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Huitongda Network Co., Ltd.

匯通達網絡股份有限公司

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

(Stock code: 9878)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Huitongda Network Co., Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended June 30, 2022 (“**Reporting Period**”). These results have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the International Accounting Standard 34 Interim Financial Reporting and has been reviewed by the Audit Committee of the Company. This announcement complies with the relevant requirements of the Listing Rules in relation to information to accompany preliminary announcements of interim results.

In this announcement, “we”, “us”, and “our” refer to the Company (as defined above) and where the context otherwise requires, the Group (as defined above).

SUMMARY

Financial Overview

	Six months ended June 30				Year-on-year change
	2022 (unaudited)	As a percentage of revenue <i>(RMB'000, except for percentage)</i>	2021 (unaudited)	As a percentage of revenue	
	Amount		Amount		
Revenue	39,894,712		29,974,650		33.1%
Including:					
Revenue from commerce business	39,485,251	99.0%	29,756,893	99.3%	32.7%
Revenue from service business	364,447	0.9%	167,820	0.6%	117.2%
Gross profit	1,150,287	2.9%	771,231	2.6%	49.1%
Profit from operations	335,957	0.8%	257,029	0.9%	30.7%
Profit/(loss) for the period	199,665	0.5%	(137,874)	(0.5%)	
Profit/(loss) attributable to equity shareholders of the Company	95,043	0.2%	(214,831)	(0.7%)	
Non-IFRS measures:					
Adjusted net profit	291,495	0.7%	195,459	0.7%	49.1%
Adjusted net profit attributable to equity shareholders of the Company	186,873	0.5%	118,502	0.4%	57.7%
Net cash generated from operating activities	922,487		400,117		130.6%

Operating Metrics

	Six months ended June 30		Year-on-year change
	2022	2021	
Total number of registered member stores	191,750	157,557	21.7%
Number of active member stores	65,264	40,131	62.6%
Number of active wholesaler customers	9,432	10,683	(11.7%)
Total number of SaaS+ subscription users	110,781	71,427	55.1%
Including: paid SaaS+ users	27,065	9,676	179.7%

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

We have witnessed major changes unfolding in our world, something unseen in a century, worsened by the pandemic impact since 2022. We have tided over difficulties such as the sluggish market, anemic consumption, poor supply chain, pandemic resurgence, and complex international relations, and the lower-tiered retail market has shown the good resilience. The Company concentrated our efforts on breakthroughs in all aspects.

In the first half of 2022, the Company recorded a total revenue of RMB39.89 billion, representing a year-on-year growth of 33.1%; profit attributable to equity shareholders of the Company amounted to RMB95 million, compared with loss attributable to equity shareholders of the Company of RMB215 million in the same period in 2021, turning losses into gains; our adjusted net profit (non-IFRS measure) attributable to equity shareholders of the Company amounted to RMB187 million, representing a year-on-year increase of 57.7%.

In respect of our commerce business:

As one of our core business layouts, the overall sales revenue from our commerce business reached RMB39.49 billion during the Reporting Period, representing a year-on-year increase of 32.7%.

In the first half of 2022, the Company continued to improve its capabilities at the supply chain end and connected more upstream brand resources, such as consumer electronics including Razer and Yun Xiaole (雲小樂); household appliance including Midea and AUX; liquor brands Wuliangchun (五糧醇), Wuliangchun (五糧春) and Xifeng Liquor; new energy travel brands including Skyworth, Karry; agricultural production materials brands including Tianze (天澤); building materials brands including Hongyu Glass and China National Building Material Group Co., Ltd.; automotive aftermarket brands including Bosch and Dunlop. As of the end of the Reporting Period, the Company had accumulatively connected nearly a thousand premium upstream brand manufacturers. The Company offered more stable, effective and high-value commodity trading solutions to member stores. The Company stayed focused on the construction of supply chain infrastructure for member stores, and developed professional online channels for the existing six major industries, to further enhance the efficiency of the industry chain while helping customers expand their business. While continuing to better diversified logistics solutions, the Company offered more convenient logistics services specific to differentiated trading scenarios in the lower-tier markets and further brought down logistics costs in the industry chain.

During the Reporting Period, the Company accumulated a total of 191,750 registered member stores, representing a year-on-year increase of 21.7%, achieved a total of 65,264 active member stores, representing a year-on-year increase of 62.6%.

In respect of our service business:

During the Reporting Period, the overall sales revenue from our service business reached RMB364 million, representing a year-on-year increase of 117.2%.

In the first half of 2022, the SaaS+ business strategy kept on deepen. The research and development of the core features of SaaS+ products was strengthened, and the underlying architecture was upgraded. The Company tailored differentiated solutions to operational needs of the six industries, aiding member stores in digital transformation and upgrade and improvements to operational efficiency and sales growth. In light of the offline scenario, intelligent terminal products that upgraded cashiering and order collection aided member stores in efficient billing with such features as intelligent weighing, membership point recharge and membership promotion. In light of the online scenario, the micro mall channeled more private traffic to member stores for accurate operation, while the community ecology-based distribution system could help member stores expand and sell more. The Company's SaaS+ products would remain focused on expanding the industry customer base and creating differentiated features for customers to continuously deepen customer service, thereby increasing the breadth and depth of market expansion.

As at the end of the Reporting Period, the total number of SaaS+ subscribers amounted to 110,781, representing a year-on-year increase of 55.1%; the number of paying users of our SaaS+ reached 27,065, representing a year-on-year increase of 179.7%; the revenue from subscription service was RMB263 million, representing a year-on-year increase of 259.0%.

For providing better enterprise-level digital services and helping upstream and downstream enterprise-level customers digitally transform their traditional business, the Company comprehensively upgraded four major merchant solutions: e-commerce solutions, digital store solutions, CRM membership marketing solutions, and digital marketing service solutions. These solutions could more accurately help transform and upgrade enterprises digitally in light of different scenarios. During the Reporting Period, the merchant solutions business achieved revenue of RMB101 million, representing a year-on-year increase of 6.9%.

