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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: 09878)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2023**

The Board of Huitongda Network Co., Ltd. is pleased to announce the audited consolidated results of the Company and its subsidiaries for year ended December 31, 2023. These results have been prepared in accordance with the applicable disclosure requirements of the Listing Rules and the International Financial Reporting Standards and have been reviewed by the Audit Committee. This announcement complies with the relevant requirements of the Listing Rules in relation to information to accompany preliminary announcements of annual results.

SUMMARY

Financial Overview

| | Year ended December 31, | | As a | | Year-on-year change |
|--|-------------------------|--------------------------|---|--------------------------|---------------------|
| | 2023 <i>RMB'000</i> | percentage of revenue | 2022 <i>RMB'000</i> (restated) ⁽¹⁾ | percentage of revenue | |
| Revenue | 82,432,520 | | 82,105,987 | | 0.4% |
| Including: | | | | | |
| Revenue from commerce business | 81,618,095 | 99.0% | 81,177,331 | 98.9% | 0.5% |
| Revenue from service business | 654,719 | 0.8% | 794,836 | 1.0% | (17.6%) |
| Gross profit | 2,739,724 | 3.3% | 2,588,101 | 3.2% | 5.9% |
| Profit from operations | 794,013 | 1.0% | 714,650 | 0.9% | 11.1% |
| Profit for the year | 697,299 | 0.8% | 557,819 | 0.7% | 25.0% |
| Profit attributable to equity shareholders of the Company | 448,275 | 0.5% | 316,378 | 0.4% | 41.7% |

Operating Metrics

| | Year ended December 31, | | Year-on-year change |
|---|-------------------------|-----------------------------------|------------------------|
| | 2023 | 2022 (restated) ⁽¹⁾ | |
| Total number of registered member retail stores | 237,238 | 206,231 | 15.0% |
| Number of active member retail stores | 90,708 | 76,160 | 19.1% |
| Number of active wholesaler customers | 12,534 | 16,732 | (25.1%) |
| Total number of SaaS+ subscription users | 131,810 | 113,998 | 15.6% |
| Including: paid SaaS+ users | 48,069 | 29,775 | 61.4% |

Note: (1) Reference is made to the announcement of the Company dated March 21, 2023 in relation to, among other things, the acquisition of the entire equity interest in Nanjing Hosjoy Engineering Technology Co., Ltd. (“**Nanjing Hosjoy Engineering**”) by the Company. Upon completion of the acquisition at May 5, 2023, Nanjing Hosjoy Engineering and its subsidiaries (collectively referred to as “**Nanjing Hosjoy Engineering Group**”) became subsidiaries of the Group. Given the acquisition of Nanjing Hosjoy Engineering Group was considered as a business combination involving entities under common control, the financial position as at December 31, 2022 of the Group has been restated to include the operating results and assets and liabilities of the combining entities. Details are set out in note 4 to the financial information in this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The year 2023 started with promise but turned into a year marked by challenges. Facing the challenging market conditions, the Group consistently upheld the commitment to the principle of “enhancing quality, stabilizing growth and generating value”. Guided by the Board and fueled by the collective dedication of management and staff, the Group witnessed steady growth across various performance indicators, yielding commendable results. In 2023, the Group achieved operating revenue of RMB82.43 billion, with a year-on-year increase of 0.4%; profit attributable to equity shareholders of the Company of RMB448 million, with a year-on-year increase of 41.7%; and net cash inflow generated from operating activities of RMB471 million, with a year-on-year increase of 80.1%.

Continuous enhancement of supply chain capabilities:

In 2023, the Group continued to strengthen the cooperation with top brands, expedited the construction of its own brands and the integration of production and sales, and carried out a full channel deployment both online and offline at the same time. In terms of brands cooperation, the Group deepened the cooperation with Apple in the consumer electronics sector, continued to deepen its cooperation with Midea, Gree and Joyoung in the household appliances sector, mastered the supply chain to source resources of nitrogen, phosphorus, potassium and grain in the agricultural means of production sector, continued to deepen the cooperation with BYD, GAC Aion, Hozon Auto (哪吒) in the transportation sector, linked up with well-known brands in the liquor sector, such as Wuliangye, Yanghe and King’s Luck, and continued to focus on Unilever in the personal care sector. In terms of its own brands, the Group built up its own brands such as Zhonghuida Air Conditioner and Huizhongtian Fertilizer, which focus on products with excellent price-performance ratios, and made a breakthrough in the integration of production and sales. The Group successfully implemented a comprehensive channel strategy by fostering strong partnerships with leading online platforms to facilitate the expansion of sales channels for retail stores. Additionally, offline efforts showed significant growth with over 237 thousand member retail stores and 20 thousand service providers and channel partners, including prominent chain enterprises like Shandong Sanlian. This comprehensive approach ensured a robust channel deployment both online and offline.

Continuous enforcement of member retail store service capability:

In 2023, the Group continued to deepen its member retail store service. Firstly, there was a continuous enhancement of member network coverage density. As of the end of the Reporting Period, the total number of registered member retail stores of the Group exceeded 237 thousand, representing a year-on-year growth of 15.0%; the number of active member retail stores exceeded 90 thousand, representing a year-on-year growth of 19.1%; the total number of subscribed SaaS+ users amounted to nearly 132 thousand, representing a year-on-year growth of 15.6%, of which, the number of paid member retail stores exceeded 48 thousand, representing a year-on-year growth of 61.4%. Secondly, there was a continuous improvement of member service capability. The Group focused on sales assistance and promotion for its member retail store, organizing more than 456 joint promotions together with 35 core top brand factories throughout the year, helping member retail stores to improve their operational efficiency, with significant service effectiveness. Thirdly, there was innovation and research and development of service products. In 2023, the Group independently researched and developed Qiancheng series of service products, focusing on the pain points of member retail stores’ demands, and further upgraded them to satisfy the demand of customers in all business types, all industries and all scenes.

Continuous upgrading of digitalization construction:

In 2023, the Group focused on the construction of industrial internet platforms, further strengthening digitalization capabilities. In terms of industrial digitization, the Group continually upgraded the digitization platforms across various industries, refined the construction of technical product systems in various industries, and precipitated data assets. Emphasizing intelligence, the Group independently deployed the AI large model service capability to align with industry standards, focusing on empowering member retail stores in their buying and selling processes, and supporting multi-scene applications for customers, operations, and research and development.

Continuous improvement of organizational capabilities:

In 2023, the Group maintained culture-led and organization-driven approach. At the cultural level, the Group innovatively released cadre culture, helping to enhance the operating atmosphere. At the organizational level, the Group focused on building a high-combat organizational team, continuing to introduce industry-leading talents, deepening organizational fission, consolidating construction and empowering of the operational echelon, and overall enhancing the operating capacity of entities in various industries. At the institutional level, the Group stimulated the vitality of all employees through implementation of a number of measures, including, among other things, improving shareholding mechanism, issuing restricted share units for cadres, optimizing incentive mechanism and optimizing organization and cost control, achieving the overall improvement of employee efficiency through mechanisms.

Continuous advancement of equity incentives:

On April 6, 2023, the Company granted approximately 4.84 million RSUs to 494 employees under the RSU Scheme. All grantees are members of the Group's core and backbone team. The RSUs granted will be vested in batches from 2024 to 2028 in accordance with the key vesting condition that the year-on-year increase in net profit attributable to equity shareholders of the Company is no less than 30% per annum. On December 27, 2023, the Company further granted 4.157 million RSUs to a total of 259 selected participants, which will be vested in April 2027 in accordance with the key vesting condition that the Company will record an increase in net profit attributable to equity shareholders of the Company of more than 100% in 2026 compared to 2023. Such grant highly binds the interests of the employees, the Company and the Shareholders, which would help the Group further enhance the efficiency of the core team, maintain the stability of the core team, and provide guarantee for the Group to achieve its medium to long-term performance targets.

