease of 84.25%, as compared to the net loss attributable to owners of the parent of the Company of RMB167,847,000 for the same period of last year.

The basic loss per share amounted to RMB0.04/share, representing a decrease of RMB0.19/share, as compared to a basic loss per share of RMB0.23/share for 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 2023 and the comparable figures for the same period of 2022.

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

For the six months ended 30 June 2023

	<i>Notes</i>	For the six months ended 30 June	
		2023 Unaudited RMB'000	2022 Unaudited RMB'000
REVENUE	5	9,149,602	6,202,947
Cost of sales		(8,801,457)	(5,945,702)
Gross profit		348,145	257,245
Other income and gains	5	23,769	39,076
Selling and distribution expenses		(206,677)	(247,436)
Administrative expenses		(98,860)	(96,356)
(Impairment losses)/ reversal on financial assets		(30,032)	10,635
Other expenses		(358)	(28,803)
Finance costs		(68,774)	(98,962)
Share of losses and profits of:			
Joint ventures		(4,674)	(2,595)
Associates		(3,851)	(1,453)
LOSS BEFORE TAX	6	(41,312)	(168,649)
Income tax credit/(expense)	7	8,401	(227)
LOSS FOR THE PERIOD		(32,911)	(168,876)
Attributable to:			
Owners of the parent		(26,436)	(167,847)
Non-controlling interests		(6,475)	(1,029)
		(32,911)	(168,876)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)			
For loss for the period	8	(0.04)	(0.23)

	For the six months ended	
	30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
(LOSS) FOR THE PERIOD	<u>(32,911)</u>	<u>(168,876)</u>
OTHER COMPREHENSIVE LOSS		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Share of other comprehensive income/(loss) of a joint venture	<u>5,242</u>	<u>(433)</u>
Exchange differences on translation of foreign operations	<u>(7,379)</u>	<u>(2,077)</u>
OTHER COMPREHENSIVE (LOSS) FOR THE PERIOD, NET OF TAX	<u>(2,137)</u>	<u>(2,510)</u>
TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD	<u>(35,048)</u>	<u>(171,386)</u>
Attributable to:		
Owners of the parent	<u>(28,573)</u>	<u>(170,357)</u>
Non-controlling interests	<u>(6,475)</u>	<u>(1,029)</u>
	<u>(35,048)</u>	<u>(171,386)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2023

		30 June 2023	31 December 2022
	<i>Note</i>	Unaudited RMB'000	Audited RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		49,006	52,892
Right-of-use assets		175,437	197,543
Other intangible assets		1,916	2,414
Investments in joint ventures		42,181	41,613
Investments in associates		56,676	60,527
Equity investments designated at fair value through other comprehensive income		20,000	20,341
		<hr/>	<hr/>
Total non-current assets		345,216	375,330
CURRENT ASSETS			
Inventories		283,033	275,887
Trade and bills receivables	9	2,548,016	2,320,654
Prepayments, other receivables and other assets		2,394,926	1,963,591
Financial assets at fair value through profit or loss		729,084	81,937
Investment in an associate classified as held for sale		–	179,000
Due from related parties		587,188	600,350
Pledged deposits		1,683,949	1,043,609
Cash and cash equivalents		214,418	224,133
		<hr/>	<hr/>
Total current assets		8,440,614	6,689,161

		30 June 2023	31 December 2022
	<i>Note</i>	Unaudited RMB'000	Audited RMB'000
CURRENT LIABILITIES			
Trade and bills payables	10	284,246	313,051
Other payables and accruals		668,772	466,776
Interest-bearing bank and other borrowings		4,274,502	2,687,737
Lease liabilities		69,339	80,523
Due to related parties		2,933,720	2,879,743
Tax payable		17,703	27,541
		<hr/>	<hr/>
Total current liabilities		8,248,282	6,455,371
		<hr/>	<hr/>
NET CURRENT ASSETS		192,332	233,790
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		537,548	609,120
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		14,557	14,846
Deferred tax liability		490	605
Lease liabilities		119,636	133,901
Other long term payable		–	21,855
		<hr/>	<hr/>
Total non-current liabilities		134,683	171,207
		<hr/>	<hr/>
NET ASSETS		402,865	437,913
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent:			
Issued capital		732,460	732,460
Reserves		(332,468)	(303,895)
		<hr/>	<hr/>
		399,992	428,565
		<hr/>	<hr/>
Non-controlling interests		2,873	9,348
		<hr/>	<hr/>
TOTAL EQUITY		402,865	437,913
		<hr/>	<hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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.

