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Huitongda Network Co., Ltd.

匯通達網絡股份有限公司

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

(Stock code: 9878)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Huitongda Network Co., Ltd. (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for year ended December 31, 2022. These results have been prepared in accordance with the applicable requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the International Financial Reporting Standards and has been reviewed by the Audit Committee (“**Audit Committee**”) of the Board of the Company. This announcement complies with the relevant requirements of the Listing Rules in relation to information to accompany preliminary announcements of annual results.

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

SUMMARY

Financial Overview

| | Year ended December 31, | | As a percentage of revenue | As a percentage of revenue | Year-on- year change |
|---|-------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------|
| | 2022 RMB'000 | As a percentage of revenue | | | |
| Revenue | 80,354,775 | | | | 22.2% |
| Including: | | | | | |
| Revenue from commerce business | 79,438,336 | 98.9% | 65,225,613 | 99.2% | 21.8% |
| Revenue from service business | 794,836 | 1.0% | 437,814 | 0.7% | 81.5% |
| Gross profit | 2,496,846 | 3.1% | 1,867,966 | 2.8% | 33.7% |
| Profit from operations | 663,120 | 0.8% | 638,689 | 1.0% | 3.8% |
| Profit/(loss) for the year | 509,978 | 0.6% | (177,049) | (0.3%) | |
| Profit/(loss) attributable to equity shareholders of the Company | 287,245 | 0.4% | (349,881) | (0.5%) | |
| Non-IFRS measures: | | | | | |
| Adjusted net profit (unaudited) | 601,808 | 0.7% | 500,441 | 0.8% | 20.3% |
| Adjusted net profit attributable to equity shareholders of the Company (unaudited) | 379,075 | 0.5% | 327,609 | 0.5% | 15.7% |
| Cash and cash equivalents | 4,038,408 | | 2,966,920 | | |

Operating Metrics

| | Year ended December 31, | | Year-on-year change |
|--|-------------------------|---------|------------------------|
| | 2022 | 2021 | |
| Total number of registered member stores | 206,231 | 169,466 | 21.7% |
| Number of active member stores | 76,160 | 62,203 | 22.4% |
| Number of active wholesaler customers | 13,458 | 16,756 | (19.7%) |
| Total number of SaaS+ subscription users | 113,998 | 102,047 | 11.7% |
| Including: paid SaaS+ users | 29,775 | 17,905 | 66.3% |

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The world in 2022 faced a series of difficulties and challenges. Despite the impact of the changes unseen in a century coupled with Covid-19 pandemic, the Group persevered to the working principle of "improving quality, growing steadily and upgrading further", took root in the lower-tier market and served corporate customers. Through cultural guidance, organizational driving and business innovation, the Group eventually realized the rise against the trend, achieved further growth of revenue scale and profitability, and continued to create value for Shareholders.

In 2022, the Group recorded total revenue of RMB80.35 billion, representing a year-on-year growth of 22.2%; the Group recorded gross profit of RMB2.50 billion, representing a year-on-year growth of 33.7%; profit attributable to equity shareholders of the Company amounted to RMB0.29 billion, turning losses into gains compared with that in the same period in 2021; and the Group adjusted net profit (non-IFRS measure) attributable to equity shareholders of the Company amounted to RMB0.38 billion. The Group recorded positive operating cash inflow of RMB0.27 billion, which was in a good cash flow condition. In 2022, the Group continued to deepen and explore the services designed for our member stores. Our total accumulated registered member stores were 206 thousand, representing a year-on-year increase of 21.7%; the number of our active member stores was 76 thousand, representing a year-on-year increase of 22.4%; the total number of our paid SaaS+ users were 30 thousand, representing a year-on-year increase of 66.3%.

In respect of our commerce business:

In 2022, the Group continued to focus on supply chain upgrading strategy. Firstly, we continued to strengthen top-tier upstream capacity of brands supply chain. For example, in the consumer electronics industry, the Group continued to implement "1+N" brand strategy, made the Apple series products as the major breakthrough as well as expanding upstream brands such as Lenovo, Dell and Iflytek. In the agricultural materials industry, the Group was engaged in joint operation efficiently with upstream factories and synchronized the layout of pesticides, fertilizers, feeds and compound fertilizers. It established deep cooperation with large state-owned enterprises, listed companies and provincial-level supply and marketing cooperatives, such as Sino-Agri (中農), COFCO (中糧) and Sinochem (中化). In the liquor industry, the Group, focusing on the Wuliangye, was deeply linked to the ten famous maotai-flavour liquor brands such as Jinsha Wine (金沙酒業), Guizhou Wine (貴州醇) and Yelanggu (夜郎古). In the homebuilding and renovation materials industry, the Group developed cooperation with brands such as Xinyi Glass, Sanxia New Building Materials and Far East Cable.