Further enhancement of corporate influence:

In 2023, the Group garnered increased attention and recognition from government authorities at all levels and the public across multiple sectors, further enhancing its influence in the industry. The element of Huitongda, namely "turning mobile phones into a new kind of farming tool, turning data into a new agricultural resource, and making live broadcasting become a new agricultural activity" was implanted in the central documents; the provincial and ministerial leaders, such as the National Development and Reform Commission (NDRC), the State Administration for Market Regulation (SAMR) and Department of Commerce of Jiangsu Province, have visited and inspected for many times and highly evaluated the business of Huitongda. In 2023, the Company was awarded many corporate honors and recognitions and awards at the provincial and ministerial levels and above such as "Top 500 Chinese Enterprises in China (ranking 301st)", "2023 National E-Commerce Demonstration Enterprise", "Best Board of Directors of Listed Company" and "Annual Investment Value Award".

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group continued to focus on its strategy of cooperation with top brands and network expansion in lower-tier markets, and optimized its business structure to cope with the complex and volatile market environment, with its revenue remaining stable. In 2022 and 2023, the Group's revenue was RMB82,106.0 million and RMB82,432.5 million, respectively, representing a slight year-on-year increase. The following table sets forth the absolute amount and year-on-year change in revenue by business line for 2023 and 2022:

Commerce Business

| | Year ended December 31, | | Year-on-year change |
|---------------------------------------|-------------------------|------------------------------|------------------------|
| | 2023 | 2022 | |
| | <i>RMB'000</i> | <i>RMB'000</i> (restated) | |
| Commerce Business: | | | |
| Direct sales | 81,616,120 | 81,175,242 | 0.5% |
| Consumer electronics | 44,887,977 | 37,725,478 | 19.0% |
| Agricultural means of production | 12,261,326 | 15,788,263 | (22.3%) |
| Household appliances | 12,313,537 | 13,907,990 | (11.5%) |
| Vehicles and auto parts merchandise | 7,614,679 | 8,147,650 | (6.5%) |
| Homebuilding and renovation materials | 2,993,729 | 3,194,361 | (6.3%) |
| Liquor and beverages | 1,353,909 | 1,990,715 | (32.0%) |
| Others ⁽¹⁾ | 190,963 | 420,785 | (54.6%) |
| Online marketplace | 1,975 | 2,089 | (5.5%) |
| Total for commerce business | 81,618,095 | 81,177,331 | 0.5% |

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

The Group's revenue from commerce business, which mainly covered six major sectors, namely consumer electronics, agricultural means of production, household appliances, vehicles and auto parts merchandise, homebuilding and renovation materials, and liquor and beverages, increased by 0.5% from RMB81,177.3 million in 2022 to RMB81,618.1 million in 2023, which remained relatively stable, with consumer electronics growing at a faster pace.

Mainly due to the fact that, during the Reporting Period, (i) the Group maintained strategic cooperation with top brands in the industry to further deepen sales channel expansion, with revenue from consumer electronic products increasing by 19.0% as compared to the same period in 2022; (ii) given that the market in the plantation and aquaculture industry was more volatile, the Group proactively adjusted the business structure of fertilizers and feeds, with revenue from agricultural means of production decreasing by 22.3% as compared to the same period in 2022; (iii) given that the household appliances market was weak, the Group focused on maintaining the cooperation with the top brands, with revenue from household appliances decreasing by 11.5% as compared to the same period in 2022; (iv) the Group optimized business structure, actively contracted part of low-margin traditional auto parts business, and gradually focused on new energy vehicle business, revenue from vehicles and auto parts merchandise decreased by 6.5% as compared to the same period in 2022; (v) revenue from homebuilding and renovation materials decreased by 6.3% as compared to the same period in 2022 as a result of the cycles in the real estate market and the construction industry; and (vi) given that the production and sales volume of liquor market was on a downward trend, the Group made adjustments to its product structure, with revenue from liquor and beverages decreasing by 32.0% as compared to the same period in 2022.

Service Business

| | Year ended December 31, | | |
|-----------------------------------|--------------------------------|-----------------------|--------------------------------|
| | 2023 | 2022 | |
| | <i>RMB'000</i> | <i>RMB'000</i> | Year-on-year change |
| Service Business: | | | |
| SaaS+ subscription | 562,041 | 533,590 | 5.3% |
| Merchant solutions | 92,678 | 261,246 | (64.5%) |
| Total for Service Business | <u>654,719</u> | <u>794,836</u> | <u>(17.6%)</u> |

The Group's revenue from the service business mainly included revenue from two portions, namely the SaaS+ subscription and merchant solutions. SaaS+ subscription grew steadily by 5.3% compared with the same period last year. While the merchant solutions decreased by 64.5% compared with the same period last year, mainly due to the Group's adjustment of business strategy of merchant solutions, which reduced part of the precision marketing and software customization business with low gross profit.

Cost of Revenue, Gross Profit and Gross Margin

Cost of revenue of the Group increased by 0.2% from RMB79,517.9 million in 2022 to RMB79,692.8 million in 2023, and gross profit increased by 5.9% from RMB2,588.1 million in 2022 to RMB2,739.7 million in 2023. The growth of the cost of revenue and gross profit of the Group was mainly due to the growth of revenue. Gross margin of the Group increased from 3.2% in 2022 to 3.3% in 2023, which remained stable.

Selling and Marketing Expenses

| | Year ended December 31, | | As a percentage of revenue | As a percentage of revenue | Year-on-year change |
|--------------------------------|-------------------------|------------------------------|----------------------------------|----------------------------------|------------------------|
| | 2023 | 2022 | | | |
| | <i>RMB'000</i> | <i>RMB'000</i> (restated) | | | |
| Selling and Marketing Expenses | <u>1,380,775</u> | <u>1,356,381</u> | <u>1.7%</u> | <u>1.7%</u> | <u>1.8%</u> |

Selling and marketing expenses increased by 1.8% from RMB1,356.4 million in 2022 to RMB1,380.8 million in 2023, and the proportion of selling and marketing expenses in revenue remained stable. Selling and marketing expenses primarily consist of advertising expenses, promotion service fees and employee salaries.

Administrative and Other Operating Expenses

| | Year ended December 31, | | As a percentage of revenue | As a percentage of revenue | Year-on-year change |
|---|-------------------------|------------------------------|----------------------------------|----------------------------------|------------------------|
| | 2023 | 2022 | | | |
| | <i>RMB'000</i> | <i>RMB'000</i> (restated) | | | |
| Administrative and Other Operating Expenses | <u>373,844</u> | <u>401,327</u> | <u>0.5%</u> | <u>0.5%</u> | <u>(6.8%)</u> |

Administrative and other operating expenses primarily consist of employee salaries, depreciation expenses and consultation service fees. Administrative and other operating expenses decreased by 6.8% from RMB401.3 million in 2022 to RMB373.8 million in 2023, mainly due to the fact that the Group had improved the digital capabilities and actively adjusted personnel structure towards the business, resulting in a decrease in the overall salaries of administrative staff.