During the reporting period, Huafa Group (including Zhuhai Huafa Technology Industry Group Co., Ltd. and Hong Kong Huafa Investment Holdings Limited, hereinafter refer to as "Huafa Group") held 67.77% of the Company's equity interests, and together with a concert party agreement with the Liu Family (comprising Mr. Liu Donghai, and his siblings, Mr. Liu Songshan, Ms. Liu Hua, Ms. Liu Wencui, Ms. Liu Yongmei and Ms. Liu Wenli), 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 2023 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 2022.

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 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any. The amendments did not have any significant impact on the Group's financial statements.
- (d) Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

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.

5. REVENUE, OTHER INCOME AND GAINS

(a) Revenue

An analysis of revenue is as follows:

Segments

	For the six months ended	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
Types of goods or services		
Sales of mobile telecommunications devices and accessories	8,779,801	5,969,592
Including:		
Retail of mobile telecommunications devices and accessories	1,788,547	1,744,193
Sales of telecommunications devices and accessories to franchisees	247,313	306,789
Wholesales of mobile telecommunications devices and accessories	6,743,941	3,918,610
Sales of automobiles	45,104	–
Service income from mobile carriers	126,625	135,943
Revenue from provision of online and offline sales and marketing services*	122,161	28,302
Other service fee income	75,911	69,110
	<hr/>	<hr/>
Total revenue from contracts with customers	9,149,602	6,202,947

* The Group generated service income for providing services to the Huafa Group.

	For the six months ended	
	30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
Timing of revenue recognition		
Goods transferred at a point in time	8,824,905	5,969,592
Services transferred over time	324,697	233,355
	<hr/>	<hr/>
Total revenue from contracts with customers	9,149,602	6,202,947
	<hr/>	<hr/>
Geographical markets		
Mainland China	9,050,755	6,020,922
Spain	94,700	179,129
Hong Kong	4,147	2,896
	<hr/>	<hr/>
Total revenue from contracts with customers	9,149,602	6,202,947
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(b) Other income and gains

	For the six months ended	
	30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
Other income		
Interest income	21,134	27,338
Government grants (<i>note (a)</i>)	2,030	2,416
Others	605	9,322
	<hr/>	<hr/>
	23,769	39,076
	<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):

	For the six months ended	
	30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
Cost of inventories sold and services provided	8,801,457	5,945,702
Depreciation of property, plant and equipment	10,503	8,989
Amortisation of intangible assets	567	577
Depreciation of right-of-use assets	49,460	64,891
Interest on lease liabilities	4,997	6,261
	<hr/>	<hr/>
Impairment of financial assets:		
Impairment and write-down of trade receivables	4,805	106,894
Impairment and write-down/(reversal) of other receivables	16,853	(116,565)
Impairment/(reversal) of amount due from related parties	8,374	(964)
Fair value (gain)/loss on financial assets at fair value through profit or loss	(9,241)	2,952
(Reversal)/Impairment and write-down of inventories	(801)	17,109
Impairment of property, plant and equipment	89	838
Impairment of right-of-use assets	225	172
Loss on disposal of property, plant and equipment	18	1,384
	<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., a subsidiary of the Company, which was subject to tax at preferential rate of 15%, for the period of six months ended 30 June 2023. The major components of income tax (credit)/expense are as follows:

	For the six months ended	
	30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
Current:		
Charge for the period	(8,286)	567
Deferred tax	(115)	(340)
	<hr/>	<hr/>
Total tax (credit)/expense for the period	(8,401)	227

Note: For losses in the 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 was recognised for the losses in excess of the amount in the prior period. 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:

	For the six months ended	
	30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent used in the basic loss per share calculation	(26,436)	(167,847)
	<hr/>	<hr/>
Shares		
Weighted average number of ordinary shares	732,460,400	732,460,400
	<hr/>	<hr/>

9. TRADE AND BILLS RECEIVABLES

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Trade receivables	2,849,077	2,723,024
Bills receivable	<u>106,176</u>	<u>63</u>
Less: impairment of trade receivables	<u>(407,237)</u>	<u>(402,433)</u>
	<u>2,548,016</u>	<u>2,320,654</u>

