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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)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

AUDITED FINANCIAL HIGHLIGHTS

For the year ended 31 December 2021:

The revenue of the Group amounted to RMB10,243,930,000, decreased by 24.40% compared to last year.

The net loss attributable to owners of the parent of the Company amounted to RMB3,567,438,000, as compared to the net profit attributable to owners of the parent of the Company of RMB114,062,000 for last year.

The basic loss per share amounted to RMB4.87/share, as compared to the basic earnings per share of RMB0.16/share for last year.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021.

The Board (the "**Board**") of Directors (the "**Directors**") of Beijing Digital Telecom Co., Ltd. (the "**Company**" or "**Digital Telecom**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "**Group**" or "**we**") for the year ended 31 December 2021 and the audited comparable figures for the same period in 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	**10,243,930**	13,550,150
Cost of sales		**(9,668,142)**	(12,373,459)
Gross profit		**575,788**	1,176,691
Other income and gains	5	**130,508**	56,060
Selling and distribution expenses		**(508,835)**	(618,265)
Administrative expenses		**(885,110)**	(269,583)
Impairment losses on financial assets		**(943,037)**	(21,951)
Other expenses		**(2,042,265)**	(50,910)
Finance costs		**(234,170)**	(162,091)
Share of profits and losses of:			
Joint ventures		**1,504**	(6,325)
Associates		**268**	2,781
(LOSS)/PROFIT BEFORE TAX		**(3,905,349)**	106,407
Income tax credit	6	**308,364**	8,105
(LOSS)/PROFIT FOR THE YEAR		**(3,596,985)**	114,512
Attributable to:			
Owners of the parent		**(3,567,438)**	114,062
Non-controlling interests		**(29,547)**	450
		(3,596,985)	114,512
EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted (RMB)			
For (loss)/profit for the year	8	**(4.87)**	0.16

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

Year ended 31 December 2021

	Notes	**2021** **RMB'000**	2020 RMB'000
(LOSS)/PROFIT FOR THE YEAR		**(3,596,985)**	114,512
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(4,238)**	1,147
Share of other comprehensive loss of joint ventures		**(7,620)**	(9,085)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(11,858)**	(7,938)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive loss:			
Changes in fair value		**(149)**	(35,465)
Income tax effect		**36**	8,866
Impairment of deferred tax assets		**(10,207)**	–
		(10,320)	(26,599)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		**(10,320)**	(26,599)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(22,178)**	(34,537)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(3,619,163)**	79,975
Attributable to:			
Owners of the parent		**(3,589,431)**	79,776
Non-controlling interests		**(29,732)**	199
		(3,619,163)	79,975

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	**2021** *RMB'000*	2020 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**66,710**	85,449
Right-of-use assets		**282,565**	308,607
Goodwill		**–**	50,521
Other intangible assets		**3,557**	7,057
Investments in joint ventures		**54,531**	60,646
Investments in associates		**255,455**	255,187
Debt instrument at amortised cost		**500**	500
Equity investments designated at fair value through other comprehensive income		**1,009**	1,158
Deferred tax assets		**–**	64,317
Total non-current assets		**664,327**	833,442
CURRENT ASSETS			
Inventories		**294,308**	2,562,492
Trade and bills receivables	*9*	**2,892,151**	2,986,639
Prepayments, other receivables and other assets		**2,167,047**	1,665,331
Financial assets at fair value through profit or loss		**104,399**	102,171
Due from related parties		**431,922**	60,187
Pledged deposits		**729,355**	1,063,341
Cash and cash equivalents		**91,225**	71,413
Total current assets		**6,710,407**	8,511,574

