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Huitongda Network Co., Ltd.

匯通達網絡股份有限公司

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

(Stock Code: 9878)

PROPOSED CHANGE IN THE USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING OF H SHARES

References are made to (i) the prospectus dated January 31, 2022 (the “**Prospectus**”) of Huitongda Network Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) in relation to the global offering (the “**Global Offering**”); (ii) the announcement on the offer price and allotment results of the Company dated February 17, 2022; and (iii) the announcement of the Company in relation to the partial exercise of the over-allotment option dated March 13, 2022. Unless the context otherwise requires, the terms used in this announcement shall have the same meanings as those defined in the Prospectus.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING OF H SHARES

On February 18, 2022, the H Shares of the Company were listed on the main board of the Hong Kong Stock Exchange. A total of 53,911,800 H Shares with a nominal value of RMB1.00 each were issued under the Global Offering (including the issuance of H Share upon the partial exercise of the over-allotment option). The offer price is HK\$43.00 per H Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and the Hong Kong Stock Exchange trading fee of 0.005%). The gross proceeds from the Global Offering (including the additional gross proceeds from the partial exercise of over-allotment option amounted to approximately HK\$99.1 million) were approximately HK\$2,318.2 million, and after deduction of underwriting fees and other related expenses, the aggregate net proceeds amounted to approximately HK\$2,185.0 million (equivalent to approximately RMB1,782.3 million) (the “**Proceeds from the Initial Public Offering of H Shares**”).

As of September 30, 2023, the Company had utilised approximately RMB789.0 million of the Proceeds from the Initial Public Offering of H Shares in total in accordance with the intended use set out in the Prospectus, with the unused portion of the proceeds amounting to approximately RMB993.3 million. Details are set out below:

Use of proceeds	Itemized use	Proportion	Total amount (RMB in millions)	Used amount as of September 30, 2023 (RMB in millions)	Unused amount as of September 30, 2023 (RMB in millions)
Enhancing relationships with our existing customers and further expanding our customer base	(1) Digitalizing our member stores and upgrading their storefronts	10%	178.2	7.5	170.7
	(2) Offering solutions to certain wholesalers	10%	178.2	98.7	79.6
	(3) Strategically expanding into northern and southern regions of China where there is great potential for further development	5%	89.1	14.4	74.7
	(4) Expanding client managers team network with more digitalized solutions	5%	89.1	89.1	0
	Sub-total	30%	534.7	209.7	325.0
Optimizing the capability and efficiency of the supply chain	(1) Increasing spending on joint product R&D with our industry partners, brand licensing and tailored manufacturing	15%	267.3	267.3	0
	(2) Improving the digitalization and automation of order and fulfillment management systems	10%	178.2	51.6	126.7
	Sub-total	25%	445.6	318.9	126.7
Increasing investment in the IT infrastructure of our platform and enhancing SaaS+ business monetization capability	(1) Acquiring IT talents for developing SaaS+ business and merchant solutions	10%	178.2	10.8	167.5
	(2) Upgrading data infrastructure and enhancing data analysis capabilities	5%	89.1	38.3	50.8
	(3) Continuously upgrading transaction and marketplace technology and infrastructure	5%	89.1	21.1	68.0
	Sub-total	20%	356.5	70.1	286.3
Selectively pursuing strategic alliances, investments, or acquisitions	(1) Brand manufacturers within each merchandise segment	5%	89.1	12.0	77.1
	(2) Third-party SaaS technology and service providers	5%	89.1	0	89.1
	(3) Third-party operators within the industry value chain	5%	89.1	0	89.1
	Sub-total	15%	267.3	12.0	255.3
Working capital	–	10%	178.2	178.2	0
Total		100%	1,782.3	789.0	993.3

Note: Any discrepancies in the above table between total and sum of amounts listed therein are due to rounding.

PROPOSED CHANGE IN THE USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING OF H SHARES

The Board proposed to make the following adjustments to certain intended use of the Proceeds from the Initial Public Offering of H Shares (the “**Proposed Change in the Use of Proceeds from the Initial Public Offering of H Shares**”) to improve the efficiency of the use of raised funds, reduce financial costs, and accelerate the integration of various business resources:

Use of proceeds	Itemized use	Total amount before the change (RMB in millions)	Unused amount as of September 30, 2023 (RMB in millions)	Amount to be adjusted (RMB in millions)	Particulars of the proposed adjustment	Total amount after the change (RMB in millions)	Unused amount after the change (RMB in millions)	Expected timeline of the remaining unused amount
Enhancing relationships with our existing customers and further expanding our customer base	(1) Digitalizing our member stores and upgrading their storefronts	178.2	170.7	(150.0)	(1) RMB70.0 million is adjusted to be used for “Offering solutions to certain wholesalers”; and	28.2	20.7	By December 31, 2024
					(2) RMB80.0 million is adjusted to be used for “Expanding client managers team network with more digitalized solutions”.			
	(2) Offering solutions to certain wholesalers	178.2	79.6	100.0	–	278.2	179.6	By December 31, 2024
	(3) Strategically expanding into northern and southern regions of China where there is great potential for further development	89.1	74.7	(30.0)	RMB30.0 million is adjusted to be used for “Offering solutions to certain wholesalers”.	59.1	44.7	By December 31, 2024
	(4) Expanding client managers team network with more digitalized solutions	89.1	0	80.0	–	169.1	80.0	By December 31, 2024
	Sub-total	534.7	325.0	0.0		534.7	325.0	
Optimizing the capability and efficiency of the supply chain	(1) Increasing spending on joint product R&D with our industry partners, brand licensing and tailored manufacturing	267.3	0	150.0	–	417.3	150.0	By December 31, 2024
	(2) Improving the digitalization and automation of order and fulfillment management systems	178.2	126.7	(90.0)	RMB90.0 million is adjusted to be used for “Increasing spending on joint product R&D with our industry partners, brand licensing and tailored manufacturing”.	88.2	36.7	By December 31, 2024
	Sub-total	445.6	126.7	60.0		505.6	186.7	

Use of proceeds	Itemized use	Total amount	Unused	Amount to	Particulars of the	Total amount	Unused	Expected timeline
		before	amount			after	amount	
		the change	as of	be adjusted	proposed adjustment	the change	after	of the remaining
		(RMB in	September 30,	(RMB in		(RMB in	(RMB in	of the remaining
		millions)	2023	millions)		millions)	millions)	unused amount
			(RMB in					
			millions)					
Increasing investment in the IT infrastructure of our platform and enhancing SaaS+ business monetization capability	(1) Acquiring IT talents for developing SaaS+ business and merchant solutions	178.2	167.5	(150.0)	(1) RMB60.0 million is adjusted to be used for “Increasing spending on joint product R&D with our industry partners, brand licensing and tailored manufacturing”; and	28.2	17.5	By December 31, 2024
					(2) RMB90.0 million is adjusted to be used for “Working capital”.			
	(2) Upgrading data infrastructure and enhancing data analysis capabilities	89.1	50.8	(20.0)	RMB20.0 million is adjusted to be used for “Working capital”.	69.1	30.8	By December 31, 2024
	(3) Continuously upgrading transaction and marketplace technology and infrastructure	89.1	68.0	(30.0)	RMB30.0 million is adjusted to be used for “Working capital”.	59.1	38.0	By December 31, 2024
	Sub-total	356.5	286.3	(200.0)		156.5	86.3	
Selectively pursuing strategic alliances, investments, or acquisitions	(1) Brand manufacturers within each merchandise segment	89.1	77.1	60.0	(1) The RMB60.0 million under “Third-party SaaS technology and service providers” is adjusted to be used for “Brand manufacturers within each merchandise segment”; and	149.1	137.1	By December 31, 2024
	(2) Third-party SaaS technology and service providers	89.1	89.1	(60.0)		29.1	29.1	By December 31, 2024
	(3) Third-party operators within the industry value chain	89.1	89.1	0.0	(2) Flexible adjustments are made to the investment subjects, cooperative objects of investment and investment methods using the raised funds (Note 2).	89.1	89.1	By December 31, 2024
		Sub-total	267.3	255.3	0.0		267.3	255.3
Working capital	–	178.2	0	140.0	–	318.2	140.0	By December 31, 2024
Total		1,782.3	993.3			1,782.3	993.3	

- Notes:*
1. Any discrepancies in the above table between total and sum of amounts listed therein are due to rounding.
 2. Particulars of the proposed adjustments are as follows:
 - (1) In terms of investment subjects, to facilitate the flexible use of the proceeds, users of the proceeds shall include not only the Company, but also the subsidiaries of the Company;
 - (2) In terms of cooperative objects of investment, not only the investment of potential partners, but also the resource re-investment of existing investment partners are included. In terms of selection criteria for cooperative objects, as long as the risks are controllable, objects which are able to improve the Group's supply chain capability, technical capability and channel service capability can be regarded as the Group's cooperative objects of investment;
 - (3) In terms of investment methods, it includes not only equity investment and working capital supporting the investment cooperation, but also participation in private placement and strategic placement of cooperative objects, as well as other diversified ways such as participation in investment in industrial funds in line with the Group's industrial direction.

Save for the above changes, there is no other change in the intended use of the Proceeds from the Initial Public Offering of H Shares.

REASONS AND BENEFITS OF THE PROPOSED CHANGE IN THE USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING OF H SHARES

1. Enhancing relationships with our existing customers and further expanding our customer base

In view of the improving independent research and development capability of the Group, the digital transformation of member stores mainly relies on the empowerment on the member stores by the Group's independent research and development of SaaS products, thus reducing the demand for digital transformation funds. In the meanwhile, the Group is proposed to increase funding in client managers team so as to provide better services to member stores. According to the Group's strategic plan, the Group will focus on channel optimization and deploy cooperative customer network of service providers; therefore, the demand for funds to provide solutions to wholesalers will rise. At the same time, subsidiaries in various regions will step up promotion efforts to improve their services to member stores in an all-round way, while service providers will also help expand member stores, thereby reducing capital needs for "Strategically expanding into northern and southern regions of China where there is great potential for further development". Taking into account the above factors, it is proposed to adjust the internal structure of the itemized uses under the use of proceeds of "Enhancing relationships with our existing customers and further expanding our customer base".