Research and Development (“R&D”) Costs

| | Year ended December 31, | | Year-on-year change |
|--------------------------------|-------------------------|----------------|------------------------|
| | 2023 | 2022 | |
| | <i>RMB'000</i> | <i>RMB'000</i> | |
| Research and Development Costs | <u>93,502</u> | <u>113,234</u> | <u>(17.4%)</u> |

R&D costs mainly include labor costs, depreciation and amortisation and others. R&D costs decreased by 17.4% from RMB113.2 million in 2022 to RMB93.5 million in 2023, mainly due to that: (i) the Group had investment in significant projects in digitalization infrastructure and underlying capacity building during the same period of last year, and the investment in research and development during the Reporting Period was maintained at a normal level; and (ii) the Group strengthened the construction of its research and development systematic capacity and significantly improved the capacity of its self-research and the efficiency of its research and development during the Reporting Period.

Impairment Loss on Trade and Other Receivables

Impairment loss on trade and other receivables increased by 24.7% from RMB220.5 million in 2022 to RMB274.9 million in 2023, which was mainly due to the fact that out of prudent considerations, the Group has increased the provision for expected credit losses on certain of its receivables.

Other Revenue

Other revenue was RMB45.7 million in 2022 and RMB44.9 million in 2023, which was basically remained flat.

Other Net Gain

Other net gain decreased by 23.2% from RMB172.3 million in 2022 to RMB132.4 million in 2023, mainly due to the decrease in foreign exchange gains as a result of the fewer foreign exchange rate fluctuations in 2023 compared to 2022.

Net Finance Income/(Costs)

Net finance income/(costs) turned from net finance costs of RMB60.7 million in 2022 to net finance income of RMB3.8 million in 2023, primarily due to the decrease in interest expenses arising from redeemable capital contributions and the increase in 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 Company's listing on the Main Board of the Stock Exchange on February 18, 2022, and the related interest was no longer provided.

Income Tax

Income tax increased by 3.6% from RMB96.2 million in 2022 to RMB99.7 million in 2023. The increase in income tax expense in 2023 was primarily due to the increase in adjusted profit before taxation as compared to the same period last year.

The consolidated tax rate based on adjusted profit before taxation was 12.5%, representing a slightly decrease from 12.9% as compared to the same period last year.

The management of the Company considers that the effective tax rate applied by the Group during the Reporting Period was at a reasonable level.

Profit Attributable to Equity Shareholders of the Company

As a result of the above, the Group recorded a profit attributable to equity shareholders of the Company of RMB448.3 million in 2023, increased by 41.7% compared with RMB316.4 million in 2022.

Adjusted Net Profit (Non-IFRS Measures)

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 for the year, for the periods indicated:

| | Year ended December 31, | |
|---|-------------------------|--------------------------------------|
| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> (restated) |
| Profit for the year | 697,299 | 557,819 |
| Add: interest expenses arising from redeemable capital contributions | — | 91,830 |
| Adjusted Net Profit (Non-IFRS Measures) | 697,299 | 649,649 |

The adjusted net profit in 2023 and 2022 was RMB697.3 million and RMB649.6 million, respectively, representing an increase of 7.3%.

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, profit attributable to equity shareholders of the Company, for the periods indicated:

| | Year ended December 31, | |
|---|-------------------------|--------------------------------------|
| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> (restated) |
| Profit attributable to equity shareholders of the Company | 448,275 | 316,378 |
| Add: interest expenses arising from redeemable capital contributions | — | 91,830 |
| Adjusted net profit attributable to equity shareholders of the Company (Non-IFRS measures) | 448,275 | 408,208 |

In 2023 and 2022, the adjusted net profit attributable to equity shareholders of the Company amounted to RMB448.3 million and RMB408.2 million, respectively, representing a growth of 9.8%.

Cash and Cash Equivalents

As of December 31, 2022 and as of December 31, 2023, the cash and cash equivalents amounted to RMB4,082.2 million and RMB3,748.9 million, respectively. The Group has sufficient working capital for operating requirements.

Inventories

As of December 31, 2022 and as of December 31, 2023, the inventories amounted to RMB2,553.1 million and RMB2,581.1 million, respectively, which were basically kept flat.

By optimizing the structure of product offerings and deepening the cooperation with upstream brand owners, the Group has improved its operating efficiency, with the turnover days of inventories decreasing from 13 days in 2022 to 12 days in 2023.

Prepayments, Deposits and Other Receivables

As at December 31, 2022 and December 31, 2023, the prepayments, deposits and other receivables amounted to RMB9,037.7 million and RMB9,312.4 million, respectively, representing a slight increase over the last year.

Trade and Bills Payables

As at December 31, 2022 and December 31, 2023, the trade and bills payables were RMB15,071.4 million and RMB15,516.0 million, respectively, representing an increase of 2.9%, which were basically kept flat.

The trade and bills payables turnover days were 68 days in 2022 and 70 days in 2023, which were basically kept flat.

Capital Expenditures

The capital expenditures of 2023 and 2022 were RMB33.0 million and RMB55.0 million, respectively, which were used primarily for acquisition of properties and equipment.

Employees and Remuneration Policy

As at December 31, 2023, the Group had employed a total of 4,508 employees. The Group hires and promotes its staff based on their person on-the-job performance and development potential. The remuneration package of all the employees depends on their performance and market salary levels.

FUTURE PROSPECT

The year 2024 is full of new challenges and uncertainties. In the new year, the Group will continue to adhere to its corporate mission, insist on its core strategy of empowering and serving its member retail stores with digital technology and supply chain capabilities, pursue new growth breakthroughs, and continue to promote the high-quality development of the enterprise.

In 2024, with the established overall development policy of “stabilizing growth and improving quality”, the Group will focus on profit and cash flow, and continue to enhance its four core competencies, namely supply chain, member retail store services, organization and digitization, by implementing the following key tasks:

- I. Focusing on industrial upgrading, the Group will continue to deepen the construction of an innovative supply chain system:

The Group will continue to expand and deepen the cooperation with top brands across various industries to link up with more high-quality upstream resources. The Group will continue to strengthen the construction of its own brands to increase the proportion of integrated production and sales business. The Group will continue to push forward the operation of the demand-driven procurement and sales-driven mode to create a standardized model of the B2F reverse supply chain of the industrial Internet;

- II. Focusing on member retail store services, the Group will continue to promote upgrading of customer value:

The Group will continue to promote joint promotions to improve member development and service efficiency through joint actions with brands and event operations both online and offline, and to help member retail stores improve profitability. The Group will continue to focus on service products through refinement and specialization, focusing on the pain points of customers’ core needs, enhancing the convenience and intelligence of transaction services, making a good job in the delivery of SaaS + products for operation, and enhancing the tool activity rate. The Group will continue to promote innovative growth and empower member retail stores through new methods such as store O2O, bringing more service value to member retail stores.

- III. Focusing on digital construction, the Group will continue to enhance the value of the industry's digital platform:

The Group will continue to optimize the construction of vertical industrial Internet platforms for various industries, upgrading industrial transaction platforms and supporting the development of innovative supply chains. The Group will continue to enhance the standard of digital intelligence and promote the enhancement of enterprise management efficiency. The Group will establish digital brands, develop AI high-value products or services, and build technological brands in order to continue to enhance the competitiveness of the Group's industrial technology industry.