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

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Within 90 days	659,658	613,661
91 to 180 days	189,217	133,762
Over 180 days	<u>1,699,141</u>	<u>1,573,231</u>
	<u>2,548,016</u>	<u>2,320,654</u>

10. TRADE AND BILLS PAYABLES

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Trade payables	<u>284,246</u>	<u>313,051</u>

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

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Within 90 days	138,027	236,312
91 to 180 days	9,669	14,820
Over 180 days	<u>136,550</u>	<u>61,919</u>
	<u>284,246</u>	<u>313,051</u>

11. DIVIDENDS

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

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

In the first half of 2023, after the easing of COVID-19 pandemic control measures, the Company proactively seized market opportunities and strived to expand its business. The several major business operations of the Company gradually recovered and returned to normal, with particular emphasis on its three main subsidiaries located in Shanghai, Beijing, and Henan. Therefore, in the first half of the year, the Company's sales of mobile handsets and operating revenue recorded a significant period-on-period improvement. For the six months ended 30 June 2023, the Group sold 2,207,000 mobile handsets, representing an increase of 205,000 sets, or 10.24%, as compared to the sales of 2,002,000 mobile handsets for the same period in 2022. Operating revenue for the first half of 2023 amounted to RMB9,149,602,000, representing an increase of RMB2,946,655,000 or 47.50%, as compared to that of RMB6,202,947,000 for the same period of 2022. In the first half of 2023, the net loss attributable to owners of the parent of the Company for the six months ended 30 June 2023 amounted to RMB26,436,000, representing a decrease of RMB141,411,000 or 84.25%, as compared to the net loss attributable to owners of the parent of the Company of RMB167,847,000 for the same period of 2022.

II. FINANCIAL POSITION AND OPERATING RESULTS

(I) Overview

For the six months ended 30 June 2023, the Group recorded a net loss of RMB32,911,000, as compared to a net loss of RMB168,876,000 for the same period in 2022, representing a period-on-period decrease of 80.51%, among which, the net loss attributable to owners of the parent of the Company for the six months ended 30 June 2023 amounted to RMB26,436,000, representing a period-on-period decrease of RMB141,411,000 or 84.25%, as compared to the net loss attributable to owners of the parent of the Company of RMB167,847,000 for the same period of 2022. The basic loss per share amounted to RMB0.04/share, representing a decrease of RMB0.19/share, as compared to a basic loss per share of RMB0.23/share for the same period of last year.

1. Operating revenue

The Group's operating revenue for the six months ended 30 June 2023 amounted to RMB9,149,602,000, representing an increase of RMB2,946,655,000, or 47.50%, as compared to that of RMB6,202,947,000 for the same period of 2022. The increase in revenue was mainly due to an increase in revenue from wholesale business to third parties and an increase in revenue from retail business under 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, 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 RMB8,779,801,000 for the six months ended 30 June 2023, representing an increase of RMB2,810,209,000 or 47.08%, as compared with that of RMB5,969,592,000 for the same period in 2022.

The Group's service income from mobile carriers amounted to RMB126,625,000 for the six months ended 30 June 2023, representing a decrease of RMB9,318,000 or 6.85%, as compared with that of RMB135,943,000 for the same period in 2022.

The Group's revenue from provision of online and offline sales and marketing services and other services for the six months ended 30 June 2023 amounted to RMB198,072,000 in total, representing an increase of RMB100,660,000, or 103.33%, as compared with that of RMB97,412,000 in total for the six months ended 30 June 2022 from provision of online and offline sales and marketing services and other services. Among which, revenue from online and offline sales and marketing services increased by RMB93,859,000, which was mainly attributable to the synergy of resources within the Group based on the Company's channel strengths. In the future, the Company will expand its channel advantages in an all-round way to provide sales services to more customers.

The Group's new revenue from sales of automobiles for the six months ended 30 June 2023 amounted to RMB45,104,000, which was generated as a result of the Group's active development of new energy vehicle sales business.

2. *Cost of sales*

The Group's cost of sales for the six months ended 30 June 2023 amounted to RMB8,801,457,000, representing an increase of RMB2,855,755,000, or 48.03%, as compared to that of RMB5,945,702,000 for the same period of 2022, 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 2023 amounted to RMB348,145,000, representing an increase of RMB90,900,000, or 35.34%, as compared to that of RMB257,245,000 for the same period in 2022. Our overall gross profit margins for the six months ended 30 June 2023 and 2022 were 3.81% and 4.15%, respectively. Our overall gross profit margins decreased due to lower gross profit margins at both wholesale and retail businesses in the first half of 2023 as compared to the same period in 2022.