In respect of the construction of our digital infrastructure:

In the first half of 2022, the Company continued upgrading the industrial trading service system, and developed and launched the service provider portal system that integrated the independent registration and efficient audit of service providers across the country. The Company also provided a full set of digital tools for service providers covering customer service, commodity distribution and commission management. Through digital empowerment and synergy for service providers, the Company's digital service capability was meaningfully improved.

At the same time, the Company comprehensively upgraded the industrial trading platform by increasing the concurrency capacity of the core link by three times and improving the smoothness of the user side and the overall availability of the system. These efforts realized the regular support for a big sales promotion and efficient support for the Company's needs for digital facilities in the future.

In respect of our organization and team building:

In the first half of 2022, the Company continued implementing the concept of “people-oriented”. On the one hand, by continuously upgrading and expanding the organization, the Company incubated 18 small business units in line with the scientific promotion competition mechanism. While promoting business implementation, the Company markedly improved the teams’ operational and management capabilities, increasing labor efficiency. On the other hand, the Company continuously enhanced its business quality through the iteration and innovation of organizational mechanisms, such as the “321 Enhancement Plan”. In addition, the Company upgraded the ability growth of talents again to create more room for growth for employees and cadres at different levels and differentiated professionals.

In terms of corporate culture leadership, the Company organized all employees to work out a “New Decade Culture Platform”, which injected new spiritual momentum around the new goals of the new decade.

In respect of our corporate influence:

The first half of 2022 was a milestone in which our corporate influence had continued to rise. The Company was invited to participate in important ministry-level meetings, while hosting provincial government activities. The Company was noted in special columns on the front page of Xinhua News Agency, Learning Power and other important media for times. It was recognized as one of the “Top 30 Private Cultural Enterprises in Jiangsu Province” and “Key Software Enterprise Encouraged by the State”, and one of “China Top 500 Enterprises” by Fortune Magazine and ranked 209th on the list.

Furthermore, the Company brought industrial superiority into full play, strengthened the cooperation with government and enterprise, entered into strategic cooperation framework agreement with government according to the principles on “equality and mutual benefit, complementary advantages, mutual support, long-term cooperation and common development”, and focused on the aspect of: jointly prompting the improvement of consumption, jointly prompting the construction of county-level business system, accelerating the promotion of digital transformation and upgrading, and jointly carrying out e-commerce talent training, to further deepen strategic cooperation partnership and help realize rural revitalization through the integration of government promotion and marketization operation.

FINANCIAL REVIEW

Revenue

The Group continued expanding its sales network, improved its capabilities at the supply chain end, continued to deepen its customer service and continued to deepen the SaaS+ business strategy. The Group's revenue increased by 33.1% from RMB29,974.7 million for the six months ended June 30, 2021 to RMB39,894.7 million for the six months ended June 30, 2022.

The following table sets out the revenue of the Group by business segment in absolute amount and the year-on-year change for the periods indicated:

Commerce Business

	Six months ended		Year-on-year change
	2022 (unaudited)	2021 (unaudited)	
	June 30		
	2022		
	(unaudited)		
	<i>(RMB'000, except for percentage)</i>		
Direct sales	39,484,140	29,755,327	32.7%
Consumer electronics	18,571,916	11,762,054	57.9%
Agricultural means of production	8,347,688	6,697,381	24.6%
Household appliances	5,788,652	6,001,257	(3.5%)
Vehicles and auto parts merchandise	3,911,486	2,916,411	34.1%
Homebuilding and renovation materials	1,618,528	1,776,742	(8.9%)
Liquor and beverages	1,012,333	531,498	90.5%
Others ⁽¹⁾	233,537	69,984	233.7%
Online marketplace	1,111	1,566	(29.1%)
Total for commerce business	39,485,251	29,756,893	32.7%

Note: (1) Others mainly include various fast-moving consumer goods.

Our revenue from the direct sales of the Group grew by 32.7% from RMB29,755.3 million for the six months ended June 30, 2021 to RMB39,484.1 million for the six months ended June 30, 2022. The revenue from the direct sales maintained a rapid growth, of which the revenue from consumer electronics, vehicles and auto parts merchandise, and liquor and beverages witnessed a particularly rapid growth.

The Group entered strategic cooperation with top brands in the communications industry in the second half of 2021, and the Group's cooperation with them deepened in the first half of 2022. Consequently, the revenue from consumer electronics grew significantly, up 57.9% compared to the same period last year.

The agricultural material industry was affected by the increase in the price of upstream raw material. The significant growth in sales prices of agricultural means of production in the first half of 2022 expanded the sales scale and increased the revenue from agricultural means of production by 24.6% over the same period last year.

The Group branched out its business of rubber and auto parts in the industry of vehicles and auto parts merchandise, and at the same time deeply incubated the new energy vehicle business and formed strategic cooperation with a number of upstream vehicle manufacturers. The revenue from such industry increasing by 34.1% as compared to the same period last year.

As the domestic maotai-flavour liquor industry kept blooming, the Group further expanded its sales channels for liquor and beverages and extended its distributor hierarchy for sustained growth in sales revenue. The revenue from liquor and beverages grew by 90.5% compared to the same period last year.

The revenue from homebuilding and renovation materials as well as from household appliances was basically flat compared to the same period last year. This was primarily due to the intensifying pandemic in the first half of 2022, which hindered normal delivery in some regions.

Service Business

	Six months ended		
	June 30		
	2022	2021	Year-on-year
	(unaudited)	(unaudited)	change
	<i>(RMB'000, except for percentage)</i>		
Service Business:			
SaaS+ subscription	263,442	73,378	259.0%
Merchant solutions	101,005	94,442	6.9%
Total for Service Business	<u>364,447</u>	<u>167,820</u>	<u>117.2%</u>

The revenue from the service business of the Group was mainly from two segments, namely the SaaS+ subscription and merchant solutions, both with an increasing tendency.

The Group stepped up the marketing of SaaS+ products, and introduced service providers for promotion purpose as a part of its marketing strategy. Meanwhile, the Group strengthened the rapid development of core features of SaaS+ products to help stores achieve digital transformation and upgrade and operational efficiency improvement. As a result, the SaaS+ subscription business significantly grew by 259.0% compared to the same period last year.

