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 2022

AUDITED FINANCIAL HIGHLIGHTS

For the year ended 31 December 2022:

The revenue of the Group amounted to RMB13,507,537,000, an increase of 31.86% compared to the revenue of the Group of RMB10,243,930,000 for the year ended 31 December 2021.

The net loss attributable to owners of the parent of the Company amounted to RMB275,579,000, a decrease of 92.28% compared to the year ended 31 December 2021.

The basic loss per share amounted to RMB0.38/share, as compared to the basic loss per share of RMB4.87/share for the year ended 31 December 2021.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022.

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 2022 and the audited comparable figures for the year ended 31 December 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	3	**13,507,537**	10,243,930
Cost of sales		**(12,870,105)**	(9,668,142)
Gross profit		**637,432**	575,788
Other income and gains	3	**45,258**	130,508
Selling and distribution expenses		**(418,065)**	(508,835)
Administrative expenses		**(204,396)**	(885,110)
Impairment losses on financial assets		**(108,913)**	(943,037)
Other expenses		**(29,724)**	(2,042,265)
Finance costs		**(177,790)**	(234,170)
Share of profits and (losses) of:			
Joint ventures		**(10,500)**	1,504
Associates		**6,221**	268
(LOSS) BEFORE TAX		**(260,477)**	(3,905,349)
Income tax (expenses)/credit	4	**(18,668)**	308,364
(LOSS) FOR THE YEAR		**(279,145)**	(3,596,985)
Attributable to:			
Owners of the parent		**(275,579)**	(3,567,438)
Non-controlling interests		**(3,566)**	(29,547)
		(279,145)	(3,596,985)
(LOSSES) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted (RMB) For (loss) for the year	6	**(0.38)**	(4.87)

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

Year ended 31 December 2022

	2022 *RMB'000*	2021 *RMB'000*
(LOSS) FOR THE YEAR	**(279,145)**	(3,596,985)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**2,140**	(4,238)
Share of other comprehensive (loss) of joint ventures	**(2,417)**	(7,620)
Net other comprehensive (loss) that may be reclassified to profit or loss in subsequent periods	**(277)**	(11,858)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive loss:		
Changes in fair value	**(409)**	(149)
Income tax effect	**–**	36
Impairment of deferred tax assets	**(252)**	(10,207)
	(661)	(10,320)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(661)**	(10,320)
OTHER COMPREHENSIVE (LOSS) FOR THE YEAR, NET OF TAX	**(938)**	(22,178)
TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR	**(280,083)**	(3,619,163)
Attributable to:		
Owners of the parent	**(276,517)**	(3,589,431)
Non-controlling interests	**(3,566)**	(29,732)
	(280,083)	(3,619,163)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**52,892**	66,710
Right-of-use assets		**197,543**	282,565
Other intangible assets		**2,414**	3,557
Investments in joint ventures		**41,613**	54,531
Investments in associates		**60,527**	255,455
Debt instrument at amortised cost		**–**	500
Equity investments designated at fair value through other comprehensive income		**20,341**	1,009
Total non-current assets		**375,330**	664,327
CURRENT ASSETS			
Inventories		**275,887**	294,308
Trade and bills receivables	*7*	**2,320,654**	2,892,151
Prepayments, other receivables and other assets	*8*	**1,963,591**	2,167,047
Financial assets at fair value through profit or loss		**81,937**	104,399
Investment in an associate classified as held for sale		**179,000**	–
Due from related parties		**600,350**	431,922
Pledged deposits		**1,043,609**	729,355
Cash and cash equivalents		**224,133**	91,225
Total current assets		**6,689,161**	6,710,407

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000*
CURRENT LIABILITIES			
Trade and bills payables	*9*	**313,051**	719,194
Other payables and accruals		**466,776**	1,144,445
Interest-bearing bank and other borrowings		**2,687,737**	2,139,954
Lease liabilities		**80,523**	115,354
Due to related parties		**2,879,743**	2,289,127
Tax payable		**27,541**	8,630
Total current liabilities		**6,455,371**	6,416,704
NET CURRENT ASSETS		**233,790**	293,703
TOTAL ASSETS LESS CURRENT LIABILITIES		**609,120**	958,030
NON-CURRENT LIABILITIES			
Long term borrowings		**14,846**	17,970
Deferred tax liabilities		**605**	1,700
Lease liabilities		**133,901**	182,622
Other long-term liabilities		**21,855**	37,742
NET ASSETS		**437,913**	717,996
EQUITY			
Equity attributable to owners of the parent			
Share capital		**732,460**	732,460
Reserves		**(303,895)**	(27,378)
		428,565	705,082
Non-controlling interests		**9,348**	12,914
Total equity		**437,913**	717,996