Secondly, the Group continued to consolidate the innovation of supply chain model. On the one hand, the Group collaborates with factories to develop customized products based on differentiated demands from the lower-tier market, facilitating the integration of manufacturing and marketing. For example, in the agricultural materials segment, during the cooperation with leading agricultural resources production enterprises such as CNSG Hong Sifang, Wintrue and ZJAMP, the Group jointly developed and launched a series of “Huizhongtian” compound fertilizer products through reverse customization, which now covers six major grain provinces. In the household appliance industry, the Group deepened cooperation with Royalstar, promoting the expansion of flexible supply chain and the construction of production and marketing integration. In the transportation segment, the Group partnered with Karry New Energy to develop a customized version of the “Jiangtun” (江豚) model for NEV based on market demand. The first batch of vehicles delivered in September 2022, indicating the Group continued to create products with greater competitiveness. On the other hand, the Group integrated the demand of member stores based on the market and demand insights, and through the centralized purchase and flexible supply chain management, aiming to improve the efficiency of the industry chain.

Thirdly, the Group continued to expand in emerging sectors. On the one hand, the Group focused on deepening our presence in the blue ocean segment, particularly in the new energy sector. The Group have officially launched a new energy technology business unit, and established strategic cooperation with BYD, GAC Aion, Hozon Auto (哪吒). Meanwhile, the Group built a new landscape that focus on new energy four-wheel vehicles while considering two-wheel vehicles market and battery business development. On the other hand, the Group concentrated on the segmentation of the business development, initiated deep trials in the detergent and daily consumables industry, linking up with leading brands such as Blue Moon, Unilever and P&G. Furthermore, the Group have introduced professional talents to inject new blood and resources into the new industry, laying the foundation for a high-value and sustainable future across multiple industries.

During the Reporting Period, the number of active member stores exceeded 76,000 and the overall sales revenue from our commerce business achieved RMB79.44 billion, representing a year-on-year increase of 21.8%.

In respect of our service business:

In 2022, the Group continued to strengthen its membership services.

The focus remains on upgrading the product system centered around transaction services for member stores, which addressed the pain points of customer's needs. The Group upgraded its service platform and built a stable operating system for service products, which helped further improve customer experience. In 2022, the SaaS+ business strategy had been further implemented, with core functions and underlying infrastructure of SaaS+ products been upgraded. To address the differentiated operational needs of the six industries and customers at different stages of development, the Group offered corresponding solution products, assisting member stores to achieve digital transformation and upgrade.

In terms of empowering services for member stores, the Group focused on promotion and sales assistance, organizing more than 20 large-scale marketing events throughout the Year, serving over 24,500 times and conducting more than 40,000 training sessions for member stores. The effectiveness is significant, with a SaaS renewal rate reached 57% and member stores satisfaction rate exceeding 95%.

During the Reporting Period, the revenue from our service business reached RMB795 million, representing a year-on-year increase of 81.5%. Among them, the number of paid SaaS+ member store users reached 29,775, representing a year-on-year increase of 66.3%; revenue from subscription service was approximately RMB534 million, representing a year-on-year increase of 91.7%.

In respect of the construction of our digitalized infrastructures:

In 2022, the Group continued to upgrade its digitalization construction. On the one hand, the Group further strengthened its digitalization base. Focusing on the three scenarios of purchasing, warehousing and distribution, and sales in retail industry as the main line, and on the four online management of data, finance, contracts and bills as branch lines. Realized online closed loop around the supplier portal, merchant center and Huitongda Mall (匯通達商城). At present, 12 core links have been fully online, ensuring a closed loop of business management for suppliers and the whole scenario and the value creation for the whole life cycle of customers.

