迪信通

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 2021

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2021:

The revenue of the Group amounted to RMB5,728,172,000, a decrease of 6.48% compared to the same period of last year.

The net loss attributable to owners of the parent of the Company amounted to RMB3,443,514,000, as compared to net profit attributable to owners of the parent of the Company amounted to RMB63,466,000 for the same period of last year.

The basic loss per share amounted to RMB4.72/share, as compared to earnings per share amounted to RMB0.09/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 consolidated results of the Company and its subsidiaries (together, the "**Group**" or "**we**") for the six months ended 30 June 2021 and the comparable figures for the same period of 2020.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2021

	Notes	For the six months ended 30 June 2021 Unaudited *RMB'000*	2020 Unaudited *RMB'000*
REVENUE	*5*	**5,728,172**	6,125,193
Cost of sales		**(5,380,657)**	(5,479,408)
Gross profit		**347,515**	645,785
Other income and gains	*5*	**123,566**	34,404
Selling and distribution expenses		**(251,028)**	(321,048)
Administrative expenses		**(846,544)**	(120,264)
Impairment losses on financial assets		**(931,182)**	(16,614)
Other expenses		**(2,065,994)**	(32,946)
Finance costs		**(139,625)**	(94,973)
Share of profits and losses of:			
Joint ventures		**3,369**	(11,195)
Associates		**9,379**	(1,941)
(LOSS)/PROFIT BEFORE TAX	*6*	**(3,750,544)**	81,208
Income tax credit/(expense)	*7*	**313,158**	(16,411)
(LOSS)/PROFIT FOR THE PERIOD		**(3,437,386)**	64,797
Attributable to:			
Owners of the parent		**(3,443,514)**	63,466
Non-controlling interests		**6,128**	1,331
		(3,437,386)	64,797
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)			
For (loss)/profit for the period	*8*	**(4.72)**	0.09

	Notes	For the six months ended 30 June **2021** **Unaudited** ***RMB'000***	2020 Unaudited *RMB'000*
(LOSS)/PROFIT FOR THE PERIOD		**(3,437,386)**	64,797
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive loss of a joint venture		**(2,918)**	(786)
Exchange differences on translation of foreign operations		**(2,855)**	922
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		**30,516**	(19,410)
Income tax effect		**(28,422)**	4,853
		2,094	(14,557)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		**(3,679)**	(14,421)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		**(3,441,065)**	50,376
Attributable to:			
Owners of the parent		**(3,447,231)**	49,090
Non-controlling interests		**6,166**	1,286
		(3,441,065)	50,376

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2021

	Notes	**30 June 2021 Unaudited** *RMB'000*	31 December 2020 Audited *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**71,342**	85,449
Right-of-use assets		**273,490**	308,607
Other intangible assets		**9,191**	7,057
Goodwill		**–**	50,521
Investments in joint ventures		**61,097**	60,646
Investments in associates		**264,567**	255,187
Debt instrument at amortised cost		**500**	500
Equity investments designated at fair value through other comprehensive income		**1,055**	1,158
Deferred tax assets		**–**	64,317
Total non-current assets		**681,242**	833,442
CURRENT ASSETS			
Inventories	*10*	**266,954**	2,562,492
Trade and bills receivables	*11*	**2,615,160**	2,986,639
Prepayments, other receivables and other assets		**2,915,767**	1,665,331
Financial assets at fair value through profit or loss		**101,639**	102,171
Due from related parties		**67,785**	60,187
Pledged deposits		**736,695**	1,063,341
Cash and cash equivalents		**128,469**	71,413
Total current assets		**6,832,469**	8,511,574

	Notes	**30 June 2021 Unaudited** ***RMB'000***	31 December 2020 Audited *RMB'000*
CURRENT LIABILITIES			
Trade and bills payables	*12*	**1,207,241**	784,573
Other payables and accruals		**1,754,192**	233,843
Interest-bearing bank and other borrowings		**1,975,739**	2,719,334
Lease liabilities		**122,044**	133,524
Due to related parties		**1,312,493**	424,918
Tax payable		**9,100**	392,879
Total current liabilities		**6,380,809**	4,689,071
NET CURRENT ASSETS		**451,660**	3,822,503
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,132,902**	4,655,945
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**22,461**	21,498
Deferred Tax Liability		**2,561**	–
Lease liabilities		**177,504**	186,941
Other long term payable		**33,935**	–
NET ASSETS		**896,441**	4,447,506
EQUITY			
Equity attributable to owners of the parent:			
Issued capital	*13*	**732,460**	732,460
Reserves		**113,794**	3,552,600
		846,254	4,285,060
Non-controlling interests		**50,187**	162,446
TOTAL EQUITY		**896,441**	4,447,506

NOTES

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 and the provision of related services.