The Group comprehensively upgraded four major merchant solutions. These solutions could more accurately help transform and upgrade merchants digitally. During the Reporting Period, merchant solutions grew by 6.9% compared to the same period last year.

Other Business

The revenue from other business was RMB49.9 million and RMB45.0 million for the six months ended June 30, 2021 and June 30, 2022, respectively, basically flat.

Cost of Revenue, Gross Profit and Gross Margin

The Group's cost of revenue increased by 32.7% from RMB29,203.4 million for the six months ended June 30, 2021 to RMB38,744.4 million for the six months ended June 30, 2022, and the gross profit increased by 49.1% from RMB771.2 million for the six months ended June 30, 2021 to RMB1,150.3 million for the six months ended June 30, 2022. The growth of the cost of revenue and gross profit of the Group was primarily due to the growth of its revenue and increase of gross profit margin.

The Group's overall gross margin increased from 2.6% for the six months ended June 30, 2021 to 2.9% for the six months ended June 30, 2022. The growth of the gross margin was primarily due to an increase in the share of revenue from higher margin service business. While keeping the gross margin for the commerce business stable, the Group benefited the market and customers and rapidly expanded strategies of new brands and regions, achieving a basically same gross margin for the commerce business as that in the same period last year.

Selling and Marketing Expenses

	Six months ended June 30 2022 (unaudited)		2021 (unaudited)		Year-on-year change
	Amount	As a percentage of revenue (RMB'000, except for percentage)	Amount	As a percentage of revenue	
Selling and Marketing Expenses	<u>619,053</u>	<u>1.6%</u>	<u>319,618</u>	<u>1.1%</u>	<u>93.7%</u>

Our selling and marketing expenses primarily consist of advertising expenses, employee salaries and promotion service fees. Our selling and marketing expenses grew by 93.7% from RMB319.6 million for the six months ended June 30, 2021 to RMB619.1 million for the six months ended June 30, 2022, and the proportion of selling and marketing expenses in revenue increased from 1.1% for the six months ended June 30, 2021 to 1.6% for the six months ended June 30, 2022. The growth was primarily due to the following reasons: (i) in order to expand the sales network, increase our efforts to connect and cooperate with upstream premium brand manufacturers continuously, expand the sales scale, the Group strengthened its marketing and promotional efforts; and (ii) in order to promote the total transaction volume of member stores and the number of stores, as well as promote the transformation of SaaS business, the Group strengthened the construction of industrial stores, improve the service for member stores, and increased the marketing investments to member stores and SaaS+ business.

Administrative and Other Operating Expenses

	Six months ended June 30 2022 (unaudited)		2021 (unaudited)		Year-on-year change
	Amount	As a percentage of revenue (RMB'000, except for percentage)	Amount	As a percentage of revenue	
Administrative and Other Operating Expenses	<u>277,352</u>	<u>0.7%</u>	<u>266,023</u>	<u>0.9%</u>	<u>4.3%</u>

Administrative and other operating expenses primarily consist of employee salaries, expected credit losses, depreciation expenses and listing expenses. Administrative and other operating expenses grew from RMB266.0 million for the six months ended June 30, 2021 to RMB277.4 million for the six months ended June 30, 2022, which remained relatively stable.

Research and Development Costs

	Six months ended June 30		Year-on-year change
	2022	2021	
	(unaudited)	(unaudited)	
	<i>(RMB'000, except for percentage)</i>		
Research and Development Costs	<u>63,450</u>	<u>36,009</u>	<u>76.2%</u>

Research and development costs mainly include labor costs, depreciation, amortisation and others. Research and development costs grew by 76.2% from RMB36.0 million for the six months ended June 30, 2021 to RMB63.5 million for the six months ended June 30, 2022, primarily due to: (i) the Group upgraded the industrial trading service systems and conducted a comprehensive performance upgrade for the industrial trading platform in order to strengthen the digital construction, to meet the needs for platform trading and improve the information service capability. The research and development projects in the Reporting Period mainly include the construction of industrial trading platform, cloud computing platform, payment platform and intelligent retail SaaS platform and others; and (ii) the Group expanded its research and development team, the members of R&D personnel of which increased from 189 to 217.

Other Revenue

Other revenue decreased by 7.9% from RMB23.1 million for the six months ended June 30, 2021 to RMB21.3 million for the six months ended June 30, 2022, primarily due to the higher government grants in 2021.

Other Net Gains

Other net gains grew by 47.3% from RMB84.3 million for the six months ended June 30, 2021 to RMB124.2 million for the six months ended June 30, 2022, primarily due to the increase in exchange gains on financial management. After deduction of underwriting fees and other related expenses, the Company received HK\$2,185.0 million of net proceeds from the initial public offering of H shares. As the HK dollars appreciated significantly in the first half of 2022, more exchange gains were generated from this portion of proceeds.

Net Finance Costs

Our net finance costs decreased by 75.6% from RMB348.8 million for the six months ended June 30, 2021 to RMB85.1 million for the six months ended June 30, 2022. The decrease of the net finance costs was primarily due to the increase in bank interest income and the decrease in interest expenses arising from redeemable capital contributions. The increase in bank interest income was primarily due to the following: after deduction of underwriting fees and other related expenses, the Company received HK\$2,185.0 million of net proceeds from the initial public offering of H shares in the first half of 2022, resulting in an increase in bank deposits and therefor their interest income. The decrease in interest expenses arising from redeemable capital contributions was primarily due to the unconditional termination of the special right associated with the pre-IPO investment and the reclassification of the redeemable capital contributions to equity upon the Group's listing on the Main Board of the Hong Kong Stock Exchange on February 18, 2022.

Income Tax

The income tax grew by 12.8% from RMB45.2 million for the six months ended June 30, 2021 to RMB50.9 million for the six months ended June 30, 2022. The growth of the income tax was primarily due to the increase in the profit before tax. The consolidated tax rate calculated based on the adjusted profit before tax for the six months ended June 30, 2022 was 14.9%, a decrease from 18.8% compared to the same period last year, primarily due to the further increase in tax incentives for small and micro enterprises in 2022.