On the other hand, the Group innovatively developed customized and digitalized trading platforms, such as Nonghuicai (農匯採) for the agricultural material industry, Jiupinhui (酒拼匯) for the liquor industry, Zhenhuicai (真匯採) for the household appliances industry and Xinghuixuan (星匯選) for the consumer electronics industry, which effectively satisfied customers' needs for differentiated digital infrastructure and initially built series of multi-industry industrial digitalized platforms.

In respect of our organization and team building:

In 2022, the Group continued to upgrade its organizational capabilities. First of all, the Group adhered to the continuous organizational fission and continued to cultivate new engines for future growth. On the basis of implementing the chain leader system, the Group split its business units into over 30 industrial operations by industry, which refined the operation and brought more management talents. Secondly, the Group continuously strengthen the echelon construction and organizational capability. The Company developed differentiated training programs to improve the capability of cadres at different levels. Furthermore, the Group developed the management trainee system to incubate new reserves, and have completed three phases and incubated nearly 200 talents. Thirdly, the Group further optimized and innovated the mechanism and stimulated the vitality of the organization, simultaneously designed a number of process incentive mechanisms, continued to consolidate the level of operation and management and achieved remarkable results. The Group also facilitated the efficient operation by strengthening our internal strength.

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

In respect of our corporate influence:

In 2022, the Group continued to enhance its corporate influence. In terms of accelerating the development of digital villages, the Group cooperated with various local governments to build digital villages: cooperated with the People’s Government of Feidong County to build an industrial internet ecological county, and worked with the Commerce Bureau of Yancheng City to build a commercial circulation system in county areas. In terms of supporting the agricultural products, the Group assisted over 1,000 agricultural products be introduced to the city. In July, with the support of Jiangsu Internet Association and the Online Information Office of Siyang County Committee, the Group undertook direct sales for Siyang Fresh Peach to help farmers; In September, the Group hosted a series of live broadcast activities with the theme of “10-Lake Crab and Su Crab Gift” across Jiangsu Province, which were recognised in Nanjing, Wuxi, Suzhou and other places. In terms of attracting talents to return to their hometowns for employment and entrepreneurship, the Group has cultivated 16 thousand new rural households and new farmers through the “Internet Marketing Manager” training activities. The Group carried out the “Ten Thousand University Students E-commerce Empowering Rural Revitalization” campaign to boost talent revitalization. The Group received high attention from Jiangsu provincial ministerial leaders and was invited to participate in various special meetings organized by the Central Finance Office (中央財經辦), China’s Ministry of Commerce, China’s Ministry of Agriculture and Rural Affairs, the Cyberspace Administration of Jiangsu Provincial Party Committee (省委網信辦), the Jiangsu Provincial Department of Commerce (省商務廳) and the Jiangsu Provincial Development and Reform Commission (省發改委). The Group was awarded as the key software enterprise encouraged by the nation. It received 14 national-level honors and 5 provincial and municipal-level honors, including the Top 500 Enterprises in China in 2022 (ranking 347th), Top 500 Service Enterprises in China (ranking 126th), Top 100 Industrial Internet Enterprises in China (ranking 3rd) and National High-tech Enterprise, etc.

FINANCIAL REVIEW

Revenue

Benefiting from the fast expansion of our sales network in the lower-tier market, the increasingly enhanced strategic cooperation with the upstream brand owners and the improved service penetration rate of our member stores, our revenue increased by 22.2% from RMB65,763.2 million in 2021 to RMB80,354.8 million in 2022. The following table sets forth the absolute amount and year-on-year change in revenue by business line for 2022 and 2021:

Commerce Business

| | Year ended December 31, | | Year-on-year change |
|---------------------------------------|---|------------|------------------------|
| | 2022 | 2021 | |
| | <i>RMB</i> | <i>RMB</i> | |
| | <i>(RMB'000, except for percentage)</i> | | |
| Direct sales | 79,436,247 | 65,222,853 | 21.8% |
| Consumer electronics | 37,700,123 | 27,047,792 | 39.4% |
| Agricultural means of production | 15,788,263 | 13,741,365 | 14.9% |
| Household appliances | 12,226,027 | 12,212,346 | 0.1% |
| Vehicles and auto parts merchandise | 8,147,650 | 7,266,108 | 12.1% |
| Homebuilding and renovation materials | 3,162,732 | 3,308,393 | (4.4%) |
| Liquor and beverages | 1,990,715 | 1,348,200 | 47.7% |
| Others ⁽¹⁾ | 420,737 | 298,649 | 40.9% |
| Online marketplace | 2,089 | 2,760 | (24.3%) |
| Total for commerce business | 79,438,336 | 65,225,613 | 21.8% |

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

Our revenue from the direct sales of the Group increased by 21.8% from RMB65,222.9 million in 2021 to RMB79,436.2 million in 2022, which mainly covered six major industries, namely consumer electronics, agricultural means of production, household appliances, vehicles and auto parts merchandise, homebuilding and renovation materials, and liquor and beverages.