In the opinion of the directors, the controlling shareholders of the Company were Mr. Liu Donghai, Mr. Liu Songshan, Ms. Liu Hua, Ms. Liu Wencui and Ms. Liu Yongmei, who are siblings (the "**Liu Family**").

Huafa Group (including Zhuhai Huafa Industrial Investment Holding Co., Ltd. and Hong Kong Huafa Investment Holdings Limited) acquired 67.77% of the Company's equity interests from the Liu Family and other original shareholders in 2021, and together with a concert party agreement with the Liu Family, controlled a total voting right of 90.76% of the Company.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with 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 2020.

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 2020, except for the adoption of the following revised International Financial Reporting Standards ("**IFRS**") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of RMB868,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2021.

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.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Seasonality of operations

Due to the seasonal nature, historically higher revenues and operating profits are usually expected in the second half of the year rather than in the first six months. Higher sales during the period from July to early October are mainly attributable to the increased demand for mobile telecommunications devices and accessories during the holiday season, as well as in November and December, due to the increased demand for new series of mobile telecommunications devices. However, due to the prolonged COVID-19 pandemic and subsequent waves of further outbreaks, this has a significant negative impact on the Group's business, further details are set out in note 15, Events After The Reporting Period. This information is provided to allow for a better understanding of the results, however, management has concluded that the Group's business is not "highly seasonal" in accordance with IAS 34.

5. REVENUE, OTHER INCOME AND GAINS

(a) Revenue

An analysis of revenue is as follows:

Segments

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Types of goods or services		
Sales of mobile telecommunications devices and accessories	**5,517,696**	6,007,489
Including:		
Retail of mobile telecommunications devices and accessories	**1,533,415**	2,629,016
Sales of telecommunications devices and accessories to franchisees	**397,932**	454,198
Wholesales of mobile telecommunications devices and accessories	**3,586,349**	2,924,275
Service income from mobile carriers	**108,603**	58,459
Other service fee income	**101,873**	59,245
Total revenue from contracts with customers	**5,728,172**	6,125,193
Geographical markets		
Mainland China	**5,588,665**	5,840,441
India	**530**	115
Spain	**138,977**	283,765
Bangladesh	**–**	872
Total revenue from contracts with customers	**5,728,172**	6,125,193
Timing of revenue recognition		
Goods transferred at a point in time	**5,517,696**	6,007,489
Services transferred over time	**210,476**	117,704
Total revenue from contracts with customers	**5,728,172**	6,125,193

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

(b) Other income and gains

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Other income		
Interest income	**11,916**	9,677
Government grants *(note (a))*	**3,797**	18,539
Others	**107,853**	6,188
	123,566	34,404

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. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Cost of inventories sold and services provided	**5,380,657**	5,479,408
Depreciation of property, plant and equipment	**20,831**	22,556
Amortisation of intangible assets	**96**	753
Depreciation of right-of-use assets	**73,962**	107,351
Interest on lease liabilities	**7,301**	16,278
Impairment of financial assets:		
Impairment and write down of trade receivables	**645,882**	12,759
Impairment and write down of other receivables	**283,960**	4,037
Impairment of financial assets at fair value through other comprehensive income	**1,340**	(182)
Fair value gain on financial assets at fair value through profit or loss	**(1,155)**	(3,687)
Impairment and write-down of inventories	**1,967,382**	23,148
Impairment of goodwill	**50,521**	6,681
Impairment of fixed assets	**4,974**	–
Impairment of intangible assets	**1,816**	–
Loss on disposal of property, plant and equipment	**745**	649

7. INCOME TAX

The provision for current income tax is based on a statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which became effective on 1 January 2008 except for Sichuan Yijialong Communication Technology Chain Co., Ltd. and Dixin Simaier Technology (Guangdong) Co., Ltd., two subsidiaries of the Company, which were subject to tax at preferential rates of 15% and 12.5%, respectively, for the period ended 30 June 2021. The major components of income tax expense are as follows:

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Current:		
Charge for the period	**1,503**	7,823
Tax credit in respect of losses in current period	**(368,807)**	–
Deferred tax	**54,146**	8,588
Total tax (credit)/charge for the period	**(313,158)**	16,411

Note: for losses in current period, tax credit is recognised up to the recoverable amount which represent unpaid tax provision brought forward. No deferred tax assets and accordingly tax credit recognised for current period losses in excess of this amount. The directors is of the opinion that 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. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit 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 earnings per share is based on:

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Earnings		
(Loss)/profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation:	**(3,443,514)**	63,466
Shares		
Weighted average number of ordinary shares	**729,568,382**	729,568,382

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment with a cost of RMB11,917,000 (for the six months ended 30 June 2020: RMB8,127,000).