Profit/(Loss) Attributable to Equity Shareholders of the Company

As a result of the above, we recorded a profit attributable to equity shareholders of the Company of RMB95.0 million and a loss attributable to equity shareholders of RMB214.8 million for the six months ended June 30, 2022 and the six months ended June 30, 2021, respectively.

Adjusted Net Profit (Non-IFRS Measures)

To supplement our consolidated results which are prepared and presented in accordance with International Financial Reporting Standards (the “IFRS”), we utilize the adjusted net profit (non-IFRS measures) and adjusted net profit attributable to equity shareholders of the Company (non-IFRS measures) as additional financial measures. We define the adjusted net profit (non-IFRS measures) as the profit/(loss) for the period, as adjusted by adding back interest expenses arising from redeemable capital contributions, and the adjusted net profit attributable to equity shareholders of the Company (non-IFRS measures) as the profit/(loss) attributable to equity shareholders of the Company, as adjusted by adding back interest expenses arising from redeemable capital contributions.

We believe that the presentation of such non-IFRS measures when shown in conjunction with the corresponding IFRS measures provides useful information to potential investors and management in facilitating a comparison of our operating performance from period to period by eliminating potential impacts of interest expenses arising from redeemable capital contributions that do not reflect our ongoing operating performance. The use of the non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to, the analysis of our results of operations or financial condition as reported under the IFRS. In addition, the non-IFRS measures may be defined differently from similar terms used by other companies.

The following table reconciles the adjusted net profit (non-IFRS measures) of the Group to the most directly comparable financial measure in accordance with IFRSs, profit/(loss) for the period, for the periods indicated:

	Six months ended June 30	
	2022 (unaudited) <i>(RMB'000, except for percentage)</i>	2021 (unaudited)
Profit/(loss) for the period	199,665	(137,874)
Add: interest expenses arising from redeemable capital contributions	<u>91,830</u>	<u>333,333</u>
Adjusted Net Profit (Non-IFRS Measures)	<u>291,495</u>	<u>195,459</u>

For the six months ended June 30, 2022 and the six months ended June 30, 2021, our adjusted net profit amounted to RMB291.5 million and RMB195.5 million, respectively, representing an increase of 49.1%, which was higher than that of our revenue.

Adjusted Net Profit Attributable to Equity Shareholders of the Company (Non-IFRS Measures)

The following table reconciles the adjusted net profit attributable to equity shareholders of the Company (non-IFRS measures) of the Group to the most directly comparable financial measure in accordance with IFRSs and the profit/(loss) attributable to equity shareholders of the Company, for the periods indicated:

	Six months ended June 30	
	2022 (unaudited) <i>(RMB'000, except for percentage)</i>	2021 (unaudited)
Profit/(loss) attributable to equity shareholders of the Company	95,043	(214,831)
Add: interest expenses arising from redeemable capital contributions	<u>91,830</u>	<u>333,333</u>
Adjusted net profit attributable to equity shareholders of the Company (non-IFRS measures)	<u>186,873</u>	<u>118,502</u>

For the six months ended June 30, 2022 and the six months ended June 30, 2021, our adjusted net profit attributable to equity shareholders of the Company amounted to RMB186.9 million and RMB118.5 million, respectively, representing a growth of 57.7%.

Cash and Cash Equivalents

As of June 30, 2022 and December 31, 2021, our cash and cash equivalents amounted to RMB4,501.1 million and RMB2,966.9 million, respectively. The Group has sufficient working capital for our operating requirements.

Inventories

As of June 30, 2022 and December 31, 2021, the balance of our inventories amounted to RMB3,250.9 million and RMB2,718.6 million, respectively, representing an increase of 19.6%. The increase in inventories was primarily due to the following: (i) the agricultural materials business scaled up rapidly and inventory balances increased correspondingly; (ii) the domestic maotai-flavour liquor industry kept blooming, and the Group further expanded its sales channels for liquor and beverages, resulting in the growing sales scale of liquor and beverages and the increase in inventory balances; and (iii) summer is the peak season for sales of air conditioners. The stocking of goods to meet the strong demand in the summer market during the Reporting Period increased the inventory balance at the end of the Reporting Period.

Inventory turnover days remained stable at 14 days as compared to last year.

Trade and Bills Payables

As of June 30, 2022 and December 31, 2021, our trade and bills payables were RMB15,814.6 million and RMB14,418.8 million, respectively, representing an increase of 9.7%. The increase in our trade and bills payables was primarily due the expanding business.

Turnover days of our trade and bills payables for the six months ended June 30, 2022 were flat as compared with the end of last year, and were 71 days and 74 days, respectively.

Prepayments, Deposits and Other Receivables

As of June 30, 2022 and December 31, 2021, our prepayments, deposits and other receivables were RMB8,938.6 million and RMB8,416.9 million, respectively, representing an increase of 6.2%. The increase in our prepayments, deposits and other receivables as of June 30, 2022 over December 31, 2021 was primarily due to the increase in our prepayments arising from the growing in sales scale.

Capital Expenditures

For the six months ended June 30, 2022 and the six months ended June 30, 2021, our capital expenditures were RMB11.1 million and RMB6.19 million, respectively. The capital expenditures were used primarily for the acquisition of properties and equipment to improve the capability of the Group in supply chain and digital infrastructure.

Employees and Remuneration Policy

As at June 30, 2022, the Group had employed a total of 4,462 employees. The Group hires and promotes our employees based on their individual on-the-job performance and development potential. The remuneration package of all our employees depends on their individual performance and market salary levels.