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 2023 amounted to RMB23,769,000, representing a decrease of RMB15,307,000, or 39.17%, as compared to that of RMB39,076,000 for the same period in 2022. The decrease in other income and gains was primarily attributed to the decrease in interest income and government grants in the first half of 2023.

5. *Selling and distribution expenses*

The Group's total selling and distribution expenses for the six months ended 30 June 2023 amounted to RMB206,677,000, representing a decrease of RMB40,759,000, or 16.47%, as compared to that of RMB247,436,000 for the same period in 2022. The decrease in selling and distribution expenses during the period was mainly due to the decrease in staff salaries, rentals and property management expenses.

Staff salaries for the six months ended 30 June 2023 amounted to RMB100,088,000, representing a decrease of RMB22,506,000 or 18.36% from that of RMB122,594,000 for the same period in 2022. The decrease was due to streamlining the labour structure during the period, which resulted in lower salary expenses.

Rentals and property management expenses for the six months ended 30 June 2023 amounted to RMB59,776,000, representing a decrease of RMB17,710,000 or 22.86% from that of RMB77,486,000 for the same period in 2022. The decrease was due to the closure of some stores during the period.

6. *Administrative expenses*

The Group's total administrative expenses for the six months ended 30 June 2023 amounted to RMB98,860,000, representing an increase of RMB2,504,000, or 2.60%, as compared to that of RMB96,356,000 for the same period in 2022. The administrative expenses remained stable as compared to the same period of last year.

7. *Finance costs*

The Group's total finance costs for the six months ended 30 June 2023 amounted to RMB68,774,000, representing a decrease of RMB30,188,000, or 30.50%, as compared to that of RMB98,962,000 for the same period in 2022. The decrease in finance costs was due to a lower capital occupancy cost as compared to the same period of last year.

8. *Other expenses*

Our other expenses mainly include impairment and write-down of inventories, impairment of fixed assets and profit or loss in fair value changes. The Group's other expenses for the six months ended 30 June 2023 amounted to RMB358,000, representing a decrease of RMB28,445,000, or 98.76%, as compared to that of RMB28,803,000 for the same period in 2022. The decrease was mainly due to the decrease in fixed asset impairment and profit or loss in fair value changes.

9. *Income tax credit/(expense)*

The Group's total income tax credit for the six months ended 30 June 2023 amounted to RMB8,401,000, as compared to an income tax expense of RMB227,000 for the same period in 2022. The relevant change was mainly due to losses in income tax credit for the period.

10. *Indebtedness – bank and other borrowings*

As of 30 June 2023, 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:

	As of 30 June 2023 (Unaudited) RMB'000	As of 31 December 2022 (Audited) RMB'000
Current		
Bank loans:		
Unsecured, repayable within one year	1,429,772	1,143,915
Secured, repayable within one year	2,834,730	1,102,805
Other loans:		
Unsecured, repayable within one year	10,000	391,017
Secured, repayable within one year	–	50,000
	4,274,502	2,687,737
Long-term		
Unsecured, repayable after one year	14,557	14,846
Total	4,289,059	2,702,583

As at 30 June 2023, 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 at 30 June 2023, our bank and other borrowings amounted to RMB4,289,059,000, representing an increase of RMB1,586,476,000 or 58.70%, as compared to that of RMB2,702,583,000 as at 31 December 2022.

The Directors confirmed that as at 30 June 2023 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 or equity securities in the future. We did not have any 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 2023.

(II) Current assets and financial position

As at 30 June 2023, the Group had cash and cash equivalents in amount of RMB214,418,000, representing a decrease of RMB9,715,000, or 4.33%, as compared to that of RMB224,133,000 as at 31 December 2022.

As at 30 June 2023, the Group's short-term bank and other borrowings amounted to RMB4,274,502,000, representing an increase of RMB1,586,765,000, or 59.04%, as compared to that of RMB2,687,737,000 as at 31 December 2022.