Property, plant and equipment with a net book value of RMB3,505,000 were disposed of by the Group during the six months ended 30 June 2021 (for six months ended 30 June 2020: RMB878,000), resulting in a net loss on disposal of RMB745,000 (for the six months ended 30 June 2020: a net loss of RMB649,000).

10. INVENTORIES

	30 June 2021 Unaudited ***RMB'000***	31 December 2020 Audited *RMB'000*
Merchandise for resale	**322,744**	2,584,547
Consumable supplies	**1,391**	1,758
Less: provision against inventories	**(57,181)**	(23,813)
	266,954	2,562,492

11. TRADE AND BILLS RECEIVABLES

	30 June 2021 Unaudited ***RMB'000***	31 December 2020 Audited *RMB'000*
Trade receivables	**2,868,220**	3,070,587
Bills receivable	**10,196**	57,370
Less: impairment of trade receivables	**(263,256)**	(141,318)
	2,615,160	2,986,639

The Group grants different credit periods to customers. The Group's retail sales to consumers are cash sales. Credit periods are offered to customers of volume sales of telecommunications devices and accessories. The credit periods offered to unincorporated customers are considered on a case-by-case basis. The Group maintains strict control over and closely monitors its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are unsecured and non-interest-bearing.

11. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	30 June 2021 Unaudited *RMB'000*	31 December 2020 Audited *RMB'000*
Within 90 days	**1,174,596**	2,720,258
91 to 180 days	**173,640**	100,282
Over 181 days	**1,266,924**	166,099
	2,615,160	2,986,639

12. TRADE AND BILLS PAYABLES

	30 June 2021 Unaudited *RMB'000*	31 December 2020 Audited *RMB'000*
Trade payables	**588,424**	294,573
Bills payable	**618,817**	490,000
	1,207,241	784,573

	30 June 2021 Unaudited *RMB'000*	31 December 2020 Audited *RMB'000*
Within 90 days	**709,757**	344,770
91 to 180 days	**220,341**	214,383
Over 181 days	**277,143**	225,420
	1,207,241	784,573

13. ISSUED CAPITAL

	30 June 2021 Unaudited *RMB'000*	31 December 2020 Audited *RMB'000*
Registered, issued and fully paid:		
732,460,400 ordinary shares of RMB1 each (2020:732,460,400)	**732,460**	732,460

14. DIVIDENDS

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

15. EVENTS AFTER THE REPORTING PERIOD

The outbreak of COVID-19 pandemic has a significant negative impact on the Group's business. Many of the Group's retail shops did not operate full business hours, or on an "on and off" basis during the reporting period, and this resulted in the complete closure of retail shops as the pandemic is prolonged. The trend of closure of retail shops continued after the interim balance sheet date as the pandemic prolonged, and the expectation that the pandemic can be controlled in a short period of time became pessimistic following the outbreak of subsequent waves of COVID-19 pandemic.

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

For retail shops as at 30 June 2021 which were operating on an "on and off" basis, or on temporary suspension looking for resumption of business when the pandemic is over/controlled, it is challenging for the management to estimate, on the balance sheet date, whether these retail shops will be closed as the pandemic is prolonged with subsequent waves of further outbreaks. The management used its best estimate based on information available at that time.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

For the six months ended 30 June 2021, the Group sold 1,896,260 mobile handsets, representing a decrease of 1,878,720 sets or 49.77% from 3,774,980 sets for the same period in 2020. Operating revenue for the first half of 2021 amounted to RMB5,728,171,950, representing a decrease of RMB397,020,740 or 6.48% from RMB6,125,192,690 for the same period in 2020. For the first half of 2021, net loss attributable to owners of the parent of the Company for the period amounted to RMB3,443,513,730, as compared to net profit attributable to owners of the parent of the Company amounted to RMB63,465,900 for the same period in 2020.

II. FINANCIAL POSITION AND OPERATING RESULTS

(I) Overview

For the six months ended 30 June 2021, the Group recognised net loss of RMB3,437,385,840, as compared to net profit amounted to RMB64,797,010 for the same period in 2020, among which, net loss attributable to owners of the parent of the Company for the period amounted to RMB3,443,513,730, as compared to net profit attributable to owners of the parent of the Company amounted to RMB63,465,900 for the same period in 2020.