NOTES TO FINANCIAL STATEMENTS

31 December 2022

1. CORPORATE AND GROUP INFORMATION

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

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

In the opinion of the directors, before Zhuhai Huafa Industrial Investment Holding Co., Ltd. and Hong Kong Huafa Investment Holdings Limited (collectively referred to as "**Huafa Group**") became the controlling shareholders ("**the new controlling shareholders**"), the then controlling shareholders of the Company ("**the then controlling shareholders**") 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 minority shareholders in 2021, and under a concert party agreement with the Liu Family, controlled a total voting right of 90.76% of the Company therefrom.

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 2022. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights result in control. When the Company has, 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. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sales of mobile telecommunications devices and accessories	**12,923,373**	9,787,866
Including:		
Retail	**3,529,268**	3,412,568
Sales to franchisees	**598,652**	918,894
Wholesale	**8,795,453**	5,456,404
Service income from mobile carriers	**257,421**	250,879
Revenue from provision of online and offline sales and marketing services*	**216,429**	–
Other service fee income	**110,314**	205,185
	13,507,537	10,243,930

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

Disaggregated revenue information

Segment

Mobile telecommunications devices

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Geographical markets		
Mainland China	**13,102,348**	9,842,207
Spain	**388,673**	393,612
Romania	**5,516**	2,250
Bulgaria	**11,000**	5,861
Total revenue from contracts with customers	**13,507,537**	10,243,930
Timing of revenue recognition		
Goods transferred at a point in time	**12,923,372**	9,787,866
Services transferred over time	**584,165**	456,064
Total revenue from contracts with customers	**13,507,537**	10,243,930

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Other income		
Interest income	**32,332**	17,630
Government grants	**4,185**	6,747
Others	**7,026**	102,884
	43,543	127,261
Gains		
Fair value gain on financial assets at fair value through profit or loss	**–**	3,219
Gain on disposal of a joint venture	**1,603**	–
Gain on financial investment	**101**	3
Gain on foreign exchange	**11**	25
	1,715	3,247
	45,258	130,508

4. 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 2022. The major components of income tax expense/credit are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Current:		
Tax charge for the year	**19,763**	4,597
Tax credit in respect of losses in the current period	**–**	(368,807)
Deferred:	**(1,095)**	55,846
Total tax expenses/(credit) for the year	**18,668**	(308,364)

5. DIVIDENDS

The directors did not propose a dividend for the year ended 31 December 2022.

6. (LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic (loss) per share is based on the (loss) attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 732,460,000 (2021: 732,460,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

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

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Loss		
(Loss) attributable to ordinary equity holders of the parent used in the basic (loss) per share calculation	**(275,579)**	(3,567,438)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**732,460,000**	732,460,000

7. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**2,723,024**	3,137,229
Bills receivable	**63**	531
Impairment	**(402,433)**	(245,609)
	2,320,654	2,892,151

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	
	2022	2021
	RMB'000	*RMB'000*
Within 90 days	**613,661**	861,280
91 to 180 days	**133,762**	1,403,683
181 to 365 days	**432,811**	227,237
Over 1 year	**1,140,420**	399,951
	2,320,654	2,892,151

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**245,609**	141,318
Impairment losses	**156,824**	627,756
Amount written off as uncollectible	**–**	(523,465)
At end of year	**402,433**	245,609

As set out in note 1, Huafa Group acquired a controlling interest in the Company, and became the new controlling shareholders in 2021. In order to facilitate the smooth transition of the Group's business to the new management team under the new controlling shareholders and the collection of trade and other receivables arising from doing business with the Group under the management team under the then controlling shareholders, the then controlling shareholders agreed to collect and provided guarantees for the collection of certain trade and other receivables in the aggregate amount of approximately RMB2.23 billion (the "**Guaranteed Receivables**"). The guarantees are secured by assets pledged by the then controlling shareholders, and the general personal guarantee of Mr. Liu Donghai.

The Group assessed impairment losses for the Guaranteed Receivables and non-Guaranteed Receivables separately.