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	*10*	**719,194**	784,573
Other payables and accruals		**1,144,445**	233,843
Interest-bearing bank and other borrowings		**2,139,954**	2,719,334
Lease liabilities		**115,354**	133,524
Due to related parties		**2,289,127**	424,918
Tax payable		**8,630**	392,879
Total current liabilities		**6,416,704**	4,689,071
NET CURRENT ASSETS		**293,703**	3,822,503
TOTAL ASSETS LESS CURRENT LIABILITIES		**958,030**	4,655,945
NON-CURRENT LIABILITIES			
Long term borrowings		**17,970**	21,498
Deferred tax liabilities		**1,700**	–
Lease liabilities		**182,622**	186,941
Other long-term liabilities		**37,742**	–
NET ASSETS		**717,996**	4,447,506
EQUITY			
Equity attributable to owners of the parent			
Share capital		**732,460**	732,460
Reserves		**(27,378)**	3,552,600
		705,082	4,285,060
Non-controlling interests		**12,914**	162,446
Total equity		**717,996**	4,447,506

NOTES TO FINANCIAL STATEMENTS
31 December 2021

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.

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

In the opinion of the directors, before Zhuhai Huafa Industrial Investment Holding Co., Ltd. and Hong Kong Huafa Investment Holdings Limited (collectively referred to as "**Huafa Group**") becoming the controlling shareholder, the then 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 acquired 67.77% of the Company's equity interests from the Liu Family and other original shareholders in the first half of 2021, and under a concert party agreement with the Liu Family, controlled a total voting right of 90.76% of the Company.

2. BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

The nature and the 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 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 Group had no interest-bearing bank and other borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate and United States dollars based on the London Interbank Offered Rate as at 31 December 2021.

(b) Amendment to IFRS 16 issued in March 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. The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 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 RMB2,079,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2021. There was no impact on the opening balance of equity as at 1 January 2021.

4. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in the financial statements:

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 1 and IAS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sales of mobile telecommunications devices and accessories	**9,787,866**	13,246,324
Including:		
Retail	**3,412,568**	4,956,717
Sales to franchisees	**918,894**	1,017,517
Wholesale	**5,456,404**	7,272,090
Service income from mobile carriers	**250,879**	138,631
Other service fee income	**205,185**	165,195
	10,243,930	13,550,150

Disaggregated revenue information

Segment

Mobile telecommunications devices

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Geographical markets		
Mainland China	**9,842,207**	12,951,542
Spain	**393,612**	597,235
Bangladesh	**–**	954
India	**–**	419
Romania	**2,250**	–
Bulgaria	**5,861**	–
Total revenue from contracts with customers	**10,243,930**	13,550,150
Timing of revenue recognition		
Goods transferred at a point in time	**9,787,866**	13,246,324
Services transferred over time	**456,064**	303,826
Total revenue from contracts with customers	**10,243,930**	13,550,150

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Other income		
Interest income	**17,630**	24,133
Government grants *(note (a))*	**6,747**	26,035
Others	**102,884**	4,365
	127,261	54,533
Gains		
Fair value gain on financial assets at fair value through profit or loss	**3,219**	966
Gain on disposal of a joint venture	**–**	407
Gain on financial investment	**3**	–
Gain on foreign exchange	**25**	–
Gain on disposal of items of property, plant and equipment	**–**	154
	3,247	1,527
	130,508	56,060

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

6. INCOME TAX CREDIT/EXPENSE

The provision for PRC current income tax is based on the statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which became effective on 1 January 2008, except for Sichuan Yijialong Communication Technology Chain Co., Ltd. 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 year ended 31 December 2021. The major components of income tax expense/credit are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current:		
Tax charge/(credit) for the year	**4,597**	(17,035)
Tax credit in respect of losses in the current period	**(368,807)**	–
Deferred:	**55,846**	8,930
Total tax credit for the year	**(308,364)**	(8,105)

7. DIVIDEND

The Directors did not propose a dividend for the year ended 31 December 2021.