1. Operating revenue

For the six months ended 30 June 2021, operating revenue of the Group amounted to RMB5,728,171,950, representing a decrease of RMB397,020,740 or 6.48% from the operating revenue of RMB6,125,192,690 for the same period in 2020. Revenue decreased mainly because there was a decrease in retail revenue resulted from the decrease in the number of our independent stores and store in store outlets. Our sales of mobile telecommunications devices and accessories include (i) sales in our retail business; (ii) sales in our franchise business; and (iii) sales in our wholesale business. Revenue from our retail business includes revenue from sales of mobile telecommunications devices and accessories in our independent stores and store-in-store outlets, stores in cooperation with the mobile carriers, and online sales platforms. Revenue from our franchise business includes revenue from sales of mobile telecommunications devices and accessories to our franchisees. Revenue from our wholesale business includes revenue from sales of mobile telecommunications devices and accessories we distribute to mobile carriers and other third-party retailers.

The Group's revenue from sales of mobile communications equipment and accessories for the six months ended 30 June 2021 was RMB5,517,695,950, representing a decrease of RMB489,792,740, or 8.15%, as compared with the revenue from sales of mobile communications equipment and accessories of RMB6,007,488,690 for the corresponding period in 2020.

The Group's service income from mobile carriers amounted to RMB108,603,330 for the six months ended 30 June 2021, representing an increase of RMB50,144,710 or 85.78% compared with the service income from mobile carriers of RMB58,458,620 for the same period in 2020.

2. ***Operating costs***

For the six months ended 30 June 2021, the Group's operating costs amounted to RMB5,380,656,840, representing a decrease of RMB98,750,900 or 1.80% from the operating costs of RMB5,479,407,740 for the same period in 2020, which was mainly due to the decrease in operating revenue.

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

The Group's gross profit for the six months ended 30 June 2021 amounted to RMB347,515,110, representing a decrease of RMB298,269,840 or 46.19% from the gross profit of RMB645,784,950 for the same period in 2020. Our overall gross profit margins for the six months ended 30 June 2021 and 2020 were 6.07% and 10.54%, respectively. The lower overall gross profit margin was due to the higher proportion of wholesale revenue and lower proportion of retail revenue in the principal businesses' revenue in 2021 and gross profit margin in service income from mobile operators and others dropped from 85.4% and 94.8% in 2020 to 40.3% and 51.5% in 2021, respectively.

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 2021 amounted to RMB123,565,750, representing an increase of RMB89,161,660 or 259.16% from other income and gains of RMB34,404,090 for the same period in 2020. The increase of other income and gains was mainly due to a rise in others for the first half of 2021.

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

Total selling and distribution expenses of the Group for the six months ended 30 June 2021 amounted to RMB251,028,070, representing a decrease of RMB70,019,730 or 21.81% from the total selling and distribution expenses of RMB321,047,800 for the same period in 2020, which was mainly due to combined effect of the decrease in rentals and property management expenses and advertising and promotion expenses as well as the decrease in staff number and total amount of staff salaries.

Total rentals and property management expenses for the six months ended 30 June 2021 amounted to RMB77,467,430, representing a decrease of RMB35,593,190 or 31.48% from the total rentals and property management expenses of RMB113,060,620 for the same period in 2020. Such decrease was mainly due to the decrease in the number of self-owned stores and store-in-store outlets, and the effort of the Company in actively seeking rental reduction from the landlords under the impact of the pandemic.

Total staff salaries for the six months ended 30 June 2021 amounted to RMB110,407,260, representing a decrease of RMB28,398,190 or 20.46% from the total staff salaries of RMB138,805,450 for the same period in 2020. Such decrease was mainly due to the streamlining of the staffing structure of the Group during the current period for saving expenses as well as the decrease in the number of stores and salespersons under the impact of the pandemic.

6. *Administrative expenses*

The Group's total administrative expenses for the six months ended 30 June 2021 amounted to RMB846,544,030, representing an increase of RMB726,279,590 or 603.90% from the total administrative expenses of RMB120,264,440 for the same period in 2020. Such increase in administrative expenses was primarily due to increase in agency fees, information service fees and other expenses.

Agency fees for the six months ended 30 June 2021 amounted to RMB26,244,760, representing an increase of RMB17,900,820 or 214.54% from the total agency fees of RMB8,343,940 for the same period in 2020. Such increase derived from consulting fees of RMB22,316,580.