- IV. Focusing on the construction of business-oriented organizations, the Group will continue to strengthen the internal drive of talents and culture:

The Group will focus on the organization construction that can continuously implement the long-term strategy, push forward the organization to prioritize the business lines and transform to marketing type, continuously deepen the organization fissure and industry incubation, introduce the industry leading talents and improve the cadre construction and cultivation. The Group will continuously optimize the assessment and incentive mechanism to enhance the human efficiency. The Group will continuously carry out the cultural leadership, and create a culture and business atmosphere through benchmarking.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2023

(Expressed in Renminbi)

| | Note | 2023 RMB'000 | 2022 RMB'000 (restated) (Note 4) |
|--|------|---------------------|---|
| Revenue | 5 | 82,432,520 | 82,105,987 |
| Cost of revenue | | <u>(79,692,796)</u> | <u>(79,517,886)</u> |
| Gross profit | | 2,739,724 | 2,588,101 |
| Other revenue | 6(a) | 44,941 | 45,667 |
| Other net gain | 6(b) | 132,358 | 172,287 |
| Research and development costs | | (93,502) | (113,234) |
| Selling and marketing expenses | | (1,380,775) | (1,356,381) |
| Administrative and other operating expenses | | (373,844) | (401,327) |
| Impairment loss on trade and other receivables | 7(c) | (274,889) | (220,463) |
| Profit from operations | | 794,013 | 714,650 |
| Finance income | 7(a) | 263,295 | 225,869 |
| Finance costs | 7(a) | (259,457) | (286,551) |
| Net finance income/(costs) | | 3,838 | (60,682) |
| Share of (losses)/profits of associates | | (829) | 76 |
| Profit before taxation | 7 | 797,022 | 654,044 |
| Income tax | 8 | (99,723) | (96,225) |
| Profit for the year | | 697,299 | 557,819 |
| Attributable to: | | | |
| Equity shareholders of the Company | | 448,275 | 316,378 |
| Non-controlling interests | | 249,024 | 241,441 |
| Profit for the year | | 697,299 | 557,819 |
| Earnings per share | 9 | | |
| Basic (RMB) | | 0.80 | 0.63 |
| Diluted (RMB) | | 0.80 | 0.63 |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2023

(Expressed in Renminbi)

| | <i>Note</i> | 2023 RMB'000 | 2022 RMB'000 (restated) (Note 4) |
|---|-------------|-------------------------------|---|
| Profit for the year | | 697,299 | 557,819 |
| Other comprehensive income for the year (after tax adjustments) | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange difference on translation of financial statements of a subsidiary with functional currency other than Renminbi | | <u>(13)</u> | – |
| Other comprehensive income for the year | | <u>(13)</u> | – |
| Total comprehensive income for the year | | <u>697,286</u> | <u>557,819</u> |
| Attributable to: | | | |
| Equity shareholders of the Company | | 448,262 | 316,378 |
| Non-controlling interests | | <u>249,024</u> | <u>241,441</u> |
| Total comprehensive income for the year | | <u>697,286</u> | <u>557,819</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2023

(Expressed in Renminbi)

| | <i>Note</i> | 2023 RMB'000 | 2022 RMB'000 (restated) (Note 4) |
|--|--------------|-------------------------------|---|
| Non-current assets | | | |
| Property, plant and equipment | | 81,725 | 77,077 |
| Right-of-use assets | | 78,293 | 106,875 |
| Investment property | | 25,298 | 15,881 |
| Interests in associates | | 11,831 | 9,660 |
| Interests in a joint venture | | 14,700 | – |
| Financial assets at fair value through other comprehensive income | | 2,000 | 2,000 |
| Financial assets at fair value through profit or loss | <i>10</i> | 898,163 | 547,987 |
| Pledged deposits | <i>14(b)</i> | 20,000 | 820,000 |
| Time deposits | <i>14(c)</i> | 430,000 | 320,000 |
| Deferred tax assets | | 98,587 | 96,199 |
| | | 1,660,597 | 1,995,679 |
| Current assets | | | |
| Financial assets at fair value through profit or loss | <i>10</i> | 2,434,550 | 2,329,220 |
| Inventories | <i>11</i> | 2,581,063 | 2,553,074 |
| Trade and bills receivables | <i>12</i> | 2,830,982 | 3,206,462 |
| Prepayments, deposits and other receivables | <i>13</i> | 9,312,440 | 9,037,748 |
| Restricted deposits | <i>14(a)</i> | 2,220 | 5,255 |
| Pledged deposits | <i>14(b)</i> | 5,682,725 | 4,329,686 |
| Time deposits | <i>14(c)</i> | 848,600 | 1,845,981 |
| Cash and cash equivalents | | 3,748,938 | 4,082,240 |
| Taxation recoverable | | 7,955 | 3,396 |
| | | 27,449,473 | 27,393,062 |

| | <i>Note</i> | 2023 RMB'000 | 2022 RMB'000 (restated) (Note 4) |
|--|-------------|------------------------|---|
| Current liabilities | | | |
| Bank loans and other borrowings | | 368,605 | 698,783 |
| Loans from non-controlling shareholders of subsidiaries | | 16,553 | 16,207 |
| Lease liabilities | | 35,374 | 43,726 |
| Financial liabilities at fair value through profit or loss | | – | 89,381 |
| Trade and bills payables | 15 | 15,516,038 | 15,071,382 |
| Other payables and accruals | | 908,618 | 903,954 |
| Contract liabilities | 16 | 2,426,677 | 2,821,954 |
| Taxation payable | | 44,912 | 58,261 |
| | | <u>19,316,777</u> | <u>19,703,648</u> |
| Net current assets | | <u>8,132,696</u> | <u>7,689,414</u> |
| Total assets less current liabilities | | <u>9,793,293</u> | <u>9,685,093</u> |
| Non-current liabilities | | | |
| Bank loans and other borrowings | | 241,600 | – |
| Lease liabilities | | 39,664 | 57,923 |
| Deferred income | | 17,000 | 17,000 |
| | | <u>298,264</u> | <u>74,923</u> |
| NET ASSETS | | <u>9,495,029</u> | <u>9,610,170</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | | 562,570 | 562,570 |
| Treasury shares | | (92,903) | – |
| Reserves | | 7,302,792 | 7,538,716 |
| Total equity attributable to equity shareholders of the Company | | <u>7,772,459</u> | <u>8,101,286</u> |
| Non-controlling interests | | <u>1,722,570</u> | <u>1,508,884</u> |
| TOTAL EQUITY | | <u>9,495,029</u> | <u>9,610,170</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 the PRC and provision of intelligent business and marketing subscription service, offering merchant solutions and rendering other various related services.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”) which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (the “**IASs**”) and Interpretations issued by the International Accounting Standards Board (the “**IASB**”), using the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial information relating to the year ended December 31, 2023 that is included in this annual results announcement does not constitute the Group’s consolidated financial statements for the year ended December 31, 2023 but is derived from those financial statements.

The consolidated financial statements for the year ended December 31, 2023 comprise the Group and the Group’s interests in associates and a joint venture.

On March 21, 2023, the Group conditionally agreed to acquire the entire equity interest of Nanjing Hosjoy Engineering Technology Co., Ltd., which is an investment holding company established in the PRC and has a number of subsidiaries principally engaged in sales of household appliances in the PRC, from Hosjoy Comfortable Smart Home Co., Ltd. at a consideration of RMB504,299,500. The acquisition was completed on May 5, 2023.

Upon completion of the acquisition, Nanjing Hosjoy Engineering Technology Co., Ltd. and its subsidiary (together, “**Nanjing Hosjoy Engineering Group**”) became subsidiaries of the Group. As Nanjing Hosjoy Engineering Group and the Group was ultimately controlled by Mr. Wang Jianguo before and after the business combination and the control is not transitory, the acquisition of Nanjing Hosjoy Engineering Group was considered as a business combination involving entities under common control, and Accounting Guideline 5, Merger Accounting for Common Control Combinations, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) has been applied.