BUSINESS OUTLOOK

Facing the complex and ever-changing market environment, in the second half of the year, the Company will be committed to, around the general requirements of “improving quality, maintaining growth, and further upgrading”, promoting the following key work:

- I. To focus on the diversified needs of customers and continue upgrading supply chain capabilities. The Company will continue exploring cooperation and association with top upstream brand manufacturers, and promoting the B2F reverse supply chain cooperation mode, such as crowd-ordering collection, brand licensing, joint customization and development, etc. When helping the upstream end to expand the downstream network channels, the Company will strengthen the bargaining power of upstream goods.
- II. To focus on the service needs of member stores and continue promoting the service upgrade of SaaS+ strategy. The Company will innovate and transform “SaaS + X” service products, focusing on “X” content upgrade, such as supply chain, advertising traffic, joint promotion, financial value-added, training and certification, logistics services and other targeted service products. On the one hand, the Company will keep expanding and converting the number of new member stores through high-quality product content; on the other hand, the Company will facilitate the construction of a long-term, sustainable and high-quality growth system for member stores, to consolidate the upgrade of service capabilities.
- III. To focus on the differentiated digital needs of the whole chain. By continuously investing more in IT research and development, the Company will promote the digital construction of the industrial supply chain that penetrates into stores, improve the digital capability of the whole chain type of helping to buy and sell, and promote the barrier-free system to support external differentiated interfaces.
- IV. To focus on building warehousing and logistics systems in the lower-tier market, and continue promoting the infrastructure construction of warehouse and distribution system. The Company will continuously upgrade the digital facilities of the warehousing and logistics system, and deeply integrate the scattered logistics resources in the lower-tier market, to ensure the 100% coverage of the logistics system in the countryside.
- V. To focus on organizational construction for implementing subsequent strategies. The Company will increase the introduction and training of talents in professional fields of various industries, continuously optimize the organizational structure of business segments, and consolidate the operation fission system. The Company will also explore new team mechanisms and adhere to the cultural guidance. These efforts will help underpin the Company’s future development and facilitate the implementation of various strategies.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended June 30, 2022 (unaudited)

(Expressed in Renminbi)

		Six months ended June 30,	
	<i>Note</i>	2022	2021
		RMB'000	RMB'000
Revenue	4	39,894,712	29,974,650
Cost of revenue		<u>(38,744,425)</u>	<u>(29,203,419)</u>
Gross profit		1,150,287	771,231
Other revenue	5(a)	21,277	23,100
Other net gain	5(b)	124,248	84,348
Research and development costs		(63,450)	(36,009)
Selling and marketing expenses		(619,053)	(319,618)
Administrative and other operating expenses		<u>(277,352)</u>	<u>(266,023)</u>
Profit from operations		335,957	257,029
Finance income	6(a)	107,629	62,826
Finance costs	6(a)	<u>(192,775)</u>	<u>(411,630)</u>
Net finance costs		(85,146)	(348,804)
Share of losses of associates		<u>(211)</u>	<u>(925)</u>
Profit/(loss) before taxation	6	250,600	(92,700)
Income tax	7	<u>(50,935)</u>	<u>(45,174)</u>
Profit/(loss) for the period		199,665	(137,874)
Attributable to:			
Equity shareholders of the Company		95,043	(214,831)
Non-controlling interests		<u>104,622</u>	<u>76,957</u>
Profit/(loss) for the period		199,665	(137,874)
Earnings/(loss) per share	8		
Basic and diluted <i>(RMB)</i>		<u>0.22</u>	<u>(0.42)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended June 30, 2022 (unaudited)

(Expressed in Renminbi)

	<i>Note</i>	Six months ended June 30,	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) for the period		199,665	(137,874)
Other comprehensive income for the period		—	—
Total comprehensive income for the period		<u>199,665</u>	<u>(137,874)</u>
Attributable to:			
Equity shareholders of the Company		95,043	(214,831)
Non-controlling interests		<u>104,622</u>	<u>76,957</u>
Total comprehensive income for the period		<u>199,665</u>	<u>(137,874)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at June 30, 2022 (unaudited)

(Expressed in Renminbi)

	<i>Note</i>	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Non-current assets			
Property, plant and equipment		43,346	42,635
Right-of-use assets		97,518	111,171
Investment property		3,641	3,707
Interests in associates		2,345	1,990
Financial assets at fair value through other comprehensive income		2,000	2,000
Financial assets at fair value through profit or loss	9	527,704	–
Pledged deposits	13(c)	1,337,000	1,150,000
Time deposits	13(d)	463,000	865,000
Deferred tax assets		84,281	68,690
		<u>2,560,835</u>	<u>2,245,193</u>
Current assets			
Financial assets at fair value through profit or loss	9	3,083,524	2,705,757
Inventories	10	3,250,923	2,718,623
Trade and bills receivables	11	2,592,130	2,652,767
Prepayments, deposits and other receivables	12	8,938,584	8,416,880
Restricted deposits	13(b)	17,548	15,492
Pledged deposits	13(c)	4,580,788	3,873,552
Time deposits	13(d)	1,316,092	–
Cash and cash equivalents	13(a)	4,501,121	2,966,920
Taxation recoverable		2,032	2,827
		<u>28,282,742</u>	<u>23,352,818</u>

	<i>Note</i>	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Current liabilities			
Bank loans and other borrowings	14	1,183,297	129,460
Loans from non-controlling shareholders of subsidiaries		28,410	17,026
Lease liabilities		41,347	40,421
Financial liabilities at fair value through profit or loss		35,194	–
Trade and bills payables	15	15,814,562	14,418,802
Other payables and accruals		625,266	612,025
Contract liabilities	16	3,740,072	2,937,060
Redeemable capital contributions		–	9,027,445
Taxation payable		52,337	48,819
		<u>21,520,485</u>	<u>27,231,058</u>
Net current assets/(liabilities)		<u>6,762,257</u>	<u>(3,878,240)</u>
Total assets less current liabilities		<u>9,323,092</u>	<u>(1,633,047)</u>
Non-current liabilities			
Lease liabilities		55,283	67,399
Deferred income		17,000	17,000
		<u>72,283</u>	<u>84,399</u>
NET ASSETS/(LIABILITIES)		<u>9,250,809</u>	<u>(1,717,446)</u>
CAPITAL AND RESERVES			
Share capital	17	562,570	508,658
Reserves	17	7,280,924	(3,584,116)
Total equity/(deficit) attributable to equity shareholders of the Company		<u>7,843,494</u>	<u>(3,075,458)</u>
Non-controlling interests		<u>1,407,315</u>	<u>1,358,012</u>
TOTAL EQUITY/(DEFICIT)		<u>9,250,809</u>	<u>(1,717,446)</u>

NOTES

1 GENERAL INFORMATION

匯通達網絡股份有限公司 Huitongda Network Co., Ltd. (the “**Company**”) was established in the People’s Republic of China (the “**PRC**”) on December 6, 2010 as a limited liability company. Upon approval by the Company’s board meeting held on November 16, 2015, the Company was converted from a limited liability company into a joint stock limited liability company. The Company’s H shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on February 18, 2022.