Guaranteed Receivables

The Group first assessed impairment losses using the ECL model, based on the aging of the Guaranteed Receivables. Then, the Group assessed if specific provision is required by taking into account movements during the year resulting from sales and settlements, and specific analysis of receivables with no activities and no settlement during the year. The Group then compared the amount ("**Potential Impairment Loss for Guaranteed Receivables**") with the value of assets pledged by the then controlling shareholder which have been controlled by the Group. If required, valuations by an external independent valuer are performed in determining the value of assets pledged. As a result, a provision for impairment loss in the amount of RMB87 million (2021: nil) was made for the Guaranteed Receivables.

The assessment of Potential Impairment Loss for Guaranteed Receivables is for the purpose of assessing if the value of assets pledged is sufficient. Therefore, except for the provision for impairment made as set out above, no further impairment provision was made for the Guaranteed Receivables. Also, except for the assets pledged, and for the purpose of assessment of impairment loss of the Guaranteed Receivables, the general personal guarantee of Mr. Liu Donghai has not been taken into account.

Non-Guaranteed Receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

8. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Prepayments and deposits	**419,010**	621,883
Other assets	**89,986**	104,553
Other receivables	**1,727,359**	1,798,312
	2,236,355	2,524,748
Impairment allowance	**(272,764)**	(357,701)
	1,963,591	2,167,047

The movements in the loss allowance for impairment of prepayments, deposits , and other receivables are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**357,701**	43,573
(Reversal)/addition during the year	**(84,937)**	315,280
Amount written off as uncollectible	**–**	(1,152)
At end of year	**272,764**	357,701

The then controlling shareholders guaranteed the collection of the Group's trade and other receivables in the aggregate amount of approximately RMB2.23 billion.

Specific impairment provisions are made for prepayments and deposits when the recoverability of the amount is doubtful.

Prepaid rental deposits for closed stores which are non-refundable due to closing of store are changed to the profit and loss account at the period of store – closing.

9. TRADE AND BILLS PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Trade payables	**313,051**	276,234
Bills payable	**–**	442,960
	313,051	719,194

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	
	2022	2021
	RMB'000	*RMB'000*
Within 90 days	**236,312**	204,830
91 to 180 days	**14,820**	153,440
181 to 365 days	**31,218**	313,738
Over 1 year	**30,701**	47,186
	313,051	719,194

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

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

For the year ended 31 December 2022, the Group sold 4,016,000 mobile handsets, representing an increase of 491,000 sets or 13.93% from 3,525,000 sets for the year ended 31 December 2021. Operating revenue of the Group for the year ended 31 December 2022 amounted to RMB13,507,537,000, representing an increase of RMB3,263,607,000 or 31.86% from the operating revenue of RMB10,243,930,000 for the year ended 31 December 2021. Net loss for the year ended 31 December 2022 amounted to RMB279,145,000, representing a decrease of RMB3,317,840,000 or 92.24% from net loss of RMB3,596,985,000 for the year ended 31 December 2021. The year-on-year significant loss reduction is mainly due to the fact that under the pressure brought by the pandemic in 2022 and the corresponding pandemic prevention policies in various regions to the offline retail industry, the Company has continued to carry out refined operations and optimized the channel structures, which kept improving the proportion of profitable offline stores and realizing a rapid growth in the scale of new online retail channels such as live broadcast, achieving remarkable revenue contribution from online sales and hence significantly improved operational performance as a whole.

II. FINANCIAL POSITION AND OPERATING RESULTS

(i) Overview

For the year ended 31 December 2022, the Group recorded a net loss of RMB279,145,000, representing a decrease of RMB3,317,840,000 or 92.24% from a net loss of RMB3,596,985,000 for the year ended 31 December 2021. The loss attributable to the owners of the parent of the Company for the year ended 31 December 2022 was RMB275,579,000, representing a decrease of RMB3,291,859,000 or 92.28% from the loss attributable to the owners of the parent of the Company of RMB3,567,438,000 for the year ended 31 December 2021.

1. *Operating revenue*

For the year ended 31 December 2022, operating revenue of the Group amounted to RMB13,507,537,000, representing an increase of RMB3,263,607,000 or 31.86% from the operating revenue of RMB10,243,930,000 for the year ended 31 December 2021. The increase in revenue was primarily due to a significant increase in revenue from our wholesale business in this year. Our sales of mobile telecommunications devices and accessories include (i) sales in our retail business including our independently operated outlets and online channels; (ii) sales in our franchise business; and (iii) sales in our wholesale business. Revenue from our retail business includes revenue from sales of mobile telecommunications devices and accessories in our 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; (ii) income from value-added services; (iii) the rental fees we earn by renting counter space to third parties who provide repair services; (iv) income from the service business; and (v) income from franchisees' services.