The consolidated financial statements of the Group have been therefore prepared using the merger basis of accounting as if the current group structure had been in existence throughout the periods presented. The net assets of Nanjing Hosjoy Engineering Group have been consolidated using the existing book values from the perspective of ultimate controlling party. Comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the beginning of the comparative period unless the combining entities or businesses first came under common control at a later date.

The consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income include the results of combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination. The consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income also take into account the profit or loss attributable to the non-controlling interest recorded in the consolidated financial statements of the controlling party. The effects of all transactions between the combining entities or businesses, whether occurring before or after the common combination, are eliminated. The opening balance at January 1, 2022 have been restated, with consequential adjustments to comparatives for the year ended December 31, 2022 (see Note 4).

A uniform set of accounting policies is adopted when preparing the consolidated financial statements. The details of the restated balances have been disclosed in Note 4 to this financial information.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following new and amended IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Definition of Accounting Estimates*
- Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to IAS 12, *International Tax Reform – Pillar Two Model Rules*

In July 2023, the HKICPA published “Accounting implications of the abolition of the Mandatory Provident Fund (MPF) - Long Service Payment (“LSP”) offsetting mechanism in Hong Kong” that provides guidance on the accounting considerations relating to the abolition of the mechanism arrangement for employers using the accrued benefits derived from mandatory MPF contributions to offset severance payment and LSP.

Apart from the impacts of the adoption of the amended IFRSs discussed below, 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognized the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under IAS 12.

4 BUSINESS COMBINATION UNDER COMMON CONTROL

As mentioned in Note 2, the acquisition of Nanjing Hosjoy Engineering Group has been accounted for in accordance with the principles of merger accounting.

The financial results previously reported by the Group for the year ended December 31, 2022 have been restated to include the operating results of the combining entities, as set out below:

| | The Group <i>RMB'000</i> | Nanjing Hosjoy Engineering Group <i>RMB'000</i> | The Group <i>RMB'000</i> (restated) |
|--|------------------------------------|---|--|
| Revenue | 80,354,775 | 1,751,212 | 82,105,987 |
| Cost of revenue | (77,857,929) | (1,659,957) | (79,517,886) |
| Gross profit | 2,496,846 | 91,255 | 2,588,101 |
| Other revenue | 45,089 | 578 | 45,667 |
| Other net gain | 172,099 | 188 | 172,287 |
| Research and development costs | (113,234) | – | (113,234) |
| Selling and marketing expenses | (1,327,807) | (28,574) | (1,356,381) |
| Administrative and other operating expenses | (393,492) | (7,835) | (401,327) |
| Impairment loss on trade and other receivables | (216,381) | (4,082) | (220,463) |
| Profit from operations | 663,120 | 51,530 | 714,650 |
| Finance income | 225,435 | 434 | 225,869 |
| Finance costs | (285,501) | (1,050) | (286,551) |
| Net finance costs | (60,066) | (616) | (60,682) |
| Share of profits of associates | 76 | – | 76 |
| Profit before taxation | 603,130 | 50,914 | 654,044 |
| Income tax | (93,152) | (3,073) | (96,225) |
| Profit for the year | 509,978 | 47,841 | 557,819 |
| Attributable to: | | | |
| Equity shareholders of the Company | 287,245 | 29,133 | 316,378 |
| Non-controlling interests | 222,733 | 18,708 | 241,441 |
| Profit for the year | 509,978 | 47,841 | 557,819 |

| | The Group RMB'000 | Nanjing Hosjoy Engineering Group RMB'000 | The Group RMB'000 (restated) |
|--|----------------------|---|------------------------------------|
| Profit for the year | 509,978 | 47,841 | 557,819 |
| Other comprehensive income for the year (after tax adjustments) | — | — | — |
| Total comprehensive income for the year | <u>509,978</u> | <u>47,841</u> | <u>557,819</u> |
| Attributable to: | | | |
| Equity shareholders of the Company | 287,245 | 29,133 | 316,378 |
| Non-controlling interests | 222,733 | 18,708 | 241,441 |
| Total comprehensive income for the year | <u>509,978</u> | <u>47,841</u> | <u>557,819</u> |

The financial position previously reported by the Group as at December 31, 2022 has been restated to include the assets and liabilities of the combining entities recognized at the carrying value based on the ultimate controlling party's financial statements as set out below:

| | The Group RMB'000 | Nanjing Hosjoy Engineering Group RMB'000 | Intra-group eliminations RMB'000 | The Group RMB'000 (restated) |
|---|----------------------|---|--|------------------------------------|
| Non-current assets | | | | |
| Property, plant and equipment | 76,685 | 392 | — | 77,077 |
| Right-of-use assets | 103,657 | 3,218 | — | 106,875 |
| Investment property | 15,881 | — | — | 15,881 |
| Interests in associates | 9,660 | — | — | 9,660 |
| Financial assets at fair value through other comprehensive income | 2,000 | — | — | 2,000 |
| Financial assets at fair value through profit or loss | 547,987 | — | — | 547,987 |
| Pledged deposits | 820,000 | — | — | 820,000 |
| Time deposits | 320,000 | — | — | 320,000 |
| Deferred tax assets | 95,331 | 868 | — | 96,199 |
| | <u>1,991,201</u> | <u>4,478</u> | <u>—</u> | <u>1,995,679</u> |
| Current assets | | | | |
| Financial assets at fair value through profit or loss | 2,329,220 | — | — | 2,329,220 |
| Inventories | 2,443,800 | 109,274 | — | 2,553,074 |
| Trade and bills receivables | 3,127,285 | 79,177 | — | 3,206,462 |
| Prepayments, deposits and other receivables | 8,661,049 | 376,699 | — | 9,037,748 |
| Restricted deposits | 5,155 | 100 | — | 5,255 |
| Pledged deposits | 4,329,686 | — | — | 4,329,686 |
| Time deposits | 1,845,981 | — | — | 1,845,981 |
| Cash and cash equivalents | 4,038,408 | 43,832 | — | 4,082,240 |
| Taxation recoverable | 3,396 | — | — | 3,396 |
| | <u>26,783,980</u> | <u>609,082</u> | <u>—</u> | <u>27,393,062</u> |

| | The Group <i>RMB'000</i> | Nanjing Hosjoy Engineering Group <i>RMB'000</i> | Intra-group eliminations <i>RMB'000</i> | The Group <i>RMB'000</i> (restated) |
|---|------------------------------------|---|---|--|
| Current liabilities | | | | |
| Bank loans and other borrowings | 698,783 | – | – | 698,783 |
| Loans from non-controlling shareholders of subsidiaries | 8,064 | 8,143 | – | 16,207 |
| Lease liabilities | 42,621 | 1,105 | – | 43,726 |
| Financial liabilities at fair value through profit or loss | 89,381 | – | – | 89,381 |
| Trade and bills payables | 14,938,783 | 132,599 | – | 15,071,382 |
| Other payables and accruals | 781,480 | 122,474 | – | 903,954 |
| Contract liabilities | 2,725,225 | 96,729 | – | 2,821,954 |
| Taxation payable | 57,461 | 800 | – | 58,261 |
| | <u>19,341,798</u> | <u>361,850</u> | <u>–</u> | <u>19,703,648</u> |
| Net current assets | <u>7,442,182</u> | <u>247,232</u> | <u>–</u> | <u>7,689,414</u> |
| Total assets less current liabilities | <u>9,433,383</u> | <u>251,710</u> | <u>–</u> | <u>9,685,093</u> |
| Non-current liabilities | | | | |
| Lease liabilities | 56,254 | 1,669 | – | 57,923 |
| Deferred income | 17,000 | – | – | 17,000 |
| | <u>73,254</u> | <u>1,669</u> | <u>–</u> | <u>74,923</u> |
| NET ASSETS | <u>9,360,129</u> | <u>250,041</u> | <u>–</u> | <u>9,610,170</u> |
| CAPITAL AND RESERVES | | | | |
| Share capital | 562,570 | 1,000 | (1,000) | 562,570 |
| Reserves | 7,392,244 | 145,472 | 1,000 | 7,538,716 |
| Total equity attributable to equity shareholders of the Company | 7,954,814 | 146,472 | – | 8,101,286 |
| Non-controlling interests | 1,405,315 | 103,569 | – | 1,508,884 |
| TOTAL EQUITY | <u>9,360,129</u> | <u>250,041</u> | <u>–</u> | <u>9,610,170</u> |