The Company and its subsidiaries (together, “**the Group**”) are principally engaged in sales of a comprehensive suite of merchandise in lower tier cities and rural areas in the PRC and provision of intelligent business and marketing subscription service, offering merchant solutions and rendering other various related services.

2 BASIS OF PREPARATION

This unaudited interim financial information was extracted from the interim financial report of the Group for the six months ended June 30, 2022.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“**IAS**”) 34, Interim financial reporting, issued by the International Accounting Standards Board (“**IASB**”). It was authorized for issue on August 23, 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statement. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a period to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the financial year ended December 31, 2021 that is included in the interim financial report as comparative information does not constitute the Company’s annual consolidated financial statements for that financial year but is derived from those financial statements. The company’s auditor has reported on those financial statements. The auditor’s report was unqualified and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendment to IFRS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IFRS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are sales of a comprehensive suite of merchandise in the PRC and provision of intelligent business and marketing SaaS+ subscription service, offering merchant solutions and rendering other various related services.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major business lines is as follows:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Revenue from merchandise sales	39,484,140	29,755,327
Commission income	1,111	1,566
Revenue from SaaS+ subscription	263,442	73,378
Revenue from merchant solutions	101,005	94,442
Revenue from other services	45,014	49,858
	39,894,712	29,974,571
Revenue from other sources		
Others	—	79
	39,894,712	29,974,650

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is set out below:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
A point in time	39,631,270	29,901,468
Over time	263,442	73,182
	39,894,712	29,974,650

(b) Segment reporting

The Group manages its businesses by divisions, which are organized by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

Commerce business

The commerce business segment, which mainly includes direct sales and provision of marketplace service that enables merchants to sell their products to transacting users through the online platform. Revenue from commerce business primarily comprised revenue from merchandise sales and commission income.

Service business

The service business segment, which mainly represents the provision of intelligent business and marketing SaaS+ subscription service and a collection of merchant solutions.

Others

Revenues from the others are primarily derived from other services rendered by the Group.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and cost are allocated to the reportable segments with reference to sales generated by those segments and the costs incurred by those segments or which otherwise arise from the depreciation of certain assets attributable to those segments. The measure used for reporting segment profit is gross profit.

There were no separate segment assets and segment liabilities information provided to the Group's most senior executive management as Group's most senior executive management does not use this information to allocate resources to or evaluate the performance of the operating segments.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of assessment of segment performance for the period is set out below.

	Six months ended June 30, 2022			
	Commerce business <i>RMB'000</i>	Service business <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment revenue	<u>39,485,251</u>	<u>364,447</u>	<u>45,014</u>	<u>39,894,712</u>
Reportable segment profit	<u>838,950</u>	<u>274,676</u>	<u>36,661</u>	<u>1,150,287</u>
	Six months ended June 30, 2021			
	Commerce business <i>RMB'000</i>	Service business <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment revenue	<u>29,756,893</u>	<u>167,820</u>	<u>49,937</u>	<u>29,974,650</u>
Reportable segment profit	<u>655,604</u>	<u>74,914</u>	<u>40,713</u>	<u>771,231</u>

The reconciliation of gross profit to loss before tax for the six months ended June 30, 2022 and 2021 is shown in the consolidated statement of profit or loss.

5 OTHER REVENUE AND OTHER NET GAIN

(a) Other revenue

	Six months ended June 30,	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Government grants	20,435	22,729
Others	<u>842</u>	<u>371</u>
	<u>21,277</u>	<u>23,100</u>

(b) Other net gain

	Six months ended June 30,	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Net realized and unrealized gain on financial assets at fair value through profit or loss	73,799	75,334
Net (loss)/gain on disposal of interests in subsidiaries	(9,288)	5,855
Net gain on disposal of interests in an associate	–	79
Net gain on disposal of property, plant and equipment	50	121
Net exchange gain	91,864	1,667
Net loss on financial liabilities at fair value through profit or loss	(35,194)	–
Others	<u>3,017</u>	<u>1,292</u>
	<u>124,248</u>	<u>84,348</u>

6 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

(a) Net finance costs

	Six months ended June 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income from bank deposits	(107,629)	(62,826)
Finance income	(107,629)	(62,826)
Interest expenses on discounted bills and bank loans	98,142	74,574
Interest expenses on loans from non-controlling shareholders of subsidiaries	519	1,024
Interest expenses on lease liabilities	2,284	2,699
Interest expenses arising from redeemable capital contributions	91,830	333,333
Finance costs	192,775	411,630
Net finance costs	85,146	348,804

(b) Other items

	Six months ended June 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories recognized as expenses (<i>Note i</i>)	38,544,363	29,012,654
Depreciation charge		
– owned property, plant and equipment	8,968	10,123
– right-of-use assets	24,683	29,420
– investment property	66	124
Research and development costs (<i>Note ii</i>)	63,450	36,009
Provision for credit loss on trade and other receivables	83,265	73,458
Decrease of provisions	–	(843)
Provision for/(reversal of) write-down of inventories	39,678	(3,959)
Listing expenses	16,178	19,031

Notes:

- (i) Cost of inventories recognized as expenses includes provision for write-down of inventories.
- (ii) Research and development costs include amounts relating to staff costs and depreciation expenses, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Current tax		
Provision for the period	69,506	69,391
Deferred tax		
Origination and reversal of temporary differences	<u>(18,571)</u>	<u>(24,217)</u>
	<u>50,935</u>	<u>45,174</u>

The provision for PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

8 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share during the six months ended June 30, 2022 and 2021 is based on the profit/(loss) attributable to ordinary equity shareholders of the Company for the purpose of basic earnings/(loss) per share for the six months ended June 30, 2022 and 2021 and the weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share calculated as follows:

Profit/(loss) for the period attributable to ordinary equity shareholders of Company for the purpose of basic earnings/(loss) per share