The Group's revenue from sales of mobile telecommunications devices and accessories amounted to RMB12,923,373,000 for the year ended 31 December 2022, representing an increase of RMB3,135,507,000 or 32.03% compared with the revenue from sales of mobile telecommunications devices and accessories of RMB9,787,866,000 for the year ended 31 December 2021.

The Group's service income from mobile carriers amounted to RMB257,421,000 for the year ended 31 December 2022, representing an increase of RMB6,542,000 or 2.61% compared with the service income from mobile carriers of RMB250,879,000 for the year ended 31 December 2021.

The Group's revenue from provision of online and offline sales and marketing services and other service fee income aggregately amounted to RMB326,743,000 for the year ended 31 December 2022, representing an increase of RMB121,558,000 or 59.24% compared with the other service fee income of RMB205,185,000 for the year ended 31 December 2021. Among these, revenue from online and offline sales and marketing services increased by RMB216,429,000 during the year, mainly due to the Company's channel strengths and efficiently utilizing the synergy of resources within the Group. In the future, the Company will expand its channel advantage in all aspects to provide sales services to more customers.

2. *Cost of sales*

The Group's cost of sales for the year ended 31 December 2022 amounted to RMB12,870,105,000, representing an increase of RMB3,201,963,000 or 33.12% compared with the cost of sales of RMB9,668,142,000 for the year ended 31 December 2021, which was mainly due to the increase in cost of sales in tandem with the increase in our operating revenue.

3. *Gross profit and gross profit margin*

Gross profit represents operating revenue net of cost of sales. For the year ended 31 December 2022, gross profit of the Group amounted to RMB637,432,000, representing an increase of RMB61,644,000 or 10.71% from the gross profit of RMB575,788,000 for the year ended 31 December 2021. Our overall gross profit margins for the years ended 31 December 2021 and 2022 were 5.62% and 4.72%, respectively. The decrease in our overall gross profit margin as compared to that of 2021 was due to increase in the proportion of the wholesale business in 2022.

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 2022 amounted to RMB45,258,000, representing a decrease of RMB85,250,000 or 65.32% from RMB130,508,000 for the year ended 31 December 2021. The decrease was primarily due to the write-off of certain amounts payable to dissolved vendors and such amount was recognised as other income during 2021, but no such other income was generated this year.

5. *Selling and distribution expenses*

Total selling and distribution expenses of the Group for the year ended 31 December 2022 amounted to RMB418,065,000, representing a decrease of RMB90,770,000 or 17.84% compared with the total selling and distribution expenses of RMB508,835,000 for the year ended 31 December 2021, which was mainly due to the decrease in depreciation and amortisation expense and staff salaries expense as well as the decreases in rentals and property management expenses.

Depreciation and amortization expense for the year ended 31 December 2022 was RMB15,867,000, representing a decrease of RMB10,396,000 or 39.58% compared with the depreciation and amortization expense of RMB26,263,000 for the year ended 31 December 2021. The decrease was mainly due to the Company's continued efforts to reduce costs and increase efficiency, which reduced capital expenditures such as fixed assets acquisition and renovation expenses.

Total staff salaries for the year ended 31 December 2022 amounted to RMB207,419,000, representing a decrease of RMB18,434,000 or 8.16% compared with the total staff salaries of RMB225,853,000 for the year ended 31 December 2021. Such decrease was mainly due to management's efforts to streamline sales personnel and reduce the number of stores by improving the organizational structure.

Total rentals and property management expenses for the year ended 31 December 2022 amounted to RMB141,494,000, representing a decrease of RMB22,004,000 or 13.46% compared with the total rentals and property management expenses of RMB163,498,000 for the year ended 31 December 2021. 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 property owners.

6. *Administrative expenses*

The Group's total administrative expenses for the year ended 31 December 2022 amounted to RMB204,396,000, representing a decrease of RMB680,714,000 or 76.91% compared with the total administrative expenses of RMB885,110,000 for the year ended 31 December 2021. Such decrease in administrative expenses was primarily due to decreases in staff salaries and other fees.

Staff salaries for the year ended 31 December 2022 amounted to RMB99,813,000, representing a decrease of RMB25,894,000 or 20.60% compared with the staff salaries of RMB125,707,000 for the year ended 31 December 2021, which was mainly due to management's efforts to implement cost control measures and enhance efficiency in management by streamlining the organizational structure and human resources, so as to maximize efficiency of overall management and each employee.