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 732,460,000 (2020: 731,202,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

The calculation of basic (loss)/earnings per share is based on:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Earnings		
(Loss)/profit attributable to ordinary equity holders of the parent used in the basic (loss)/earnings per share calculation	**(3,567,438)**	114,062
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**732,460,000**	731,202,000

9. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**3,137,229**	3,070,587
Bills receivable	**531**	57,370
Impairment	**(245,609)**	(141,318)
	2,892,151	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 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 trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Within 90 days	**861,280**	2,720,258
91 to 180 days	**1,403,683**	100,282
181 to 365 days	**227,237**	117,086
Over 1 year	**399,951**	49,013
	2,892,151	2,986,639

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
At beginning of year	**141,318**	126,103
Impairment losses	**627,756**	17,373
Amount written off as uncollectible	**(523,465)**	(2,158)
At end of year	**245,609**	141,318

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

10. TRADE AND BILLS PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade payables	**276,234**	294,573
Bills payable	**442,960**	490,000
	719,194	784,573

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Within 90 days	**204,830**	344,770
91 to 180 days	**153,440**	214,383
181 to 365 days	**313,738**	221,901
Over 1 year	**47,186**	3,519
	719,194	784,573

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 45 days.

11. 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 shut down of retail shops as the pandemic is prolonged. The massive shut down of retail shops during the year resulted in significant writedown and impairment provision of inventories, trade receivables and other receivables. 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.

With further waves of the pandemic subsequent to 31 December 2021, travel restrictions remain and certain cities introduced lockdown measures in order to contain the pandemic. These measures have a significant negative impact on the Group's business, and the retail sector as a whole which include all of the Group's customers. A number of the Group's retail shops were operating at an "on-and-off" basis, and may also shut down ultimately. However, the management is of the view that the Group's retail shops remaining are all with good quality and with better ability to sustain the downturn, and therefore the management is of the view that there will not be a massive shut down of retail shops of the scale of current year in the near future. It is challenging for the management to estimate, on the balance sheet date, whether further retail shops will be closed as the pandemic is prolonged. The management used its best estimate based on information available at that time in assessing impairment provisions on the balance sheet date.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

For the year ended 31 December 2021, the Group sold 3,525,000 mobile handsets, representing a decrease of 4,430,000 sets or 55.69% from 7,955,000 sets for the same period last year. Operating revenue for the year ended 31 December 2021 amounted to RMB10,243,930,000, representing a decrease of RMB3,306,220,000 or 24.40% from RMB13,550,150,000 for the same period last year. Net loss for the year ended 31 December 2021 amounted to RMB3,596,985,000, as compared to net profit of RMB114,512,000 for the same period last year.

II. FINANCIAL POSITION AND OPERATING RESULTS

(i) Overview

For the year ended 31 December 2021, the Group recorded a net loss of RMB3,596,985,000, as compared to net profit of RMB114,512,000 for the same period in 2020. The loss attributable to the owners of the parent of the Company for the year ended 31 December 2021 was RMB3,567,438,000, as compared to the net profit attributable to the owners of the parent of the Company of RMB114,062,000 for the same period in 2020.

1. Operating revenue

For the year ended 31 December 2021, operating revenue of the Group amounted to RMB10,243,930,000, representing a decrease of RMB3,306,220,000 or 24.40% from the operating revenue of RMB13,550,150,000 for the same period in 2020. The decrease in revenue was primarily due to a decline in retail revenue because of a decrease in the number of our independent stores and store-in-store outlets as well as the decline in sales of our wholesale business. Our sales of mobile telecommunications devices and accessories include (i) sales in our retail business including our independently operated outlets and online channels; (ii) sales in our franchise business; and (iii) sales in our wholesale business. Revenue from our retail business includes revenue from sales of mobile telecommunications devices and accessories in our 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. Our service income from mobile carriers primarily represents call services subscriptions from the mobile carriers. Other service fee income includes (i) management and service fees received from suppliers of products; (ii) income from value-added services; (iii) the rental fees we earn by renting counter space to third parties who provide repair services; (iv) repair and maintenance fees; and (v) income from franchisees' services.

The Group's revenue from sales of mobile telecommunications devices and accessories amounted to RMB9,787,866,000 for the year ended 31 December 2021, representing a decrease of RMB3,458,458,000 or 26.11% compared with the revenue from sales of mobile telecommunications devices and accessories of RMB13,246,324,000 for the same period in 2020.