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Profit/(loss) for the period attributable to equity shareholders of the Company	95,043	(214,831)
Allocation of profit for the period attributable to equity shareholders of redeemable capital contributions	<u>16,727</u>	<u>81,585</u>
Profit/(loss) for the period attributable to ordinary equity shareholders of the Company for the purpose of basic earnings/(loss) per share	<u>111,770</u>	<u>(133,246)</u>

Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share

	Six months ended June 30,	
	2022	2021
Issued ordinary shares at the beginning of the period	508,658,037	508,658,037
Effect of ordinary shares issued for redeemable capital contributions	(49,239,201)	(193,169,640)
Effect of ordinary shares issued by initial public offering	39,283,557	—
	<hr/>	<hr/>
Weighted average number of ordinary shares at the end of the period for the purpose of basic earnings/(loss) per share	<u>498,702,393</u>	<u>315,488,397</u>

Effect of ordinary shares issued for redeemable capital contributions represent the weighted average number of ordinary shares of the Company associated with the redeemable capital contributions at June 30, 2022 and 2021, which are subject to redemption and excluded from the calculation of the basic earnings/(loss) per share.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume exercise of redemption rights attributable to the investors of the Pre-IPO Investments. During the six months ended June 30, 2022 and 2021, the Company had the redeemable capital contributions as financial liabilities which are potential ordinary shares. The potential ordinary shares were excluded from the calculation of diluted earnings/(loss) per share for the six months ended June 30, 2022 and 2021 as their effect would be anti-dilutive. Accordingly, diluted earnings/(loss) per share for the six months ended June 30, 2022 and 2021 is the same as basic earnings/(loss) per share of the respective periods.

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At June 30,	At December 31,
	2022	2021
	RMB'000	RMB'000
Financial assets at fair value through profit or loss (FVPL) – non-current portion		
– Unlisted investment	300,000	—
– Structured deposits	227,704	—
	<hr/>	<hr/>
Financial assets at FVPL – current portion		
– Structured deposits and wealth management products	3,083,524	2,705,757
	<hr/>	<hr/>
	<u>3,611,228</u>	<u>2,705,757</u>

The Group's non-current balances of financial assets at FVPL represent investment in a private company established in the PRC and certain structured deposits issued by a financial institution in the PRC with a floating return in the PRC. The private company invested is primarily engaged in the research and development, manufacturing and sales of electric vehicles.

The Group's current balances of financial assets at FVPL mainly represent structured deposits and wealth management products issued by various financial institutions in the PRC with a floating return.

10 INVENTORIES

	At June 30, 2022 <i>RMB'000</i>	At December 31, 2021 <i>RMB'000</i>
Merchandise	3,181,018	2,620,770
Goods in transit	<u>188,516</u>	<u>180,623</u>
	3,369,534	2,801,393
Write down of inventories	<u>(118,611)</u>	<u>(82,770)</u>
	<u><u>3,250,923</u></u>	<u><u>2,718,623</u></u>

During the six months ended June 30, 2022, the Group recognized a write-down of RMB39,678,000 (six months ended June 30, 2021: reversal of write-down of RMB3,959,000) against those inventories with net realizable value lower than carrying value. The write-down is included in cost of sales in the consolidated statement of profit or loss.

11 TRADE AND BILLS RECEIVABLES

	At June 30, 2022 <i>RMB'000</i>	At December 31, 2021 <i>RMB'000</i>
Trade receivables	1,660,013	1,616,940
Bills receivable	<u>985,471</u>	<u>1,081,519</u>
	2,645,484	2,698,459
Less: loss allowance	<u>(53,354)</u>	<u>(45,692)</u>
	<u><u>2,592,130</u></u>	<u><u>2,652,767</u></u>

All of the trade and bills receivables are expected to be recovered within one year.

As of the end of the reporting period, the ageing analysis of trade and bills receivables, based on the invoice date and net of loss allowance, is as follows:

	At June 30, 2022 <i>RMB'000</i>	At December 31, 2021 <i>RMB'000</i>
Within 3 months	2,357,203	2,472,909
Over 3 months but within 12 months	193,516	155,894
Over 12 months	<u>41,411</u>	<u>23,964</u>
	<u><u>2,592,130</u></u>	<u><u>2,652,767</u></u>

Trade receivables are generally due within 90 days from the date of billing.

12 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At June 30, 2022 <i>RMB'000</i>	At December 31, 2021 <i>RMB'000</i>
Prepayments	7,824,683	7,475,689
Value added tax recoverable	171,759	151,778
Refund receivables from suppliers	356,484	293,739
Amounts due from former subsidiaries	416,050	344,139
Other deposits and receivables	392,453	308,816
	<u>9,161,429</u>	<u>8,574,161</u>
Less: loss allowance	<u>(222,845)</u>	<u>(157,281)</u>
	<u><u>8,938,584</u></u>	<u><u>8,416,880</u></u>

13 CASH AND CASH EQUIVALENTS, RESTRICTED DEPOSITS, PLEDGED DEPOSITS AND TIME DEPOSITS

(a) Cash and cash equivalents comprise:

	At June 30, 2022 <i>RMB'000</i>	At December 31, 2021 <i>RMB'000</i>
Cash at bank	4,501,103	2,966,875
Cash on hand	18	45
	<u>4,501,121</u>	<u>2,966,920</u>

(b) Restricted deposits comprise:

	At June 30, 2022 <i>RMB'000</i>	At December 31, 2021 <i>RMB'000</i>
Other restricted deposits	<u>17,548</u>	<u>15,492</u>

(c) Pledged deposits comprise:

	At June 30, 2022 <i>RMB'000</i>	At December 31, 2021 <i>RMB'000</i>
Current portion	4,580,788	3,873,552
Non-current portion	<u>1,337,000</u>	<u>1,150,000</u>
Pledged deposits for issuance of bill payables, letters of credit and bank loans	<u><u>5,917,788</u></u>	<u><u>5,023,552</u></u>

The pledged deposits will be released upon the settlement of the relevant bills payable and letters of credit and repayment of relevant bank loans.