Other fees for the year ended 31 December 2022 amounted to RMB10,745,000, representing a decrease of RMB602,114,000 or 98.25% compared with the other fees of RMB612,859,000 for the year ended 31 December 2021. The decrease was mainly due to the management's continuous efforts to improve the corporate governance system by establishing the "Three Boards and One Operational Management" governance structure, clarifying hierarchical authorization, and standardizing the procedures, thus significantly reducing the extraordinary losses from store closures.

7. *Other expenses*

Our other expenses mainly include impairment and write-down of inventories, impairment of right-of-use assets, impairment of property, plant and equipment, loss on disposal of property, plant and equipment and others. For the years ended 31 December 2021 and 2022, our other expenses amounted to RMB2,042,265,000 and RMB29,724,000, respectively. The year-on-year decrease of RMB2,012,541,000, or 98.54%, was primarily due to the management's efforts to make clear classification of authorization on matters, standardize the workflow system, and improve the corporate governance system, which greatly reduced the impairment loss of enterprise assets.

8. *Finance costs*

The Group's total finance costs for the year ended 31 December 2022 amounted to RMB177,790,000, representing a decrease of RMB56,380,000 or 24.08% compared with the total finance costs of RMB234,170,000 for the year ended 31 December 2021. Such decrease in finance costs was primarily due to the decline in capital occupancy cost.

9. Income tax expense/credit

The Group's total income tax expenses for the year ended 31 December 2022 amounted to RMB18,668,000, as compared with the total income tax credit of RMB308,364,000 for the year ended 31 December 2021. The change was primarily due to the fact that the Group has substantially reduced its loss and certain subsidiaries of the Group that were loss-making in the previous year had recorded profits and incurred income tax expense for the year ended 31 December 2022.

(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 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, trade receivables, prepayments, trade and other payables and accruals.

For the year ended 31 December 2022, we had net cash flow used in operating activities of RMB599,489, primarily due to the effect of cash outflow from the net losses for the year resulting in a decrease in operating cash flow.

2. Net cash generated from investing activities

Our cash flow generated from investing activities reflects the results of our investing activities for the year ended 31 December 2022, such as purchases of property, plant and equipment, acquisition of subsidiaries, redemption of financial products from banks, disposal of subsidiaries, and disposal of investment in joint venture.

For the year ended 31 December 2022, we had net cash flow generated from investing activities of RMB10,325,000, which was primarily due to the combined effect of redemption of financial products from banks and purchases of property, plant and equipment.

3. *Net cash generated from financing activities*

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

For the year ended 31 December 2022, we had net cash flow generated from financing activities of RMB721,443,000, primarily due to new bank loans and loan from related parties obtained during the year and partially offset by the repayment of bank loans and loan from related parties 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 different credit periods to customers in 2022 and certain amount of trade receivables were guaranteed by the then controlling shareholders. Our retail sales to consumers were cash sales. Credit periods are offered to customers of volume sales of telecommunication devices and accessories. The credit periods offered to customers of volume sales are considered on a case-by-case basis.

We maintain strict control over and closely monitor our outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that our trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

As at 31 December 2022, our trade and bills receivables after deduction of impairment amounted to RMB2,320,654,000, representing a decrease of RMB571,497,000 or 19.76% from RMB2,892,151,000 as at 31 December 2021.

As at 31 December 2022, the trade receivables before deduction of impairment amounted to RMB2,723,024,000, representing a decrease of RMB414,205,000 or 13.20% from RMB3,137,229,000 as at 31 December 2021.

As at 31 December 2022, the bills receivables before deduction of impairment amounted to RMB63,000, representing a decrease of RMB468,000 or 88.14% from RMB531,000 as at 31 December 2021.

2. *Prepayments, other receivables and other assets*

Our prepayments, other receivables and other assets amounted to RMB1,963,591,000 as at 31 December 2022, representing a decrease of RMB203,456,000 or 9.39% from RMB2,167,047,000 as at 31 December 2021.

Our prepayments and deposits mainly represent our prepayments to suppliers of mobile telecommunication devices and accessories and prepaid rental payments to our lessors. Our prepayments and deposits as of 31 December 2022 amounted to RMB419,010,000, representing a decrease of RMB202,873,000 or 32.62% from RMB621,883,000 as at 31 December 2021, such decrease was mainly due to the reasonable arrangement of procurement payment according to the market demand. Our other receivables as at 31 December 2022 amounted to RMB1,727,359,000, representing a decrease of RMB70,953,000 or 3.95% from RMB1,798,312,000 as at 31 December 2021.