Information service fees for the six months ended 30 June 2021 amounted to RMB119,033,700, which was the expenditures from the upgrade and update of the Group's systems during the period.

Other expenses for the six months ended 30 June 2021 amounted to RMB597,289,410, representing an increase of RMB588,739,880 or 6,886.23% from RMB8,549,530 for the same period in 2020. Such increase was mainly due to loss incurred from closing stores.

7. *Finance costs*

The Group's total finance costs for the six months ended 30 June 2021 amounted to RMB139,624,570, representing a increase of RMB44,651,950 or 47.02% from the total finance costs of RMB94,972,620 for the same period in 2020. Such increase in finance costs was due to the increase in liquidity occupation costs.

8. *Other expenses*

Our other expenses mainly include impairment and write-down of inventories, impairment of goodwill, impairment of fixed assets and impairment of intangible assets. For the six months ended 30 June 2020 and 2021, our other expenses amounted to RMB32,945,840 and RMB2,065,994,000, respectively. The year-on-year increase of RMB2,033,048,160 was primarily due to the business suspension of many stores and stores closed due to the COVID-19 pandemic, unrecoverable receivables from downstream customers due to the downturn condition of the overall retail and consumer industry, and inventory losses due to product iteration and consumption decline, resulting in impairment and write-down of inventories of RMB1,967,382,000, impairment of goodwill of RMB50,521,000, impairment of fixed assets of RMB4,974,000 and impairment of intangible assets of RMB1,816,000 in 2021

9. *Income tax credit/(expense)*

For the six months ended 30 June 2021, the Group's total income tax credit amounted to RMB313,158,430, representing a decrease of RMB329,569,200 or 2,008.25% as compared with income tax expense of RMB16,410,770 for the same period in 2020. Such decrease was primarily due to the tax credit in respect of losses in current period.

10. *Indebtedness – bank and other borrowings*

As of 30 June 2021, 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 at 30 June 2021 *RMB'000*	As at 31 December 2020 *RMB'000*
Current		
Bank loans:		
Unsecured, repayable within one year	**1,179,657.82**	833,773.42
Secured, repayable within one year	**696,195.98**	1,726,135.15
Other loans:		
Unsecured, repayable within one year	**90,885.37**	66,105.57
Secured, repayable within one year	**9,000.00**	93,320.00
Long term		
Unsecured, repayable after one year	**22,460.68**	21,498.03
Total	**1,998,199.85**	2,740,832.17

As of 30 June 2021, we entered into various loan agreements with banks to finance our business operations and expansion. These bank loans were repayable within one year or on demand. These bank loans were bank loans which carried interest at the benchmark rate of the People's Bank of China plus a premium. We mainly used these bank loans to purchase mobile telecommunications devices and accessories.

As of 30 June 2021, our bank and other borrowings amounted to RMB1,998,199,850, representing a decrease of RMB742,632,320 or 27.10% from RMB2,740,832,170 as of 31 December 2020.

The Directors confirmed that as at 30 June 2021 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 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 2021.

(II) Current assets and financial position

As at 30 June 2021, the Group had cash and cash equivalents in an amount of RMB128,469,260, representing an increase of RMB57,056,590 or 79.90% as compared to RMB71,412,670 as of 31 December 2020.

As at 30 June 2021, the Group had bank and other borrowings in an amount of RMB1,975,739,170, representing a decrease of RMB743,594,970 or 27.34% as compared to RMB2,719,334,140 as of 31 December 2020.

(III) Capital expenditure

For the six months ended 30 June 2021, the Group's capital expenditure amounted to RMB12,154,120, which was incurred mainly in relation to purchase and construction of fixed assets and decoration costs in connection with the opening of new outlets and the renovation of old ones.

(IV) Key financial ratio

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

Items	**As at 30 June 2021**	As at 31 December 2020	**Change**	**Percentage of change**
Current ratio	**1.07**	1.82	(0.75)	(41.21%)
Gearing ratio	**67.59%**	37.51%	30.08%	80.21%
Net debt-to-equity ratio	**208.57%**	60.02%	148.55%	247.50%

Current ratio is our current assets divided by our current liabilities at the end of each financial period. Our current ratio as at 30 June 2021 was 1.07, down 0.75 or 41.21% as compared to the current ratio of 1.82 as at 31 December 2020. The decrease was primarily due to an increase in current liabilities.

The gearing ratio is calculated by dividing net debt by net debt plus total equity at the end of each financial period and multiplying by 100%. Net debt includes interest-bearing bank and other borrowings less cash and cash equivalents. As at 30 June 2021, our gearing ratio was 67.59%, an increase of 30.08 percentage points, or 80.21%, compared to a gearing ratio of 37.51% as at 31 December 2020. The increase was mainly due to an increase in current liabilities and a decrease in assets.