(d) Time deposits comprise:

	At June 30, 2022 <i>RMB'000</i>	At December 31, 2021 <i>RMB'000</i>
Current portion	1,316,092	–
Non-current portion	463,000	865,000
	<u>1,779,092</u>	<u>865,000</u>

14 BANK LOANS AND OTHER BORROWINGS

The maturity profile for the interest-bearing bank loans and other borrowings of the Group at the end of the reporting period is as follows:

	At June 30, 2022 <i>RMB'000</i>	At December 31, 2021 <i>RMB'000</i>
Within 1 year or on demand	<u>1,183,297</u>	<u>129,460</u>

15 TRADE AND BILLS PAYABLES

	At June 30, 2022 <i>RMB'000</i>	At December 31, 2021 <i>RMB'000</i>
Trade payables	1,110,260	1,588,378
Bills payable	14,704,302	12,830,424
	<u>15,814,562</u>	<u>14,418,802</u>

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

	At June 30, 2022 <i>RMB'000</i>	At December 31, 2021 <i>RMB'000</i>
Within 3 months	8,422,724	4,942,782
3 to 12 months	7,271,094	9,362,080
Over 12 months	120,744	113,940
	<u>15,814,562</u>	<u>14,418,802</u>

All of the trade and bills payables are expected to be settled within one year or repayable on demand.

16 CONTRACT LIABILITIES

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Balance at the beginning of the year/period	2,937,060	2,133,207
Decrease in contract liabilities as a result of recognizing revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(2,755,210)	(2,032,806)
Increase in contract liabilities as a result of receiving advance payments during the year/period	3,600,840	2,988,570
Acquisition of interests in subsidiaries	–	11,100
Decrease in contract liabilities as a result of disposal of interests in subsidiaries	(42,618)	(163,011)
	<u>3,740,072</u>	<u>2,937,060</u>
Balance at the end of the year/period	<u>3,740,072</u>	<u>2,937,060</u>

17 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The directors of the Company did not propose the payment of any dividend during the period.

(b) Issue of ordinary shares by initial public offering

On February 18, 2022, the Company issued 51,606,000 shares at an offer price of HK\$43.00 per share by way of the initial public offering to investors. Net proceeds from these issues amounted to RMB1,746,144,000 equivalent (after offsetting issuance costs directly attributable to the issue of shares of RMB56,005,000), out of which RMB51,606,000 and RMB1,694,538,000 were recorded in share capital and capital reserve accounts, respectively.

On March 16, 2022, pursuant to the partly exercise of the over-allotment option of the initial public offering, the Company allotted and issued an additional 2,306,000 shares at the offer price of HK\$43.00 per share. The additional net proceeds from the exercise of over-allotment option amounted to RMB77,999,000 equivalent (after offsetting issuance costs directly attributable to the issue of shares of RMB2,837,000), out of which RMB2,306,000 and RMB75,693,000 were recorded in share capital and capital reserve accounts, respectively.

OTHER INFORMATION

1. Purchase, Sale or Redemption of the Securities of the Company

From the Listing Date of the Company up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

2. Interim Dividend

The Board has not proposed to declare interim dividends for the six months ended June 30, 2022.

3. Corporate Governance Code

The Company is committed to maintaining sound corporate governance to guarantee the interests of its shareholders and enhance the corporate value and accountability. The Company has adopted the principles and code provisions of the Corporate Governance Code as the basis of the corporate governance practice of the Company.

From the Listing Date up to the date of this announcement, the Company has complied with the code provisions of the Corporate Governance Code.

4. Model Code for Securities Transactions

The Company adopts the Model Code as its code of conduct for securities transactions by the Directors and Supervisors. After making the specific enquiries to all Directors and Supervisors, each of the Directors and Supervisors has confirmed that they have complied with the Model Code throughout the period from the Listing Date to the date of this announcement.

5. Audit Committee

The Audit Committee comprises two independent non-executive Directors, Ms. YU Lixin (虞麗新) (chairman) and Mr. LIU Xiangdong (劉向東), and one non-executive Director, Mr. WANG Yi (王軼).

The Audit Committee has reviewed the Company's unaudited interim results for the six months ended June 30, 2022. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group.

6. Significant Events Subsequent to the Reporting Period

After June 30, 2022 and up to the date of this announcement, there were no significant events affecting the Group.

7. Publication of Interim Results and the 2022 Interim Report

The interim results announcement will be published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.htd.cn). The interim report of the Company for the six months ended June 30, 2022 containing all information required by the Listing Rules will be despatched to the Shareholders in due course and published on the above websites.

DEFINITIONS

In this announcement, the following terms shall have the following meanings, except otherwise stated:

“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors of the Company
“China” or “PRC”	the People’s Republic of China
“Company”	Huitongda Network Co., Ltd. (匯通達網絡股份有限公司), a joint stock company with limited liabilities established under the laws of the PRC on December 6, 2010
“Corporate Governance Code”	Corporate Governance Code set out in Appendix 14 to the Listing Rules
“Directors”	the directors of the Company
“Group”	our Company and its Subsidiaries (or our Company and any one or more of its Subsidiaries, as the context may require)
“H Share(s)”	overseas listed foreign Shares in the share capital of our Company with nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange
“HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Date”	Friday, February 18, 2022, on which dealings in our H Shares first commence on the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules

“Reporting Period”	the six months ended June 30, 2022
“RMB”	Renminbi, the lawful currency of the PRC
“SaaS”	software as a service
“SaaS+”	SaaS products combined with value-added services such as offline marketing services provided onsite
“Shareholder(s)”	the shareholder(s) of the Company
“Subsidiary(ies)”	has the meaning ascribed to it in Section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Supervisor(s)”	member(s) of the Board of Supervisors of the Company
“%”	per cent

By order of the Board
Huitongda Network Co., Ltd.
Wang Jianguo
Chairman

Nanjing, the PRC
August 23, 2022

As at the date of this announcement, the Board comprises the Chairman and non-executive Director, namely Mr. Wang Jianguo; the executive Directors, namely Mr. Xu Xiuxian and Mr. Zhao Liangsheng; the non-executive Directors, namely Mr. Wang Jian, Mr. Cai Zhongqiu and Mr. Wang Yi; and the independent non-executive Directors, namely Ms. Yu Lixin, Mr. Liu Xiangdong and Mr. Cheng Zichuan.