Revenue from the direct sales achieved rapid growth, particularly in consumer electronics and liquor and beverages: (i) The Group further expanded its communications products business and deepened strategic cooperation with top industry brands, with revenue from sales of consumer electronics increasing by 39.4% over the same period of 2021; (ii) the sales price of agricultural means of production increased significantly in the first half of 2022 due to the great downstream demand, which contributed to the increase in the scale of sales and a 14.9% increase in revenue from agricultural means of production compared to last year; (iii) the Group strengthened its efforts in sales of automotive parts and components, with revenue from vehicles and auto parts merchandise increasing by 12.1% over last year; (iv) the Group further developed its sales channel

for liquor and beverages, which meant expanding its business in Luzhou-flavour liquor based on moutai-flavour liquor and enriching its product offerings to achieve further growth in sales revenue, with the revenue from sales of liquor and beverage increasing by 47.7% over last year; (v) the Group continued to optimize the second-class category structure of household appliances and deepened cooperation with top brands. However, due to the impact of business cycle and the pandemic, the revenue of household appliances remained flat as compared with the same period in 2021; and (vi) the Group's revenue from sales of homebuilding and renovation materials decreased by 4.4%, mainly due to the decline in sales of glass and decorative materials. The market for glass and decorative materials saw volatile prices during the Year and the Group thus reduced this business to hedge the risk.

Service Business

| | Year ended December 31, | | Year-on-year change |
|-----------------------------------|---|-----------------------|------------------------|
| | 2022 | 2021 | |
| | <i>RMB</i> | <i>RMB</i> | |
| | <i>(RMB'000, except for percentage)</i> | | |
| SaaS+ subscription | 533,590 | 278,405 | 91.7% |
| Merchant solutions | 261,246 | 159,409 | 63.9% |
| Total for Service Business | <u>794,836</u> | <u>437,814</u> | <u>81.5%</u> |

The revenue from the service business of the Group mainly included revenue from two portions, namely the SaaS+ subscription and merchant solutions, both with significant growth.

The Group stepped up the marketing of SaaS+ products, and introduced service providers for promotion purpose as a part of its marketing strategy. Meanwhile, the Group strengthened the development of core features of SaaS+ products to help member stores achieve digital transformation and upgrade and operational efficiency improvement. As a result, the revenue from the SaaS+ subscription business significantly grew by 91.7% compared to the same period last year.

To provide better merchant solutions, the Group upgraded the single solution to multiple solutions, coupled with increasing marketing efforts and expanding the size of the sales team, which could more accurately help transform and upgrade merchants digitally. The Year saw the revenue from merchant solution grew by 63.9% compared to last year.

Cost of Revenue, Gross Profit and Gross Margin

The cost of revenue of the Group increased by 21.9% from RMB63,895.2 million in 2021 to RMB77,857.9 million in 2022, and our gross profit increased by 33.7% from RMB1,868.0 million in 2021 to RMB2,496.8 million in 2022. The growth of the cost of revenue and gross profit of the Group was mainly due to the growth of our revenue. The gross margin of the Group increased from 2.8% in 2021 to 3.1% in 2022, mainly due to (i) the increase in revenue contribution from the service business; and (ii) the increase in gross profit margin of consumer electronics, agricultural means of production, household appliances, vehicles and auto parts merchandise and homebuilding and renovation materials.