The Group's service income from mobile carriers amounted to RMB250,879,000 for the year ended 31 December 2021, representing an increase of RMB112,248,000 or 80.97% compared with the service income from mobile carriers of RMB138,631,000 for the same period in 2020.

The Group's other service fee income amounted to RMB205,185,000 for the year ended 31 December 2021, representing an increase of RMB39,990,000 or 24.21% compared with the other service fee income of RMB165,195,000 for the same period in 2020.

2. *Cost of sales*

The Group's cost of sales for the year ended 31 December 2021 amounted to RMB9,668,142,000, representing a decrease of RMB2,705,317,000 or 21.86% from RMB12,373,459,000 for the same period in 2020, which was mainly due to the decline in cost of sales in tandem with the decrease in our operating revenue.

3. *Gross profit and gross profit margin*

Gross profit represents operating revenue net of cost of sales. For the year ended 31 December 2021, gross profit of the Group amounted to RMB575,788,000, representing a decrease of RMB600,903,000 or 51.07% from the gross profit of RMB1,176,691,000 for the same period in 2020. Our overall gross profit margins for the years ended 31 December 2020 and 2021 were 8.68% and 5.62%, respectively. The decrease in our overall gross profit margin as compared to that of 2020 was primarily due to change in product mix of both retail and wholesale business in 2021. In addition, gross profit margins calculated based on service income from mobile carriers and other service fee income fell from 82.99% and 94.42% in 2020 to 48.06% and 54.93% in 2021, respectively.

4. *Other income and gains*

Other income and gains mainly include: (i) interest income; (ii) government grants; and (iii) others. The Group's other income and gains for the year ended 31 December 2021 amounted to RMB130,508,000, representing an increase of RMB74,448,000 or 132.80% from RMB56,060,000 for the same period in 2020, which was primarily due to the write-off of certain amounts payable to dissolved vendors and such amount was recognised as other income during 2021.

5. *Selling and distribution expenses*

Total selling and distribution expenses of the Group for the year ended 31 December 2021 amounted to RMB508,835,000, representing a decrease of RMB109,430,000 or 17.70% from RMB618,265,000 for the same period in 2020, which was mainly due to the decreases in staff number and total amount of staff salaries as well as the decreases in rentals and property management expenses and office expenses.

Total rentals and property management expenses for the year ended 31 December 2021 amounted to RMB163,498,000, representing a decrease of RMB46,173,000 or 22.02% from RMB209,671,000 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 because of the pandemic, and the effort of the Company in actively seeking rental reduction from the landlords.

Total staff salaries for the year ended 31 December 2021 amounted to RMB225,853,000, representing a decrease of RMB45,542,000 or 16.78% from RMB271,395,000 for the same period in 2020. Such decrease was mainly due to a decline in the number of stores and salespersons during the year resulting from streamlining of the staffing structure of the Group to cut down expenses amid the pandemic.

6. *Administrative expenses*

The Group's total administrative expenses for the year ended 31 December 2021 amounted to RMB885,110,000, representing an increase of RMB615,527,000 or 228.33% from RMB269,583,000 for the same period in 2020. Such increase in administrative expenses was primarily due to an increase in agency fees and other fees.

Agency fees for the year ended 31 December 2021 amounted to RMB58,432,000, representing an increase of RMB42,951,000 or 277.44% from RMB15,481,000 for the same period in 2020, which was mainly due to the increase in consulting fees of RMB33,720,000 or 377.28%, as compared to that of the same period in 2020.

Other fees for the year ended 31 December 2021 amounted to RMB612,859,000, representing an increase of RMB595,563,000 or 3,443.27% from RMB17,296,000 for the same period in 2020. The increase was mainly due to losses resulting from store closures.