(III) Capital expenditure

For the six months ended 30 June 2023, the Group's capital expenditure amounted to RMB8,184,000, which was incurred mainly in relation to purchase and construction of fixed assets and decoration expenses in connection with the opening of new outlets and the renovation of old ones.

(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 2023	As at 31 December 2022	Change	Percentage of change
Current ratio	1.02	1.04	(0.02)	(1.92%)
Gearing ratio	91.00%	84.98%	6.02%	7.08%
Net debt-to-equity ratio	<u>1,011.42%</u>	<u>565.97%</u>	<u>445.45%</u>	<u>78.71%</u>

Current ratio is current assets divided by current liabilities at the end of each financial period. As at 30 June 2023, our current ratio was 1.02, representing a decrease of 0.02 or 1.92%, as compared to that of 1.04 as at 31 December 2022.

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 2023, our gearing ratio was 91.00%, representing an increase of 6.02 percentage points, or 7.08%, as compared to that of 84.98% as at 31 December 2022. The increase was mainly due to the increase in bank loan.

Net debt-to-equity ratio equals net debt divided by total equity as the end of the period and multiplied by 100%. As at 30 June 2023, our net debt-to-equity ratio was 1,011.42%, representing an increase of 445.45 percentage points, or 78.71%, as compared to that of 565.97% as at 31 December 2022. The increase was mainly due to the increase in bank loan.

(V) Material acquisitions and disposals

During the six months ended 30 June 2023, 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 legal counsel, the Group has made provision for an amount of RMB32,999,000 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 risks.

(VIII) Pledge of assets

As at 30 June 2023, the Group had pledged deposits amounting to RMB1,683,949,000 and financial assets at fair value through profit or loss amounting to RMB728,016,000.

(IX) Material investments

For the six months ended 30 June 2023, the Group had no other material investment.

(X) Equity arrangements

For the six months ended 30 June 2023, 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

During the six months ended 30 June 2023, there were no significant changes in the Company's share capital structure.

(XII) Material events after the reporting period

As of the date of this announcement, the Group has no material events after 30 June 2023 that are required to be disclosed.

(XIII) Employees and remuneration policy

As at 30 June 2023, the Group had a total of 2,521 employees (30 June 2022: 3,035). Salary expenses and employees' benefit expenses were approximately RMB152,965,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB164,211,000). Remunerations for the Company's existing employees include salaries, performance-based bonus, social insurance and housing provident fund. The Company has also conducted various trainings for employees, including professional qualification training, product and business information training, and management skills training, which are conducted mainly in three ways through online learning, seminars and conferences and skill-specific training programmes.

III. BUSINESS OUTLOOK FOR THE SECOND HALF OF 2023

Looking back at the first half of 2023, both the socio-economic environment and the development of the market sector have experienced changes of downturn and rebound. From experiencing full liberalization and a strong economic recovery at the beginning of 2023, to facing sluggish growth and declining consumption in the second quarter of 2023, Digital Telecom is still encountering a challenging external environment. However, by prioritizing the protection and development of our core business while also actively exploring new business opportunities, Digital Telecom has achieved a performance that surpasses the average market level. In the second half of 2023, Digital Telecom is determined to seize opportunities stemming from our core business and further expand the presence of newly established ventures. This commitment aims to fully achieve the annual target:

- (I) By leveraging the government’s stimulus measures to boost consumption, we successfully stabilized our offline network while increasing the output of each individual outlet. In the second half of 2023, the central government and other regions will continue to stimulate consumer spending by formulating and announcing favourable policies. These measures are expected to generate a new wave of consumption specifically in the field of large electrical appliances. With our strategic partnerships with JD.com and UnionPay, Digital Telecom will capitalise on the opportunity presented by online and offline consumption coupon activities in various regions. This will enable us to achieve localised performance growth through point-to-point expansion. Following the completion of the screening process during the pandemic, the outlet pattern of Digital Telecom has reached a relatively stable state. In the second half of 2023, Digital Telecom will focus on stabilising and expanding its outlet network appropriately. We will continue to enhance the quality of newly opened outlets and increase the overall percentage of profitable stores. Our aim is to build a more high-quality offline channel network.
- (II) We are actively adapting to the ever-changing e-commerce landscape and continue to expand our online business scale while optimising our new retail structure. As both TikTok and Kuaishou have made substantial adjustments to their “tens of billions of subsidies” strategy, and JD.com and Taobao have joined the “tens of billions of subsidies” campaign, as well as Meituan has continuously grown its presence in the 3C category, in the first half of 2023, China’s e-commerce landscape in the 3C field has witnessed significant changes with evolving trends. During this period, Digital Telecom has consistently made adjustments to its new retail organization and capability structure, positioning itself as a leader in various new business opportunities. In the second half of 2023, Digital Telecom will focus on expanding its omni-channel business scale in collaboration with JD.com. This includes increasing the scale of the “One-Hour Delivery” fulfilment service, resuming the warehouse fulfilment business, and optimising the JD Home Delivery operation. Additionally, we will proactively participate in JD’s “tens of billions of subsidy” business to enhance the type of cooperation and offer a wider range