Selling and Marketing Expenses

| | Year ended December 31, | | Year ended December 31, | | Year-on-year change |
|--------------------------------|-------------------------|---|-------------------------|----------------------------|---------------------|
| | 2022 | 2021 | 2022 | 2021 | |
| | <i>RMB</i> | As a percentage of revenue (<i>RMB'000, except for percentage</i>) | <i>RMB</i> | As a percentage of revenue | |
| Selling and marketing expenses | <u>1,327,807</u> | <u>1.6%</u> | <u>864,241</u> | <u>1.3%</u> | <u>53.6%</u> |

Selling and marketing expenses increased by 53.6% from RMB864.2 million in 2021 to RMB1,327.8 million in 2022, and the proportion of selling and marketing expenses in revenue increased from 1.3% in 2021 to 1.6% in 2022. The Group's selling and marketing expenses primarily consist of advertising expenses, promotion service fees and employee salaries. The growth was primarily due to the following reasons: (i) due to the impact of the pandemic on the Group's business in 2022, the Group enhanced the stickiness of member stores and increased the investment in marketing expenses in order to increase the business scale; (ii) based on the deepening of brand cooperation, the Group has increased its brand operation on third-party platforms, resulting in an increase in marketing investment; and (iii) with the continuous and stable growth in revenue and financial results of the Group in 2022, the salaries of sales personnel increased as compared to 2021.

Administrative and Other Operating Expenses

| | Year ended December 31, | | Year ended December 31, | | Year-on-year change |
|---|-------------------------|---|-------------------------|----------------------------|---------------------|
| | 2022 | 2021 | 2022 | 2021 | |
| | <i>RMB</i> | As a percentage of revenue (<i>RMB'000, except for percentage</i>) | <i>RMB</i> | As a percentage of revenue | |
| Administrative and other operating expenses | <u>393,492</u> | <u>0.5%</u> | <u>388,661</u> | <u>0.6%</u> | <u>1.2%</u> |

Note: Compared to the financial information disclosed in the annual results of 2021, impairment loss on trade and other receivables is separately presented as a line item in the Group's consolidated statement of profit or loss.

Administrative and other operating expenses primarily consist of employee salaries, depreciation expenses and listing expenses. Administrative and other operating expenses increased by 1.2% from RMB388.7 million in 2021 to RMB393.5 million in 2022, mainly due to the increase in employee salaries.

Research and Development Costs

| | Year ended December 31, | | Year-on-year change |
|--------------------------------|---|---------------|------------------------|
| | 2022 | 2021 | |
| | <i>RMB</i> | <i>RMB</i> | |
| | <i>(RMB'000, except for percentage)</i> | | |
| Research and development costs | <u>113,234</u> | <u>78,547</u> | <u>44.2%</u> |

Research and development (“**R&D**”) costs mainly include labor costs, depreciation and amortisation and others. R&D costs increased by 44.2% from RMB78.5 million in 2021 to RMB113.2 million in 2022, primarily due to: (i) the Group upgraded the industrial trading service systems and the trading platform in order to strengthen the digital construction, to meet the needs for platform trading and improve the information service capability. The R&D projects in the Reporting Period mainly include the construction of industrial trading platform, cloud computing platform, payment platform and intelligent retail SaaS platform and others; (ii) the Group expanded its R&D team, the members of R&D personnel of which increased from 189 to 234; at the same time, in order to further stimulate the R&D enthusiasm and creativity of R&D personnel, the Group further increased the salary level of its in-house R&D personnel; and (iii) the composition of the R&D team became more diversified, and the investment in outsourced personnel increased.

Impairment loss on trade and other receivables

Impairment loss on trade and other receivables increased from RMB90.3 million in 2021 to RMB216.4 million in 2022, mainly due to the increase in other receivables, resulting additional provision for expected credit losses.

Other Revenue

Other revenue decreased by 19.3% from RMB55.8 million in 2021 to RMB45.1 million in 2022, primarily due to a decrease in governmental grants.

Other Net Gain

Other net gain increased by 26.0% from RMB136.6 million in 2021 to RMB 172.1 million in 2022, mainly due to the increase in net foreign exchange gains.

Net Finance Costs

Net finance costs decreased by 91.6% from RMB713.0 million in 2021 to RMB60.1 million in 2022, primarily due to the decrease in interest expenses on the redeemable capital contributions and the increase in bank interest income.

The increase in bank interest income was primarily due to the receipt of net proceeds from the initial public offering of H Shares, resulting in an increase in bank deposits and the corresponding income.

The decrease in interest expenses arising from redeemable capital contributions was primarily due to the unconditional termination of the special right associated with the pre-IPO investment and the reclassification of the redeemable capital contributions to equity upon the Group's listing on the Main Board of the Stock Exchange on February 18, 2022. The related interest was no longer provided.