7. *Other expenses*

Our other expenses mainly include impairment and write-down of inventories, impairment of goodwill, impairment of intangible assets, impairment of fixed assets and loss on disposal of property, plant and equipment. For the years ended 31 December 2020 and 2021, our other expenses amounted to RMB50,910,000 and RMB2,042,265,000, respectively. The year-on-years increase of RMB1,991,355,000 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 RMB1,956,437,000, impairment of goodwill of RMB50,521,000, impairment of intangible assets of RMB2,109,000 and loss on disposal of property, plant and equipment of RMB7,936,000 for the year ended 31 December 2021.

8. *Finance costs*

The Group's total finance costs for the year ended 31 December 2021 amounted to RMB234,170,000, representing an increase of RMB72,079,000 or 44.47% from RMB162,091,000 for the same period in 2020. Such increase in finance costs was primarily due to a growth in capital occupancy cost.

9. *Income tax credit*

The Group's total income tax credit for the year ended 31 December 2021 amounted to RMB308,364,000, representing an increase of RMB300,259,000 or 3,704.61% compared with the total income tax credit of RMB8,105,000 for the same period in 2020. The increase was primarily due to the income tax credit in respect of losses incurred for the year ended 31 December 2021.

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

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

1. *Net cash flow used in operating activities*

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

   For the year ended 31 December 2021, we had net cash flow used in operating activities of RMB992,623,000, primarily due to (i) increase in trade and bills receivables; (ii) increase in prepayments, other receivables and other assets; and (iii) the effect of cash outflow from the net losses for the year; and partially offset by increase in other payables and accruals.

2. *Net cash flow used in investing activities*

   Our cash flow used in investing activities reflects the results of our investing activities for the year, such as loans to third parties, purchase of property, plant and equipment, and acquisition of subsidiaries.

   For the year ended 31 December 2021, we had net cash flow used in investing activities of RMB30,478,000, which was primarily due to loans to third parties and purchase of property, plant and equipment; and partially offset by acquisition of subsidiaries.

3. *Net cash flow generated from financing activities*

   Our net cash flow generated from financing activities reflects the results of our financing activities for the year, such as obtaining new bank loans, repayment of bank loans, payment of interests and other financing activities.

   For the year ended 31 December 2021, we had net cash flow generated from financing activities of RMB1,045,794,000, primarily due to new bank loans and loan from a related party obtained during the year and partially offset by the repayment of bank loans and a corporate bond during the year.

(iii) Balance sheet items

1. *Trade and bills receivables*

To enhance sales of our handsets and enlarge our market share, we granted credit periods of 30-180 days to certain customers in 2021. Credit periods are offered to customers with the largest volume sales of telecommunication devices and accessories. We closely monitor and maintain strict control over our outstanding receivables to minimise credit risk. Overdue balances are also reviewed regularly by the management. As our trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Our trade and bills receivables are non-interest-bearing. As at 31 December 2021, our trade and bills receivables after deduction of impairment amounted to RMB2,892,151,000, representing a decrease of RMB94,488,000 or 3.16% from RMB2,986,639,000 as at 31 December 2020.

As at 31 December 2021, the trade receivables before deduction of impairment amounted to RMB3,137,229,000, representing an increase of RMB66,642,000 or 2.17% from RMB3,070,587,000 as at 31 December 2020.

As at 31 December 2021, the bills receivables before deduction of impairment amounted to RMB531,000, representing a decrease of RMB56,839,000 or 99.07% from RMB57,370,000 as at 31 December 2020.

2. *Prepayments, other receivables and other assets*

Our prepayments, other receivables and other assets amounted to RMB2,167,047,000 as at 31 December 2021, representing an increase of RMB501,716,000 or 30.13% from RMB1,665,331,000 as at 31 December 2020.

Our prepayments represent our prepayments to suppliers of mobile telecommunication devices and accessories and prepaid rental payments to our lessors. Our prepayments as of 31 December 2021 amounted to RMB563,938,000, representing a decrease of RMB893,141,000 or 61.30% from RMB1,457,079,000 as of 31 December 2020, mainly due to the reduced scale of procurement. Our deposits and other receivables as at 31 December 2021 amounted to RMB1,960,810,000, representing an increase of RMB1,708,985,000 or 678.64% from RMB251,825,000 as of 31 December 2020. Such increase was mainly due to the increase in other receivables due from our certain customers and suppliers.