3. *Impairment of trade and other receivables*

Certain trade and other receivables in the aggregate amount of approximately RMB2.23 billion are guaranteed by the then Controlling Shareholders (the "**Guaranteed Receivables**"). The Group assessed impairment losses for the Guaranteed Receivables and non-Guaranteed Receivables separately.

Guaranteed Receivables

The Group first assessed impairment losses using the ECL model, based on the aging of the Guaranteed Receivables. Then, the Group assessed if specific provision is required by taking into account movements during the year resulting from sales and settlements, and specific analysis of receivables with no activities and no settlement during the year. The Group then compared the amount ("**Potential Impairment Loss for Guaranteed Receivables**") with the value of assets pledged by the then controlling shareholders which have been controlled by the Group. If required, valuations by an external independent valuer are performed in determining the value of assets pledged. As a result, a provision for impairment loss in the amount of RMB87 million was made for the Guaranteed Receivables.

The assessment of Potential Impairment Loss for Guaranteed Receivables is for the purpose of assessing if the value of assets pledged is sufficient. Therefore, except for the provision for impairment made as set out above, no further impairment provision was made for the Guaranteed Receivables. Also, except for the assets pledged, and for the purpose of assessment of impairment loss of the Guaranteed Receivables, the general personal guarantee of Mr. Liu Donghai has not been taken into account.

Non-Guaranteed Receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

4. *Inventories*

Our inventories as at 31 December 2022 amounted to RMB275,887,000, representing a decrease of RMB18,421,000 or 6.26% from RMB294,308,000 as at 31 December 2021, which was mainly due to fewer retail shops and keeping lower inventories level due to the downturn.

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 2022 amounted to RMB313,051,000, representing a decrease of RMB406,143,000 or 56.47% from RMB719,194,000 as at 31 December 2021. The decrease in trade and bills payables for the year was mainly resulted from the efficient working capital management 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 at 31 December 2022 amounted to RMB466,776,000, representing a decrease of RMB677,669,000 or 59.21% from RMB1,144,445,000 as at 31 December 2021. Such decrease was mainly due to the decrease in the other payables between the Group and certain customers and suppliers.

7. *Net current assets position*

Our net current assets as at 31 December 2022 amounted to RMB233,790,000, representing a decrease of RMB59,913,000 or 20.40% from RMB293,703,000 as at 31 December 2021. Such decrease was mainly due to the decrease in trade receivables and prepayments and deposits and increase in short-term borrowings in 2022.

8. *Capital expenditure*

For the year ended 31 December 2022, the Group's capital expenditure amounted to RMB14,141,000, 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 following table sets forth our outstanding borrowings as at the dates indicated:

	31 December 2022		31 December 2021	
	Maturity date	***RMB'000***	Maturity date	*RMB'000*
Current				
Bank loans:				
Unsecured, repayable within one year	**2023**	**1,143,915**	2022	1,229,604
Secured, repayable within one year	**2023**	**1,102,805**	2022	762,000
Other borrowings:				
Unsecured, repayable within one year	**2023**	**391,017**	2022	68,350
Secured, repayable within one year	**2023**	**50,000**	2022	80,000
		2,687,737		2,139,954
Long-term				
Bank borrowings:				
Unsecured and due after more than one year	**2024-2027**	**14,846**	2023-2027	17,970
		2,702,583		2,157,924

(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	**2022**	2021	**Change**	**Percentage of change**
Current ratio	**1.04**	1.05	(0.01)	(0.95%)
Gearing ratio	**84.98%**	74.22%	10.77%	14.51%
Net debt-to-equity ratio	**565.97%**	287.84%	278.13%	96.62%

Current ratio is current assets divided by current liabilities as at the end of each financial period. Our current ratio as at 31 December 2022 was 1.04, representing a decrease of 0.01 or 0.95% from 1.05 as at 31 December 2021. The decrease was primarily due to an increase in current liabilities.

Gearing ratio is net debt divided by the sum of net debt and total equity at the end of each financial period and multiplied by 100%. Net debt includes interest-bearing bank and other borrowings less cash and cash equivalents. Our gearing ratio as at 31 December 2022 was 84.98%, representing an increase of 10.77 percentage points or 14.51% from 74.22% as of 31 December 2021. Such increase was primarily due to an increase in current liabilities and a decrease in assets.