Net debt-to-equity ratio equals net debt divided by total equity at the end of the financial period and multiplied by 100%. Our net debt-to-equity ratio jumped by 148.55 percentage points or 247.50% from 60.02% as at 31 December 2020 to 208.57% as at 30 June 2021. Such increase was mainly due to the decrease in total equity.

(V) Material acquisitions and disposals

The Company and Henan Digital Trading Company Limited ("**Henan Digital**") (a company held as 60% and 40% by the Company and Mr. Tang Cheng) entered into the Equity Transfer Agreement on 9 April 2021, pursuant to which, the Company agreed to dispose of, and Henan Digital agreed to purchase, 100% of equity interest in BEIJING DIGITAL (SPAIN), S.L. ("**Beijing Digital (Spain)**"), a wholly-owned subsidiary of the Company, at a consideration of RMB89 million. Immediately after the completion of the Equity Transfer Agreement, the Company will not directly hold any equity interest in Beijing Digital (Spain), but will indirectly hold 100% of equity interest in Beijing Digital (Spain) through Henan Digital, and therefore Beijing Digital (Spain) will remain as a subsidiary of the Company. For details, please refer to the announcement of the Company dated 9 April 2021.

(VI) Contingent liabilities

As at 30 June 2021, the Group had no material contingent liabilities.

(VII) Use of proceeds

In January 2020, we had completed the directed non-public offering of 65,793,400 H shares in Hong Kong at an offer price of HK$3.25 per share, raising proceeds with an aggregate amount of HK$213,828,550 which had been placed in a special account.

The following table sets forth details of the proceeds in the special account as at 30 June 2021:

Accountholder	**Banker**	**Account number**	**Amount**
			HK$'000
Beijing Digital Telecom Co., Ltd.	Standard Chartered Bank (Hong Kong) Limited	44717867377	22.53

As of 30 June 2021, the proceeds of HK$213,828,550 has been fully utilised, and the balance of the proceeds in the special account amounted to HK$22,530.

To regulate the management of proceeds of the Company and protect investors' interests, the Company has formulated the "Regulations for the Management of Proceeds of Beijing Digital Telecom Co., Ltd." to set out specific provisions for the deposit, utilisation, management of fund application and supervision of use.

In accordance with the disclosure set out in the announcement of the Company dated 26 July 2019, the Proceeds from the Directed Non-public Offering, after deducting issuance expenses payable by the Company, will be used for goods procurement and daily operations. The following table sets forth details of the use of the proceeds from the directed non-public offering as at 30 June 2021:

Item	**Amount paid**	**Account balances**
	HK$'000	*HK$'000*
Issuance expenses	2,368.57	–
Goods procurement and daily operations	211,459.98	–
	213,828.55	22.53

(VIII) Foreign exchange rate risks

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

(IX) Pledge of assets

As of 30 June 2021, the Group had no other pledge of assets except for the pledged deposits amounting to RMB736,694,780, financial assets held for trading amounting to RMB101,639,310 and pledged trade receivables amounting to RMB315,786,420.

(X) Material investments

For the six months ended 30 June 2021, the Group had no other material investment.

(XI) Equity arrangements

For the six months ended 30 June 2021, no equity subscription was conducted by the Group. As of the date of this announcement, no equity scheme was made by the Group.

(XII) Capital

No material change occurred in the capital structure of the Company during the six months ended 30 June 2021.

(XIII) Material events after the period

(A) The outbreak of COVID-19 pandemic has a significant negative impact on the Group's businesses. During the Reporting Period, many of the Group's retail stores did not open round the clock or open intermittently, resulting in the complete closure of retail stores due to the continuing pandemic. After the interim balance sheet date, the trend of retail store closures continued amid the ongoing pandemic. Due to the subsequent outbreaks of COVID-19 pandemic, expectations that the pandemic could be brought under control in the near future have become pessimistic.

When retail stores are closed, the Group has to write off fixed assets such as leasehold improvements, furniture and fixtures, as well as pledged rents and other non-refundable deposits. In addition, the Group also made provisions for damages and loses of physical inventories, and accounts receivables and consignment inventories from retailers who resold the mobile devices and parts of retail stores where recoverability became difficult and/or doubtful.