3. *Impairment of trade and other receivables*

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

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

4. *Inventories*

Our inventories as of 31 December 2021 amounted to RMB294,308,000, representing a decrease of RMB2,268,184,000 or 88.51% from RMB2,562,492,000 as of 31 December 2020, which was mainly due to fewer retail shops and keeping lower inventories level due to the downturn, and impairment and write-down of inventory during the year.

5. *Trade and bills payables*

Our trade payables are non-interest bearing and are normally settled within 30-45 days. Our trade and bills payables as at 31 December 2021 amounted to RMB719,194,000, representing a decrease of RMB65,379,000 or 8.33% from RMB784,573,000 as at 31 December 2020. The decrease in trade and bills payables for the year was mainly due to the lower volume of procurement of the Group during the year.

6. *Other payables and accruals*

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

Our other payables and accruals as of 31 December 2021 amounted to RMB1,144,445,000, representing an increase of RMB910,602,000 or 389.41% from RMB233,843,000 as of 31 December 2020. Such increase was mainly due to the increase in the other payables due to our certain customers and suppliers.

7. *Net current assets position*

Our net current assets as of 31 December 2021 amounted to RMB293,703,000, representing a decrease of RMB3,528,800,000 or 92.32% from RMB3,822,503,000 as of 31 December 2020. Such decrease was primarily due to the decrease in inventories and the increase in amount due to related parties in 2021.

8. *Capital expenditure*

For the year ended 31 December 2021, the Group's capital expenditure amounted to RMB18,835,000, 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.

9. *Interest-bearing bank and other borrowings*

Our bank borrowings and other borrowings were primarily short term in nature, and we also have bank borrowings that were long term in nature.

The table below sets forth details of our outstanding borrowings as of the dates indicated:

	2021		2020	
	Maturity date	***RMB'000***	Maturity date	*RMB'000*
Current portion				
Bank borrowings:				
Unsecured and repayable within one year	**2022**	**1,229,604**	2021	833,773
Secured and repayable within one year	**2022**	**762,000**	2021	1,726,135
Other borrowings:				
Unsecured and repayable within one year	**2022**	**68,350**	2021	66,106
Secured and repayable within one year	**2022**	**80,000**	2021	93,320
		2,139,954		2,719,334
Long-term				
Bank borrowings:				
Unsecured and due after more than one year	**2023-2027**	**17,970**	2022-2025	21,498
		2,157,924		2,740,832

(iv) Key financial ratios

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

	As at 31 December			
Item	**2021**	2020	**Change**	**Percentage of change**
Current ratio	**1.05**	1.82	(0.77)	(42.31%)
Gearing ratio	**74.22%**	37.51%	36.71%	97.87%
Net debt-to-equity ratio	**287.84%**	60.02%	227.82%	379.57%

Current ratio is our current assets divided by our current liabilities at the end of each financial period. Our current ratio as of 31 December 2021 was 1.05, representing a decrease of 0.77 or 42.31% from 1.82 as of 31 December 2020. The decrease was primarily due to an increase in current liabilities.

Gearing ratio is net debt divided by net debt plus 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. Our gearing ratio as of 31 December 2021 was 74.22%, representing an increase of 36.71 percentage points or 97.87% from 37.51% as of 31 December 2020. Such increase was primarily due to a rise in current liabilities and a drop in assets.

Net debt-to-equity ratio equals net debt divided by total equity as the end of the financial period and multiplied by 100%. Our net debt-to-equity ratio as of 31 December 2021 was 287.84%, representing an increase of 227.82 percentage points or 379.57% from 60.02% as of 31 December 2020. The increase was mainly due to a decrease in total equity.