of services. Digital Telecom will collaborate with Taobao to revive its Taobao business operations, leveraging Taobao's "tens of billions of subsidies" initiative, and aim to become a prominent merchant on this platform. Digital Telecom will collaborate with TikTok and Kuaishou to actively engage in the "tens of billions of subsidies" campaign, as well as shelf malls and other related initiatives. In term of Meituan, Digital Telecom will systematically optimise store operations, aiming to maximise the benefits from Meituan's rapid growth in the 3C category. Furthermore, Digital Telecom will initiate a nationwide outlet-based livestreaming campaign to bolster its brand influence and garner localized popularity. Digital Telecom will persist in expanding its presence in the government and enterprise e-commerce sector, leveraging its competitive advantage in areas such as banks, airlines, and the military.

- (III) We will strengthen core brand partnerships and focus on enhancing revenue growth opportunities in the mobile handset peripheral category. In the second half of 2023, there will be significant changes in the brand landscape of China's mobile handset market. Digital Telecom will proactively prepare for these market shifts by developing comprehensive plans to engage with core brands beforehand. We will focus on adapting our network, staffing, and marketing to align with the changing market dynamics, striving to maximise revenue from our cooperation with these core brands. Simultaneously, we will concentrate on exploring growth opportunities in the mobile handset peripheral categories. Digital Telecom will undergo a comprehensive adjustment of its business development model, with a focus on increasing revenue through the scaling of recycled and used mobile handsets.

- (IV) We will expand the presence of household photovoltaic (PV) business and explore opportunities in automobile import and export business. With the launch of household PV business in Dai County, Shanxi Province, Digital Telecom has found out a practical business model for household PV. In the second half of 2023, Digital Telecom will accelerate the development of its household PV business in Sichuan, Anhui and other provinces, and continue to expand its household PV business presence. In the automobile business, with the opening of new energy vehicle outlets in Beijing, Guangzhou and Zhuhai, Digital Telecom has been accumulating experience in the retail and distribution of new energy vehicles, and has begun to leverage and utilise the customer resources accumulated through its mobile handset sales network. In the automobile import and export business, Digital Telecom's endeavours in Xinjiang have started to yield positive results. Building upon this success, we will dedicate our efforts in the second half of 2023 to continuous expanding the scale of our automobile procurement and sales, warehousing, agency services, as well as import and export operations for Central Asia.

- (V) With a strong focus on systematisation, Digital Telecom will continue to prioritise the standardisation of corporate operations in order to enhance management efficiency. Digital Telecom will spearhead the nationwide promotion of the new version of the Private Domain Operation System to enhance the effectiveness and output of our integrated online and offline marketing efforts. Furthermore, building upon the system data, Digital Telecom will conduct a comprehensive assessment of the capabilities and productivity of talents at all levels, spanning both IT and human resources domains, aiming to effectively improve human efficiency and output. In conclusion, Digital Telecom is launching internal initiatives for standardized operation consolidation and training across various aspects including business, capital, finance, internal control, and audit. These efforts aim to minimize the occurrence of “management oversight” at all levels and enhance management efficiency comprehensively.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2023.

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 2023, 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 of the Company, which has the same role and responsibility as the chief executive officer but with a different job title. The Board considers that it is appropriate and in the best interests of the Company for Ms. Xu to hold both positions which are conducive to maintaining the operational efficiency 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**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the securities transactions for its Directors and supervisors (the “**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 six months ended 30 June 2023.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2023, 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 of the Company (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, has reviewed the unaudited interim condensed consolidated results of the Group for the six months ended 30 June 2023.

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 will be available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.dixintong.com), respectively. The 2023 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
25 August 2023

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.