5 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. Further details regarding the Group's principal activities are disclosed in Note 5(b).

(i) Disaggregation of revenue

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

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> (restated) (Note 4) |
|--|------------------------|--|
| Revenue from contracts with customers within the scope of IFRS 15 | | |
| Revenue from merchandise sales | 81,616,120 | 81,175,242 |
| Commission income | 1,975 | 2,089 |
| Revenue from SaaS+ subscription | 562,041 | 533,590 |
| Revenue from merchant solutions | 92,678 | 261,246 |
| Revenue from other services | 159,706 | 133,820 |
| | <u>82,432,520</u> | <u>82,105,987</u> |

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

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> (restated) (Note 4) |
|-----------------|------------------------|--|
| A point in time | 81,870,479 | 81,572,397 |
| Over time | 562,041 | 533,590 |
| | <u>82,432,520</u> | <u>82,105,987</u> |

The Group's customer base is diversified and nil (2022: nil) of the customers with whom transactions have exceeded 10% of the Group's revenues for the year ended December 31, 2023.

(ii) Revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales contracts for goods such that information about revenue expected to be recognized in the future is not disclosed in respect of revenue that the Group will be entitled to when it satisfies the remaining performance obligations under these contracts that had an expected duration of one year or less.

(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 purpose of recourse allocated and assessment of segment performance for the years ended December 31, 2023 and 2022 is set out below.

| | 2023 | | | |
|----------------------------|--|---|---------------------------|--------------------------|
| | Commerce business RMB'000 | Service business RMB'000 | Others RMB'000 | Total RMB'000 |
| Reportable segment revenue | <u>81,618,095</u> | <u>654,719</u> | <u>159,706</u> | <u>82,432,520</u> |
| Reportable segment profit | <u>2,039,920</u> | <u>574,008</u> | <u>125,796</u> | <u>2,739,724</u> |
| | | 2022 (restated) | | |
| | Commerce business RMB'000 | Service business RMB'000 | Others RMB'000 | Total RMB'000 |
| Reportable segment revenue | <u>81,177,331</u> | <u>794,836</u> | <u>133,820</u> | <u>82,105,987</u> |
| Reportable segment profit | <u>1,880,004</u> | <u>593,400</u> | <u>114,697</u> | <u>2,588,101</u> |

The reconciliation of gross profit to profit before tax for the years ended December 31, 2023 and 2022 is shown in the consolidated statements of profit or loss.

(ii) *Geographic information*

IFRS 8, *Operating Segments*, requires identification and disclosure of information about an entity's geographical areas, regardless of the entity's organization (i.e. even if the entity has a single reportable segment). The Group operates within one geographical location because primarily all of its revenue was generated in the PRC and primarily all of its non-current assets and capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

6 OTHER REVENUE AND OTHER NET GAIN

(a) Other revenue

| | 2023 RMB'000 | 2022 <i>RMB'000</i> (restated) <i>(Note 4)</i> |
|-------------------|-------------------------------|---|
| Government grants | 41,134 | 42,831 |
| Others | 3,807 | 2,836 |
| | <u>44,941</u> | <u>45,667</u> |

(b) Other net gain

| | 2023 RMB'000 | 2022 <i>RMB'000</i> (restated) <i>(Note 4)</i> |
|--|-------------------------------|---|
| Net realized and unrealized gain on financial assets at fair value through profit or loss | 171,172 | 151,219 |
| Net loss on disposal of interests in subsidiaries | (19,794) | (54,251) |
| Impairment loss on investment property | (4,221) | – |
| Net gain/(loss) on disposal of property, plant and equipment | 449 | (56) |
| Net foreign exchange gain | 35,655 | 151,236 |
| Net realized and unrealized loss on financial liabilities at fair value through profit or loss | (63,189) | (81,601) |
| Others | 12,286 | 5,740 |
| | <u>132,358</u> | <u>172,287</u> |

7 PROFIT BEFORE TAXATION

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

(a) Net finance (income)/costs

| | 2023 RMB'000 | 2022 <i>RMB'000</i> (restated) <i>(Note 4)</i> |
|--|-------------------------------|---|
| Interest income from bank deposits | <u>(263,295)</u> | <u>(225,869)</u> |
| Finance income | <u>(263,295)</u> | <u>(225,869)</u> |
| Interest expenses on discounted bills and bank loans | 255,138 | 188,921 |
| Interest expenses on loans from non-controlling shareholders of subsidiaries | 321 | 1,111 |
| Interest expenses on lease liabilities | 3,998 | 4,689 |
| Interest expenses arising from redeemable capital contributions | <u>–</u> | <u>91,830</u> |
| Finance costs | <u>259,457</u> | <u>286,551</u> |
| Net finance (income)/costs | <u>(3,838)</u> | <u>60,682</u> |

(b) Staff costs

| | 2023 RMB'000 | 2022 <i>RMB'000</i> (restated) <i>(Note 4)</i> |
|--|-------------------------------|---|
| Salaries, wages and other benefits | 632,922 | 628,931 |
| Contributions to defined contribution retirement plans | 37,273 | 35,497 |
| Equity settled share-based payment expenses | <u>27,791</u> | <u>3,755</u> |
| | <u>697,986</u> | <u>668,183</u> |

(c) Other items

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> (restated) (Note 4) |
|--|------------------------|--|
| Cost of inventories recognized as expenses (Note i) | 79,410,844 | 79,103,032 |
| Depreciation charge | | |
| – owned property, plant and equipment | 21,994 | 18,469 |
| – right-of-use assets | 51,246 | 51,610 |
| – investment property | 545 | 212 |
| Impairment loss on investment property | 4,221 | – |
| Research and development costs (Note ii) | 93,502 | 113,234 |
| Provision for credit loss on trade and other receivables | | |
| – expected credit loss on trade and other receivables | 277,321 | 224,145 |
| – write-on of other receivables previously written off | (2,432) | (3,682) |
| (Reversal of)/provision for write-down of inventories | (2,959) | 13,633 |
| Listing expenses | – | 16,178 |
| Auditors' remuneration | | |
| – audit services | 7,100 | 7,100 |
| – other audit services | 1,500 | – |
| – non-audit services (Note iii) | 580 | 4,600 |
| | <u>79,410,844</u> | <u>79,103,032</u> |