(v) Material acquisitions and disposals

The Company and Henan Digital Trading Company Limited ("**Henan Digital**") (a company held as to 60% and 40% by the Company and Mr. Tang Cheng respectively) 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

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 liability. Based on the information from legal counsel, the Group has provided for an amount of RMB26,541,000 in the consolidated financial statements. In the opinion of the Directors, the amount provided for represented maximum exposure of the Group in this litigation.

(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 table below sets forth details of the proceeds in the special account as at 31 December 2021:

Account holder	Banker	Account number	Amount
			HK$'000
Beijing Digital Telecom Co., Ltd.	Standard Chartered Bank (Hong Kong) Limited	44717867377	19.53

As at 31 December 2021, the total proceeds of HK$213,828,550 have been fully utilised, and the balance of the proceeds in the special account amounted to HK$19,530.

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 table below sets forth details of the use of the proceeds from the directed non-public offering as at 31 December 2021:

Item	Amount paid	Account balance
	HK$'000	*HK$'000*
Issuance expenses	2,368.57	–
Goods procurement and daily operations	211,459.98	–
	213,828.55	19.53

(viii) 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 and HKD. The Group has not hedged its foreign exchange rate risk.

(ix) Restricted assets

As at 31 December 2021, except for the pledged deposits amounting to RMB729,355,000 and wealth management products amounting to RMB104,399,000, there was property held as collateral amounting to RMB22,388,000.

(x) Material investments

The Group did not have any material investment during the year ended 31 December 2021.

(xi) Employees, remunerations and training programs for employees

For the year ended 31 December 2021, the Group had 3,599 employees (2020: 4,669). Salary costs and employees' benefit expenses amounted to approximately RMB351,560,000 for the year ended 31 December 2021. Remunerations for the Group's existing employees include salaries, performance-based bonus, social insurance, housing provident fund and other benefits.

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

(xii) Future material investment

The Group does not have any material investment plan in the near future.

(xiii) Material events after the 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 shut down of retail shops as the pandemic is prolonged. The massive shut down of retail shops during the year resulted in significant writedown and impairment provision of inventories, trade receivables and other receivables. 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.

With further waves of the pandemic subsequent to 31 December 2021, travel restrictions remain and certain cities introduced lockdown measures in order to contain the pandemic. These measures have a significant negative impact on the Group's business, and the retail sector as a whole which includes all of the Group's customers. A number of the Group's retail shops were operating at an "on-and-off" basis, and may also shut down ultimately. However, the management is of the view that the Group's retail shops remaining are all with good quality and with better ability to sustain the downturn, and therefore the management is of the view that there will not be a massive shut down of retail shops of the scale of current year in the near future. It is challenging for the management to estimate, on the balance sheet date, whether further retail shops will be closed as the pandemic is prolonged. The management used its best estimate based on information available at that time in assessing impairment provisions on the balance sheet date.

In order to ensure the smooth transition from the then controlling shareholder to the management team under the new management, and to facilitate the collection of accounts receivables and other receivables, the then controlling shareholder and his controlled companies have entered into a series of pledge of assets and guarantee contracts with the Company on 15 March 2022, whereby the then controlling shareholder and his controlled companies together have provided guarantees in an aggregate amount of approximately RMB1.2 billion to secure the collection of accounts receivables and other receivables as at 31 December 2021 with an aggregate amount of approximately RMB2.3 billion.

III. BUSINESS OUTLOOK FOR 2022

2022 has been a year that 5G-related integration and IoT products demonstrated its enormous growth in popularity. Digital Telecom has laid solid foundation in the 5G industry, which will convert into more sales opportunities. Meanwhile, omni-channel contract fulfilment capabilities of Digital Telecom will cover all domestic major e-commerce platforms and new streaming platforms in addition to the core cooperative channels, so as to create new growth for the performance of Digital Telecom. With the continuous improvements in the pandemic situation and the gradual relaxation of epidemic prevention measures internationally, the overseas expansion of Digital Telecom will also reactivate. We will enhance the Company's performance of 2022 through the following approaches:

1. Seizing the opportunity for carriers to develop smart family and IoT products, and the opportunity for their self-operated stores to conduct new retail's upgrade and transformation, we will constantly enhance the carrier business in our self-operated stores and manage to carry out operation by cooperating with more stores of carriers at a lower costs.