For retail stores that were open intermittently as of 30 June 2021 and or those that were temporarily suspended to seek business resumption after the pandemic was over or under control, it is difficult for the management to estimate whether these retail stores will be closed due to the ongoing pandemic and repeated outbreaks as of the balance sheet date. Management used its best estimate based on data available at that time.

The Company found RMB2,353,559,400 of receivables with poor recoverability in the process of asset liquidation, and the original shareholders voluntarily provided performance security to ensure the recoverability of the above receivables.

(B) Reference is made to the announcements of the Company dated 22 June 2021, 19 August 2021, 30 September 2021 and 23 November 2021 in relation to, among others, the delay in publication of the interim results and interim report for the six months ended 30 June 2021 and waiver from strict compliance with Rule 8.08(1)(a) of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") for the period from 3 June 2021 to 3 October 2021 for the Company to restore its minimum public float. On 22 November 2021, the Company received a letter (the "**Letter**") from The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") setting out the following guidance for the resumption of trading in the shares of the Company to (i) restore the minimum public float required under Rule 8.08(1)(a) of the Listing Rules; (ii) publish all outstanding financial results required under the Listing Rules and address any audit modifications; (iii) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules; and (iv) inform the market of all material information for the Company's shareholders and other investors to appraise the Company's position.

The Stock Exchange further provided the following guidance in the Letter: Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period will expire on 3 December 2022. If the Company fails to remedy the issues causing its trading suspension, fulfil the resumption guidance and fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in the Shares by 3 December 2022, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company's listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

The Company is now taking appropriate steps to resolve the issues causing its trading suspension and to comply with the Listing Rules to the Stock Exchange's satisfaction. The Company will seek to resume trading of its shares as soon as possible. The Company will announce quarterly updates on its developments under Rule 13.24A and publish further announcements to inform the shareholders of material updates as and when appropriate.

(C) Reference is made to the announcements of the Company dated 22 June 2021, 23 November 2021 and 31 January 2022. The Company was not able to satisfy the minimum public float requirement as set out under Rule 8.08(1)(a) of the Listing Rules immediately after the close of the Offers on 3 June 2021 following the acceptance of the Offers in respect of 59,468,842 domestic shares 327,057,912 H Shares. Following the closing of the Offers, 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, representing approximately 82.85% and 100% of the issued H shares and domestic shares of the Company respectively and representing in aggregate approximately 90.76% of the issued shares of the Company immediately after the close of the Offers. A temporary waiver was granted by the Stock Exchange on 21 June 2021 for a waiver period from 3 June 2021 to 3 October 2021, as extended by a temporary waiver granted by the Stock Exchange on 18 November 2021 for a waiver period from 3 October 2021 to 4 February 2022 from strict compliance with Rule 8.08(1)(a) of the Listing Rules. An application for grant of extension of waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules has been submitted to the Stock Exchange on 31 January 2022 after the expiry of the temporary waiver period. In view of the recent volatile and adverse capital market conditions resulting in the investor sentiment being generally gloomy, it is expected that additional time is required to effect appropriate measures to restore sufficient public float in the shares of the Company.

(XIV) Employees and remuneration policy

As at 30 June 2021, the Group had a total of 3,785 employees. Salary costs and employees' benefit expenses were approximately RMB171,527,640 for the six months ended 30 June 2021. Remunerations for the Company's existing employees include salaries, performance-based bonus, social insurance and housing provident fund. The Company has also arranged various trainings for employees, including professional qualification training, product and business information training, and management skills training, which are conducted mainly through online learning, seminars and conferences and skill-specific training programmes.

III. BUSINESS OUTLOOK FOR THE SECOND HALF OF 2021

In the first half of 2021, shortages in the global mobile handset supply chain and the USA's continuous suppression on China's top mobile handset brands directly led to the weaker-than-expected performance in the Chinese mobile handset industry, which has affected Digital Telecom. As the supply chain shortages are easing and the economy is picking up, we will improve our performance in 2021 from the following aspects to seize market opportunities:

(I) To bind ourselves to carriers and continuously obtain massive resources from carriers in the 5G era from the aspects of new retail store operation, diversified product expansion, and establishment and operation of the old customer marketing system, etc.

First of all, we will cooperate with the three major carriers on the agent operation of core stores among their tens of thousands of self-operated stores and provide them with a full range of new retail solutions from design, assembly, staff training, marketing guidance and so forth, aiming to increase the number of our outlets with an asset-light model after the pandemic;

Secondly, seizing the opportunity for carriers to adjust their customer-centric business philosophy, Digital Telecom will use the Molink system created with Tencent and combine the experience and achievements in serving Guangdong Mobile in the early stage to promote new customer acquisition and old customer marketing systems and operation services to carriers in other provinces, making this soft power another source of revenue for Digital Telecom.