Net debt-to-equity ratio equals net debt divided by total equity as at the end of the financial period and multiplied by 100%. Our net debt-to-equity ratio as at 31 December 2022 was 565.97%, representing an increase of 278.13 percentage points or 96.62% from 287.84% as at 31 December 2021. The increase was mainly due to a decrease in total equity.

(v) Material acquisitions and disposals

For the year ended 31 December 2022, the Group had no material acquisitions and disposals.

(vi) Contingent liabilities

A subsidiary of the Group is currently a joint defendant in a litigation brought by a third party for breach of contract whereby the subsidiary of the Group has to bear joint and several liability. Based on the information from legal counsel of the Company, the Group has provided for an amount of RMB30,858,000 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) Foreign exchange rate risks

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

(viii) Restricted assets

As at 31 December 2022, except for the pledged deposits amounting to RMB1,043,609,000 and wealth management products amounting to RMB81,937,000, there was property held as collateral amounting to RMB20,459,000.

(ix) Material investments

The Group did not have any material investment during the year ended 31 December 2022.

(x) Employees, remunerations and training programmes for employees

For the year ended 31 December 2022, the Group had 2,970 employees (2021: 3,599). Salary costs and employees' benefit expenses of the Group amounted to approximately RMB307,232,000 for the year ended 31 December 2022. Remunerations for the Group's existing employees include salaries, performance-based bonus, social insurance, housing provident fund and other benefits.

In order to improve the overall quality of employees, the operation efficiency of the Company and the quality of 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.

(xi) Future material investment

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

(xii) Material events after the period

Save as disclosed in this announcement, as at the date of this announcement, the Group does not have any material events after the period.

III. BUSINESS OUTLOOK FOR 2023

With the relaxation of domestic pandemic control, the market demand will gradually recover in 2023, the boost of market demand and the contraction of the supply side will be significantly improved, and the restrictions on consumption scenarios will be greatly reduced, creating conditions for the recovery of service consumption and offline consumption. Digital Telecom will focus on advantages, embrace trends, and fully complete various business goals in 2023:

(I) **We will seize the growth opportunity of new retail business and increase the scale of online business.** In terms of platform performance, we will continue to deepen cooperation with mainstream e-commerce platforms such as JD.com, Meituan, Eleme (餓了麼) and Vipshop (唯品會), through the integration of online public domain traffic resources and the advantages of offline channels, major e-commerce platforms have been built into online tools for driving traffic and front-end warehouses, empowering offline stores, and realising the integration of online and offline resources. In terms of live streaming business, we will continue to develop product categories, guide all store employees to self-broadcast, build the professional live streaming studio of Digital Telecom, and explore diversified traffic-driving methods. In terms of government-enterprise e-commerce cooperation, we will stabilise existing brand authorisation, deepen cooperation with airlines, banks and other enterprise platforms, create a new retail operation model with multiple platforms, categories, and brands, and continue to increase business revenue contribution.

(II) **Based on the core business of mobile phones, we will continue to explore peripheral business opportunities and strengthen profit contribution.** With mobile phones as the core, Digital Telecom will continue to strengthen in-depth business cooperation with brand manufacturers such as Apple, Huawei, Honor, Xiaomi, and OPPO, Vivo, as well as channels such as national level and provincial level subcontracting, expand wider and deeper, safe and stable upstream and downstream channels of the supply chain, and strive for the best policy for manufacturers. We will dig deep into service business opportunities with higher viscosity and stronger profitability such as accessories, insurance, and recycling, and create a trinity business strategy of sea (external expansion), land (physical stores) and air (online). Meanwhile, Digital Telecom will also strengthen operator docking and resource negotiation, build headquarters and key company operator business teams, steadily promote the diversified operator business cooperation model, and strive to make new breakthroughs in business areas such as operator services, distribution, and hardware customisation.

(III) **We will expand new energy market opportunities and pave the way for new business tracks.** In terms of new energy vehicle business, Digital Telecom will gradually deploy new energy vehicle physical retail stores in Beijing, Guangzhou, Zhuhai and other key cities, and combine the existing mobile phone channel resources in the region, empowering mobile phone stores and creating a joint sales network of new energy vehicle stores + mobile phone stores. At the same time, we will explore business models such as car rental and export of new energy vehicles, and continue to explore new business models and brand opportunities. In terms of household photovoltaic business, Digital Telecom will establish a cooperative relationship with leading household photovoltaic companies, and select suitable locations to carry out pilot photovoltaic agency business in an asset-light manner, while taking advantage of the omni-channels, we will cooperate with manufacturers to jointly promote photovoltaic products through exhibitions and promotions in the countryside, so as to achieve rapid business implementation.