2. We will make clear the market strategy of our self-operated stores and select core mall systems to conduct comprehensive strategic cooperation, so as to enhance our presence in mall channels and improve the proportion of our stores in the mall, and we will continue to adjust and optimise the stores of lower quality which are located in pedestrian malls.

3. Seizing the market opportunity arising from the change in market positioning of different brands, we will continuously enhance the full cooperation with brands that possess great potential in growing, and capitalise on the benefits from their market growth. In addition, we will strive to increase the proportion of popular brands.

4. In addition to the core channels, leveraging on our competitive omni-channel contract fulfilment capabilities and systems, we will conduct omni-channel contract cooperation nationally with more e-commerce platforms and new channels, to provide comprehensive and convenient outlet warehouse services to partners and customers. In addition, we will also provide high-quality omni-channel contract agent services to other merchants.

5. We will conduct strategic cooperation with leading brands in technology and intelligent product in China, to expand overseas markets with joint efforts and establish new presence overseas.

FINAL DIVIDEND

The Board does not recommend any final dividend for the year ended 31 December 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 18 May 2022 to 17 June 2022 (both days inclusive) in order to determine the identity of the shareholders entitled to attend the forthcoming annual general meeting of the Company to be held on 17 June 2022. All transfer documents, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on 17 May 2022.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its own code of corporate governance. During the year ended 31 December 2021, save as disclosed below, the Company complied with all the 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. However, Mr. Liu resigned as the chairman of the Board on 30 June 2021, and only remained as the general manager, a position which served the same function 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 requirements of the CG Code. On 10 August 2021, Ms. Xu succeeded Mr. Liu as the president, which has the same role and responsibility as the general manager of the Company but with a different job title. The Board is of the view that it is appropriate and in the best interests of the Company that Ms. Xu holds both positions at the current stage, as it helps to maintain the continuity of the policies and the stability and efficiency of the operations of the Company. The Board also meets on a regular basis to review the operations of the Company led by Ms. Xu. Accordingly, the Board believes that such arrangement will not affect the balance of power and authorisation between the Board and management of the Company. The Company will continue reviewing and enhancing its corporate governance codes to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' and supervisors' securities transactions. Specific enquiries have been made to all Directors and supervisors of the Company, and each of the Directors and supervisors of the Company has confirmed that he/she has complied with the standard requirements set out in the Model Code regarding securities transactions by Directors and supervisors of the Company during the year ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

References are made to the announcements of the Company dated 22 June 2021, 23 November 2021, 31 January 2022 and 12 April 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 and 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 Offer. 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, and further extended by a temporary waiver granted by the Stock Exchange on 8 April 2022 for a waiver period from 5 February 2022 to 5 June 2022 from strict compliance with Rule 8.08(1)(a) of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee, together with the management and external auditor, has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 December 2021.

This annual results announcement is based on the audited consolidated financial statements of the Group for the year ended 31 December 2021, as agreed with the auditor of the Company.

The Board has considered and approved the audited consolidated results of the Group for the year ended 31 December 2021 as set out in this announcement.

LISTING STATUS

References are made to the announcements of the Company dated 22 June 2021, 19 August 2021, 30 September 2021 and 23 November 2021, in relation to the delay in publication of the interim results and the interim report for the six months ended 30 June 2021, and waiver from strict compliance with Rule 8.08(1)(a) of 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 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 of the Listing Rules and publish further announcements to inform the shareholders of material updates as and when appropriate.

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 AUDITED ANNUAL RESULTS AND 2021 ANNUAL REPORT

This audited annual results announcement will be available on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.dixintong.com), respectively. The 2021 Annual Report of the Company will be dispatched to the shareholders of the Company and will be made available on the above websites by no later than 31 May 2022.

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

Beijing, the PRC
29 April 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.