Income Tax

Income tax decreased by 7.7% from RMB100.9 million in 2021 to RMB93.2 million in 2022. The decrease in income tax expense in 2022 was mainly due to the further decrease in income tax rate due to larger tax incentives for small and micro enterprises. The Group's consolidated tax rate decreased further as a result of the increase in the proportion of profit contribution from the Company that is subject to the above tax incentive policy for the 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/(Loss) Attributable to Equity Shareholders of the Company

As a result of the above, we recorded a profit attributable to equity Shareholders of the Company of RMB287.2 million and a loss attributable to equity Shareholder of the Company of RMB349.9 million in 2022 and 2021, respectively.

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/(loss) before taxation, for the periods indicated:

| | Year ended December 31, | |
|--|--------------------------------|-----------------------|
| | 2022 | 2021 |
| | RMB | RMB |
| | <i>(RMB'000)</i> | |
| Profit/(Loss) for the year | 509,978 | (177,049) |
| Add: interest expenses arising from redeemable capital contributions | 91,830 | 677,490 |
| Adjusted net profit (non-IFRS measures) (unaudited) | <u>601,808</u> | <u>500,441</u> |

The adjusted net profit in 2022 and 2021 was RMB601.8 million and RMB500.4 million, respectively, representing an increase of 20.3%.

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/(loss) attributable to equity shareholders of the Company, for the periods indicated:

| | Year ended December 31, | |
|---|--------------------------------|------------------|
| | 2022 | 2021 |
| | RMB | RMB |
| | <i>(RMB'000)</i> | |
| Profit/(loss) attributable to equity shareholders of the Company | 287,245 | (349,881) |
| Add: interest expenses arising from redeemable capital contributions | 91,830 | 677,490 |
| Adjusted net profit attributable to equity shareholders of the Company (non-IFRS measures) (unaudited) | 379,075 | 327,609 |

In 2022 and 2021, our adjusted net profit attributable to equity Shareholders of the Company amounted to RMB379.1 million and RMB327.6 million, respectively, representing a growth of 15.7%.

Cash and Cash Equivalents

As at December 31, 2022 and December 31, 2021, our cash and cash equivalents amounted to RMB4,038.4 million and RMB2,966.9 million, respectively. The Group has sufficient working capital for our operating requirements.

Inventories

As at December 31, 2022 and December 31, 2021, our inventories amounted to RMB2,443.8 million and RMB2,718.6 million, respectively, representing a decrease of 10.1%. As at December 31, 2022, the decrease in our inventories was primarily due to improved operating efficiency and accelerated inventory turnover.

By optimizing the structure of our product offerings, following the determining the procurement based on sales and the advancement based on demand strategy, upgrading the B2F supply chain and deepening our cooperation with upstream brand owners, the Group has improved its operating efficiency, with the turnover days of inventories decreasing from 14 days in 2021 to 12 days in 2022.

Prepayments, Deposits and Other Receivables

As at December 31, 2022 and December 31, 2021, our prepayments, deposits and other receivables were RMB8,661.0 million and RMB8,416.9 million, which were basically kept flat.

Trade and Bills Payables

As at December 31, 2022 and December 31, 2021, our trade and bills payables were RMB14,938.8 million and RMB14,418.8 million, respectively, representing an increase of 3.6%, which were basically kept flat.

In order to maintain a good relationship with our suppliers, our trade and bills payables turnover days decreased from 74 days in 2021 to 69 days in 2022.

Capital Expenditures

The capital expenditures of 2022 and 2021 were RMB54.9 million and RMB22.5 million respectively, which were used primarily for acquisition of properties and equipment to improve the capability of the Group in supply chain and digitalized infrastructure.

Employees and Remuneration Policy

As at December 31, 2022, the Group had employed a total of 4,383 employees. The Group hires and promotes our staff based on their person on-the-job performance and development potential. The remuneration package of all our employees depends on their performance and market salary levels.