(IV) **We will continue to improve our refined management capabilities and enhance the quality of operation and management of various business lines.** Digital Telecom will establish a store grading, categorising and layering streamline management system, carry out targeted transformation and upgrading of old stores, graft commercial real estate resources to expand high-quality stores, continue to deepen agency operation and franchise cooperation, explore new models of retail business, and improve operating efficiency. Combined with the construction of the online system platform, Digital Telecom plans to support the development of various businesses through system development and technical solutions, realise the automatic integration of online business data and store data, and improve management efficiency. Moreover, Digital Telecom will continue to strengthen its effort in reducing costs and increasing efficiency, and according to business needs, improve functional service support capabilities in IT, legal affairs, finance, human resources, etc., enhance the marketing awareness of all staff, ensure the smooth progress of various business tasks, and achieve business growth.

FINAL DIVIDENDS

The Board does not recommend any final dividend for the year ended 31 December 2022.

CLOSURE OF SHARE TRANSFER REGISTER

The Company will close the register of share transfer from 16 May 2023 to 19 May 2023 (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 19 May 2023. 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 15 May 2023.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its own code of corporate governance. During the year ended 31 December 2022, save as disclosed in this announcement, the Company complied with all the applicable code provisions as set out in the CG Code and adopted most of the recommended best practices.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code regarding securities transactions conducted by Directors and the supervisors of the Company (the "**Supervisors**"). Specific enquiries have been made to all Directors and Supervisors, and each of the Directors and Supervisors has confirmed that he/she has complied with the standard requirements set out in the Model Code regarding Directors' securities transactions during the year ended 31 December 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed 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, 12 April 2022, 2 June 2022, 26 August 2022, 2 December 2022 and 22 February 2023. 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 mandatory conditional cash offers (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, Huafa Technology Industrial Group Co., Ltd. (formerly known as Zhuhai Huafa Industrial Investment Holding Co., Ltd.), Hong Kong Huafa Investment Holdings Limited ("**Hong Kong Huafa**"), 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.

As disclosed in the announcement of the Company dated 9 October 2022, on 9 October 2022, the Company's controlling shareholder, Hong Kong Huafa, performed public solicitation of potential transferees within the People's Republic of China (the "**PRC**") (excluding Hong Kong for the purpose of the public notice) through the Zhuhai Assets & Equity Exchange Centre Co., Ltd. (珠海產權交易中心有限責任公司), for potential transfer of approximately 15.76% of the total number of issued shares of the Company within the solicitation period (i.e. 10 business days commencing from the date of the public notice). The purpose of the public solicitation is to place the shares of the Company held by the controlling shareholders of the Company to meet the public float requirement. As disclosed in the announcement of the Company dated 18 November 2022, Hong Kong Huafa did not solicit a suitable transferee prior to the expiration of the initial and extended solicitation periods, so the public solicitation was terminated on 18 November 2022.

As disclosed in the announcements of the Company dated 2 December 2022 and 22 February 2023, the Company submitted a letter to the Listing Division of the Stock Exchange on 2 December 2022 to apply for an extension of the remedial period for resumption of trading from 4 December 2022 to 30 September 2023. On 17 February 2023, the Company received a letter from the Listing Division of the Stock Exchange that it decided to extend the remedial period for resumption of trading to 30 September 2023.

AUDIT COMMITTEE

The audit committee of the Company, 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 2022.

This annual results announcement is based on the audited consolidated financial statements of the Group for the year ended 31 December 2022, 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 2022 as set out in this announcement.

LISTING STATUS

References are made to the announcements of the Company dated 22 June 2021, and 23 November 2021, in relation to the delay in the 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 should be expired on 3 December 2022.

As disclosed in this announcement above, the Company submitted a letter to the Listing Division of the Stock Exchange on 2 December 2022 to apply for an extension of the remedial period for resumption of trading to 30 September 2023. On 17 February 2023, the Company received a letter from the Listing Division of the Stock Exchange that the Stock Exchange decided to extend the remedial period for resumption of trading to 30 September 2023. 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 H shares of the Company on or before 30 September 2023, the Listing Division will recommend the Listing Committee of the Stock Exchange to proceed with the cancellation of the Company's listing.

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 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 Company's 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 2022 ANNUAL REPORT

This announcement of audited annual results will be available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.dixintong.com), respectively. The 2022 Annual Report of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and will be made available on the websites of the Stock Exchange and the Company.

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

Beijing, the PRC
24 March 2023

As of 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.