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 7(b) for each of these types of expenses.
- (iii) During the year ended December 31, 2023, the Group recognized auditors' remuneration for non-audit services in respect of initial public offering of RMB nil (2022: RMB4,600,000), among which RMB nil (2022: RMB2,130,000) is also included in the listing expenses disclosed separately above.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> (restated) (Note 4) |
|---|------------------------|--|
| Current tax | | |
| Provision for the year | 102,949 | 135,724 |
| Deferred tax | | |
| Origination and reversal of temporary differences | <u>(3,226)</u> | <u>(39,499)</u> |
| Total income tax expense | <u>99,723</u> | <u>96,225</u> |

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share during the years ended December 31, 2023 and 2022 is based on the profit attributable to ordinary equity shareholders of the Company for the purpose of basic earnings per share for the years ended December 31, 2023 and 2022 and the weighted average number of ordinary shares for the purpose of basic earnings per share calculated as follows:

Profit for the year attributable to ordinary equity shareholders of Company for the purpose of basic earnings per share

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> (restated) <i>(Note 4)</i> |
|---|------------------------|---|
| Profit for the year attributable to equity shareholders of the Company | 448,275 | 316,378 |
| Allocation of loss for the period attributable to equity shareholders of redeemable capital contributions | — | 16,727 |
| | <u>448,275</u> | <u>333,105</u> |

Weighted average number of ordinary shares for the purpose of basic earnings per share

| | 2023 | 2022 (restated) <i>(Note 4)</i> |
|---|--------------------|---------------------------------------|
| Issued ordinary shares at the beginning of the year | 562,569,837 | 508,658,037 |
| Effect of ordinary shares issued for redeemable capital contributions | — | (24,417,248) |
| Effect of ordinary shares issued by initial public offering | — | 46,657,795 |
| Effect of purchase of own shares <i>(Note 18(b))</i> | (1,025,739) | — |
| | <u>561,544,098</u> | <u>530,898,584</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 December 31, 2022, which are subject to redemption and excluded from the calculation of the basic earnings per share.

(b) Diluted earnings per share

The Company entered into a series of investment agreements with certain independent investors, pursuant to which, these investors agreed to make cash investments to the Company to acquire the equity interest of the Company (collectively referred as “**Pre-IPO Investments**”).

On February 18, 2022, the Company’s H shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited. The special rights associated with the Pre-IPO Investments were unconditionally terminated and the redeemable capital contributions were reclassified as equity upon the listing of the Company’s H shares.

Diluted earnings 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. For the years ended December 31, 2022, 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 per share for the years ended December 31, 2022 as their effect would be anti-dilutive. Accordingly, diluted earnings per share for the years ended December 31, 2022 is the same as basic earnings per share of the respective years.

The calculation of diluted earnings per share for the year ended December 31, 2023 is based on the profit attributable to equity shareholders of the Company of RMB448,275,000 and the weighted average of ordinary shares of 561,749,202, calculated as follows:

Weighted average number of ordinary shares for the purpose of diluted earnings per share

| | 2023 |
|---|---------------------------|
| | <i>RMB'000</i> |
| Weighted average number of ordinary shares at the end of the year for the purpose of basic earnings per share | 561,544,098 |
| Effect of outstanding shares under the RSU Scheme (<i>Note 17</i>) | <u>205,104</u> |
| Weighted average number of ordinary shares at the end of the year for the purpose of diluted earnings per share | <u><u>561,749,202</u></u> |

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2023 | 2022 |
|---|-------------------------|-------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Financial assets at FVPL – non-current portion | | |
| – Unlisted investments | 361,834 | 312,460 |
| – Structured deposits and wealth management products | 536,329 | <u>235,527</u> |
| Financial assets at FVPL – current portion | | |
| – Structured deposits and wealth management products | 2,434,410 | 2,329,220 |
| – Future contracts | 140 | – |
| | <u>3,332,713</u> | <u><u>2,877,207</u></u> |

The Group's non-current balances of financial assets at FVPL represent investments in private companies established in the PRC and certain structured deposits and wealth management products issued by various financial institutions in the PRC with a floating return. The unlisted investments are the Group's interests in companies principally engaged in technology and new energy industries.

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.

11 INVENTORIES

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> (restated) <i>(Note 4)</i> |
|---------------------------|-------------------------|---|
| Merchandise | 2,356,255 | 2,517,230 |
| Goods in transit | <u>286,511</u> | <u>104,252</u> |
| | <u>2,642,766</u> | <u>2,621,482</u> |
| Write-down of inventories | <u>(61,703)</u> | <u>(68,408)</u> |
| | <u><u>2,581,063</u></u> | <u><u>2,553,074</u></u> |

12 TRADE AND BILLS RECEIVABLES

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> (restated) <i>(Note 4)</i> |
|----------------------|-------------------------|---|
| Trade receivables | 1,969,744 | 1,900,904 |
| Bills receivable | <u>956,193</u> | <u>1,372,954</u> |
| | <u>2,925,937</u> | <u>3,273,858</u> |
| Less: loss allowance | <u>(94,955)</u> | <u>(67,396)</u> |
| | <u><u>2,830,982</u></u> | <u><u>3,206,462</u></u> |

Ageing analysis

As of the end of the Reporting Period, the ageing analysis of trade and bills receivable, based on the invoice date and net of loss allowance, is as follows:

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> (restated) <i>(Note 4)</i> |
|------------------------------------|-------------------------|---|
| Within 3 months | 2,488,862 | 2,992,653 |
| Over 3 months but within 12 months | 96,524 | 143,172 |
| Over 12 months | <u>245,596</u> | <u>70,637</u> |
| | <u><u>2,830,982</u></u> | <u><u>3,206,462</u></u> |

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

13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> (restated) (Note 4) |
|--------------------------------------|-------------------------|--|
| Prepayments | 8,246,328 | 7,943,364 |
| Value added tax recoverable | 156,919 | 152,724 |
| Refund receivables from suppliers | 489,538 | 216,623 |
| Amounts due from former subsidiaries | 526,263 | 536,955 |
| Interest receivables | 119,897 | 202,770 |
| Other deposits and receivables | 277,172 | 283,160 |
| | <u>9,816,117</u> | <u>9,335,596</u> |
| Less: loss allowance | <u>(503,677)</u> | <u>(297,848)</u> |
| | <u><u>9,312,440</u></u> | <u><u>9,037,748</u></u> |

14 RESTRICTED DEPOSITS, PLEDGED DEPOSITS AND TIME DEPOSITS

(a) Restricted deposits comprise:

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> (restated) (Note 4) |
|---------------------------|------------------------|--|
| Other restricted deposits | <u>2,220</u> | <u>5,255</u> |

(b) Pledged deposits comprise:

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Current portion | 5,682,725 | 4,329,686 |
| Non-current portion | <u>20,000</u> | <u>820,000</u> |
| Pledged deposits for issuance of bill payables, letters of guarantee and bank facilities | <u>5,702,725</u> | <u>5,149,686</u> |

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

(c) Time deposits comprise:

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---------------------|-------------------------|-------------------------|
| Current portion | 848,600 | 1,845,981 |
| Non-current portion | <u>430,000</u> | <u>320,000</u> |
| | <u><u>1,278,600</u></u> | <u><u>2,165,981</u></u> |

15 TRADE AND BILLS PAYABLES

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> (restated) <i>(Note 4)</i> |
|----------------|------------------------|---|
| Trade payables | 939,025 | 1,263,913 |
| Bills payable | 14,577,013 | 13,807,469 |
| | <u>15,516,038</u> | <u>15,071,382</u> |