(II) To actively respond to changes in brand pattern, fix on strategic cooperation with potential brands ahead of time, and step up presence in the retail sector as a response to manufacturers' strategies and reap the benefits of development; enhance cooperation with individual brands to optimise cooperation pattern with brands

Digital Telecom made its presence ahead of time starting from 2020, which has laid a good foundation for its cooperation with this year's fastest-growing strategic brand. Good results have been achieved in both the accumulation of brand potential energy and the conversion of sales volume. In the next step, Digital Telecom needs to adjust and restore the brand structure that differs from the market amid the pandemic, increase the proportion of high-priced brands and products, and make up for the shortcomings of weak brands in the supply chain and operation, with a view to reshape a balanced brand structure.

(III) To strengthen the omni-channel fulfillment capability, build around 1,000 front warehouses serving e-tailers and establish standardised fulfillment system, and create an omni-channel order and inventory sharing platform

Based on its Moji system, Digital Telecom will constantly strengthen the existing partnerships with a close-distance e-tailer (JD.com), micro-distance e-tailers (Ele. me & Meituan) and livestreaming e-tailers (Tiktok & Kuaishou). On the premise that it has become the 3C strategic partner of these platforms, Digital Telecom will look for opportunities to provide integrated services from warehousing to operation for other participants on these platforms.

(IV) To conduct in-depth analysis of the industry landscape and seek suitable business opportunities in the upstream supply chain and expand the size of businesses related to governments and enterprises based on the changes in the resource endowment conditions of the core industry players

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

(V) To bind itself to Xiaomi to enter the blank markets in Eastern Europe and actively promote omni-channel cooperation in Southeast Asia

Western Europe is still recovering from the pandemic, despite repeated outbreaks, while the situations in Eastern Europe are relatively calm. Digital Telecom will bind itself to Xiaomi to enter the blank markets, Bulgaria and Romania, in Eastern Europe, in a bid to look for new development opportunities in Europe. In Southeast Asia, Digital Telecom will strengthen its cooperation with JD.com, local e-tailer Lazada, etc. On the one hand, it will inherit their omni-channel traffic and exclusively operate their offline traffic; on the other hand, it will leverage its retail advantages and undertake the operation of flagship stores of fashion brands.

INTERIM DIVIDENDS

The Board does not recommend any interim dividend for the six months ended 30 June 2021.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to Listing Rules as its own code of corporate governance. During the six months ended 30 June 2021, save as disclosed in this announcement, 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 (previous code provision A.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. From 1 January 2021 to 29 June 2021, given the background, qualifications and experience of Mr. Liu Donghai ("**Mr. Liu**") in the Company, he was considered the most suitable person to take both roles under the circumstances at that time. The Board was of the view that it was appropriate and in the best interests of the Company that Mr. Liu held both positions at that time, as it helped to maintain the continuity of the policies and the stability and efficiency of the operations of the Company. Mr. Liu resigned as the chairman on 30 June 2021, and stayed on as the chief executive officer of the Company. On the same day, Ms. Xu Jili ("**Ms. Xu**") was appointed as chairwoman of the Board. Accordingly, from 30 June 2021 to 9 August 2021, the Company met the relevant requirement of the CG Code. On 10 August 2021, Ms. Xu succeeded Mr. Liu as the chief executive of the Company. The Board is of the view that it is appropriate and in the best interests of the Company that Ms. Xu holds both positions at the current stage, as it helps to maintain the continuity of the policies and the stability and efficiency of the operations of the Company. The Board also meets regularly to review the operations of the Company led by Ms. Xu. Accordingly, the Board believes that such arrangement will not affect the balance of power and authorisation between the Board and management of the Company. The Company will continue reviewing and enhancing its corporate governance codes to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' and Supervisors' securities transactions. Specific enquiries have been made to all Directors and Supervisors, and each of the Directors and Supervisors has confirmed that he/she has complied with the standard requirements set out in the Model Code during the six months ended 30 June 2021.

During the six months ended 30 June 2021, the Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standards set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

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

The Audit Committee, together with the Company's management and external auditor, has reviewed the Group's unaudited condensed interim results for the six months ended 30 June 2021.

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 announcements on the restoration of public float in accordance with the Listing Rules in due course.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement of the Company will be available on the website of the Stock Exchange (www.hkexnews.hk), and the website of the Company (www.dixintong.com), respectively. The 2021 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 in due course.

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

Beijing, the PRC
31 March 2022

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