2. Optimizing the capability and efficiency of the supply chain

Since the Group has strengthened its independent research and development capability, and the digitalization and automation of order and fulfillment management systems have basically met the Group's current supply chain needs, it is proposed to adjust the internal structure of the itemized uses under the use of proceeds of "Optimizing the capability and efficiency of the supply chain", which adjusts the expected remaining proceeds to be used for "Increasing spending on joint product R&D with our industry partners, brand licensing and tailored manufacturing" to further enhance the Group's product supply chain capability. In addition, in order to provide better service to fulfill the needs of customers and rapidly improve the supply chain capability of the Group, it is proposed to transfer in the remaining proceeds of RMB60.0 million under the use of proceeds of "Increasing investment in the IT infrastructure of our platform and enhancing SaaS+ business monetization capability".

3. Increasing investment in the IT infrastructure of our platform and enhancing SaaS+ business monetization capability

The Group has continued to strengthen the capacity building for systematic research and development, and established core competitiveness in key products, thereby reducing its dependence on external resources. At the same time, the rapidly developing artificial intelligence technology ensures the efficiency of research and development while bringing down the investment in the research and development on human resource. Consequently, the Group's demand for funds in research and development investment is lowered.

It is proposed to adjust the expected remaining proceeds of RMB60.0 million to be used for "Increasing spending on joint product R&D with our industry partners, brand licensing and tailored manufacturing" under the use of proceeds of "Optimizing the capability and efficiency of the supply chain", which will help improve the supply chain capability of the Company and provide more competitive products for the lower-tier market. And it is proposed to adjust the expected remaining proceeds of RMB140.0 million to be used for "Working capital", to be mainly used for the daily business activities of the Company, which will help lower financial expenses and maximize the interests of the Company and all Shareholders.

4. Selectively pursuing strategic alliances, investments, or acquisitions

The Group has always stayed focused on improving the supply chain capability, constantly strengthened the construction and management of the supply chain, and increased the control and service capability of the industry value chain. And following the rapid development of the Group, the research and development system of the Group has continued to be optimized, the research and development capability has continued to be improved, the research and development team has continued to be scaled up, and the dependence of the Group on third-party SaaS technology and service providers has been gradually reduced. In light of the above, it is proposed to adjust the internal structure of the itemized uses under the use of proceeds of "Selectively pursuing strategic alliances, investments, or acquisitions", which adjusts the RMB60.0 million under "Third-party SaaS technology and service providers" to be used for "Brand manufacturers within each merchandise segment".

At the same time, in order to further improve the efficiency of the use of the proceeds and accelerate the integration with resource parties, it is proposed to further optimize and clarify the use of the proceeds, which flexibly adjusts the investment subjects, cooperative objects of investment and investment methods in respect to the use of proceeds.

The adjustments will neither adversely affect the Group's financial position and production and operation, nor involve related party (connected) transactions.

5. Working capital

It is proposed to adjust the RMB140.0 million under "Increasing investment in the IT infrastructure of our platform and enhancing SaaS+ business monetization capability" to be used for "Working capital", and the balance interest income from the Proceeds from the Initial Public Offering of H Shares will be used to supplement the working capital for funding the daily business activities of the Group, which will help reduce finance costs and enhance capital efficiency.

IMPACT OF THE PROPOSED CHANGE IN THE USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING OF H SHARES ON THE COMPANY

The Company, based on the principle of prudence, proposes to change the use of the Proceeds from the Initial Public Offering of H Shares. Such change is in line with the Group's future strategic plan, and will be conducive to improving services to member stores, deploying the cooperative customer network of service providers and enhancing the Group's supply chain capabilities.

The Board confirms that there is no material change in the business nature of the Group as set out in the Prospectus, and considers that the Proposed Change in the Use of Proceeds from the Initial Public Offering of H Shares will not have any material adverse impact on the operations of the Group and is in the best interests of the Company and its Shareholders as a whole.

GENERAL

The Proposed Change in the Use of Proceeds from the Initial Public Offering of H Shares shall be subject to the consideration and approval by the Shareholders at the general meeting by way of ordinary resolution. A circular containing, among other things, details of the Proposed Change in the Use of Proceeds from the Initial Public Offering of H Shares, together with a notice of the general meeting of the Company, will be dispatched to the Shareholders in due course.

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

Nanjing, the PRC
October 17, 2023

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, Mr. Zhao Liangsheng and Mr. Sun Chao; the non-executive Directors, namely Mr. Cai Zhongqiu and Mr. Wang Ran; and the independent non-executive Directors, namely Ms. Yu Lixin, Mr. Liu Xiangdong and Mr. Cheng Zichuan.