As of the end of the Reporting Period, the ageing analysis of the Group's trade and bills payable, based on the Group's invoice date, is as follows:

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> (restated) <i>(Note 4)</i> |
|-----------------|------------------------|---|
| Within 3 months | 9,495,937 | 7,927,072 |
| 3 to 12 months | 5,899,438 | 7,048,757 |
| Over 12 months | 120,663 | 95,553 |
| | <u>15,516,038</u> | <u>15,071,382</u> |

16 CONTRACT LIABILITIES

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> (restated) <i>(Note 4)</i> |
|--|------------------------|---|
| Balance at the beginning of the year | 2,821,954 | 3,036,673 |
| Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year | (2,666,768) | (2,915,928) |
| Increase in contract liabilities as a result of receiving advance payments during the year | 2,324,194 | 2,831,661 |
| Decrease in contract liabilities as a result of disposal of interests in subsidiaries | (52,703) | (130,452) |
| Balance at the end of the year | <u>2,426,677</u> | <u>2,821,954</u> |

17 EQUITY SETTLED SHARE-BASED TRANSACTION

The Restricted Share Unit (“RSU”) Scheme (the “RSU Scheme”)

On November 28, 2022, the shareholders of the Company approved the adoption of the RSU Scheme and would grant up to 5% of the total number of issued H Shares as at the relevant grant date to the directors and the supervisors of the Company and employees of the Group (the “Participants”).

On April 6, 2023 and December 27, 2023, pursuant to the approval of the Company's remuneration and appraisal committee, 4,755,400 and 4,157,000 RSUs, representing 4,755,400 and 4,157,000 underlying shares, were granted to and accepted by the Participants under the RSU Scheme in aggregate, respectively.

(a) **The terms and conditions of the grants are as follows:**

| Restricted shares granted to directors, supervisors and employees | Number of RSUs | Vesting condition | Consideration per RSU RMB |
|--|-----------------------|--|----------------------------------|
| – on April 6, 2023 | 4,372,000 | Graded vest of 10% of 4,372,000 RSUs in November 2024, 20% of 4,372,000 RSUs in November 2025, 2026 and 2027, respectively, 30% of 4,372,000 RSUs in November 2028 and subject to performance conditions | Nil |
| – on April 6, 2023 | 383,400 | Cliff vest of 383,400 RSUs in April 2026 and subject to performance conditions | Nil |
| – on December 27, 2023 | 4,157,000 | Cliff vest of 4,157,000 RSUs in April 2027 and subject to performance conditions | Nil |

(b) **A summary of RSUs outstanding for the year ended December 31, 2023:**

| | 2023 | |
|--------------------------------------|---|-----------------------|
| | Weighted average grant-date fair value RMB | Number of RSUs |
| Balance at the beginning of the year | – | – |
| Grant during the year | 26.26 | 8,912,400 |
| Forfeited during the year | 26.40 | (341,880) |
| | <hr/> | <hr/> |
| Balance at the end of the year | 26.25 | 8,570,520 |

(c) **Fair value of restricted shares granted**

The grant-date fair value of the RSUs granted is measured based on the closing price of the Company's shares at the respective grant date.

During the year ended December 31, 2023, the total expenses recognized in the consolidated statement of profit or loss for the above transactions are RMB24,972,000.

Employee Share Purchase Plan (the “ESPP”)

In 2022, the Group adopted an ESPP, pursuant to which, a partnership established in the PRC, of which the general partner is one of the senior management and the limited partners consisted of employees of the Group, invested in Company’s subsidiary Huitone Datatech Smart Technology Co., Ltd. (the “Target Company”) by way of acquiring equity interests from the Group. All participants of the ESPP have purchased equity interests in respective partnership at amounts specified in the respective partnership agreement.

The ESPP contains a service condition. Senior management and employees participating in the plan have to transfer out their equity interests if their employments with the Group were terminated within the vesting period, to a person or a party nominated by the general partner of the partnership or by the Company at a price no higher than the amounts specified in the respective partnership agreement. The fair value of the ESPP at the grant date, being the difference between the consideration and the fair value of the equity interests subscribed shall be spread over the vesting period and recognized as staff costs in the profit or loss.

The fair value of the equity interests subscribed was measured by reference to the third party valuer’s valuation report.

For the year ended December 31, 2023, the total expenses recognized in the consolidated statement of profit or loss for the above transactions are RMB2,819,000 (2022: RMB3,755,000).

18 DIVIDENDS

The directors of the Company did not propose the payment of any dividend during the years ended December 31, 2023 and 2022.

OTHER INFORMATION

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

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

2. Final Dividend

Pursuant to the relevant provisions of the Company Law of the People's Republic of China and the Company's articles of association relating to the distribution of profits, the Board does not recommend the payment of final dividend for the year ended December 31, 2023.

3. Annual General Meeting

A notice convening the annual general meeting of the Company will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.htd.cn) in due course, and such notice will be dispatched to the H Shareholders by the mean of receipt of communications chosen by the H Shareholders.

4. Corporate Governance Practice

The Company is committed to maintaining sound corporate governance to guarantee the interests of the 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.

During the Reporting Period, the Company has complied with the code provisions of the Corporate Governance Code.

5. 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 enquiries to all Directors and Supervisors, all Directors and Supervisors have confirmed that they have complied with the Model Code during the Reporting Period, except for the inability to obtain the confirmation from Mr. CHENG Zichuan (程子傳), the former independent non-executive Director.

6. Audit Committee

The Audit Committee comprises two independent non-executive Directors, Ms. YU Lixin (chairlady) and Mr. LIU Xiangdong, and a non-executive Director, Mr. WANG Ran.

The Company's audited annual results for the year ended December 31, 2023 have been reviewed by the Audit Committee. The Audit Committee considered that the preparation of the relevant financial statements has complied with the accounting standards and requirements used and that adequate disclosure has been made. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group, and the selection and appointment of external auditor.

7. Scope of Work of KPMG

The financial figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended December 31, 2023 as set out in the preliminary announcement have been agreed by the Company's auditor, KPMG, Certified Public Accountants (the "Auditor"), to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by the Auditor in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Auditor on the preliminary announcement.

8. Significant Events After the Reporting Period

After the Reporting Period and up to the date of this announcement, there were no significant subsequent events affecting the Group.

9. Publication of the Annual Results and Annual Report

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.htd.cn). The annual report for the Company for the year ended December 31, 2023 containing all information required by the Listing Rules will be published on the above websites and dispatched to the H Shareholders by the mean of receipt of communications chosen by the H Shareholders in due course.

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" or "Huitongda" | 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 C1 to the Listing Rules |
| "Directors" | the directors of the Company |
| "Group" | the Company and its subsidiaries (or the 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 the Company with nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and listed on the Stock Exchange |
| "HK dollars" | Hong Kong dollars, the lawful currency of Hong Kong |

| | |
|------------------------------|--|
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “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 C3 to the Listing Rules |
| “Reporting Period” or “Year” | the year ended December 31, 2023 |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “RSU(s)” | restricted share unit(s), each share unit represents one underlying H Share of an award granted to a selected participant |
| “RSU Scheme” | the restricted share unit scheme adopted by the Company as resolved by the Board on October 11, 2022 and considered and approved by the Shareholders at the general meeting on November 28, 2022 |
| “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 |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary(ies)” | has the meaning ascribed to it under the Listing Rules |
| “Supervisor(s)” | member(s) of the board of supervisors of the Company |
| “%” | per cent |

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

Nanjing, the PRC
March 27, 2024

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. DIAO Yang.