BUSINESS OUTLOOK

In the future, the Group will continue to focus on the general policy of “improving quality, growth steadily, and upgrading further”, and based on the three major focuses of “deep penetration in lower-tier market, operation with member stores as the centre, consolidating the two major services of “buy + sell” and supply chain + SaaS”, adhere to the business orientation of “creating value”, and realise the business model of digital-based B2F reverse supply chain + integration of production, supply and marketing, to connect the upstream brand for strengthening the supply-side construction while reaching the rural customers to enhance the demand-side construction, and comprehensively build multi-industry industrial digitalized platforms. To that end, the Group will make every effort to promote the following key works:

- I. Focus on the diversified needs of customers and deepen and strengthen the industrial chain. The Group will continue to develop and deepen the cooperation with the upstream top brand manufacturers. Moreover, it will promote the demand-driven B2F reverse supply chain model based on digitization, which means determining the procurement based on sales and the advancement based on demand. Meanwhile, the Group will expand the proportion of its own brand and gradually realize the integration of production and sales.
- II. Focus on the service needs of member stores and expand member stores through customer stickiness enhancement. The Group will further upgrade SaaS products, provide more innovative services and improve the service capabilities of the customer service team. This will help greatly expand the business of member stores. On the one hand, the Group will expand and transform new member stores through high quality products. On the other hand, it will consolidate the upgrade of our service capability by facilitating the construction of a long-term, sustainable and high quality growth system for member stores.
- III. Focus on the differentiated digital needs of the whole chain to further enhance the digital capability of the industry. The Group will focus on the construction of the digital channel of the industry through the full integration of business model upgrade with the digital technology, providing technical and system protection for B2F business and strengthening the end-to-end, whole chain and whole closed-loop capability of the whole industry chain.
- IV. Focus on building warehousing and logistics systems in the lower-tier market to upgrade the warehousing and distribution system. The Group will continue to build the cloud warehousing and cloud distribution system, upgrade the digital facilities of the warehousing and logistics system and deeply integrate the scattered logistics resources in the lower-tier market. These efforts will provide support for opening up the two-way circulation in urban and rural areas.
- V. Focus on organizational construction for implementing subsequent strategies and further improve the organizational capacity. The Group will deepen the organizational fission, promote organizational cooperation and enhance organizational synergy. In addition, the Company will fully integrate organizational strength to achieve vertical development of each industry. In terms of strengthening cultural construction, the Group will promote the cultural heritage and enhance the spiritual atmosphere. To that end, the Group will, based on culture, make corporate ideology and spirit fully unified to reach consensus. To achieve organizational endogenous development, the Group will build the cadre echelon and fully stimulate organizational vitality, so as to achieve the internal driving development of the organization. These efforts will help underpin the Company’s future development and facilitate the implementation of various strategies.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2022

(Expressed in Renminbi)

| | | 2022 | 2021 |
|--|--------------|-----------------------|-------------------------|
| | <i>Notes</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue | <i>3</i> | 80,354,775 | 65,763,174 |
| Cost of revenue | | <u>(77,857,929)</u> | <u>(63,895,208)</u> |
| Gross profit | | 2,496,846 | 1,867,966 |
| Other revenue | <i>4(a)</i> | 45,089 | 55,843 |
| Other net gain | <i>4(b)</i> | 172,099 | 136,629 |
| Research and development costs | | (113,234) | (78,547) |
| Selling and marketing expenses | | (1,327,807) | (864,241) |
| Administrative and other operating expenses | | (393,492) | (388,661) |
| Impairment loss on trade and other receivables | | (216,381) | (90,300) |
| Profit from operations | | 663,120 | 638,689 |
| Finance income | <i>5(a)</i> | 225,435 | 166,308 |
| Finance costs | <i>5(a)</i> | (285,501) | (879,292) |
| Net finance costs | | (60,066) | (712,984) |
| Share of profits/(losses) of associates | | 76 | (1,820) |
| Profit/(loss) before taxation | <i>5</i> | 603,130 | (76,115) |
| Income tax | <i>6</i> | (93,152) | (100,934) |
| Profit/(loss) for the year | | <u>509,978</u> | <u>(177,049)</u> |
| Attributable to: | | | |
| Equity shareholders of the Company | | 287,245 | (349,881) |
| Non-controlling interests | | 222,733 | 172,832 |
| Profit/(loss) for the year | | <u>509,978</u> | <u>(177,049)</u> |
| Earnings/(loss) per share | <i>7</i> | | |
| Basic and diluted (RMB) | | <u>0.57</u> | <u>(0.69)</u> |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2022

(Expressed in Renminbi)

| | <i>Notes</i> | 2022 RMB'000 | 2021 <i>RMB'000</i> |
|--|--------------|-------------------------------|-------------------------|
| Profit/(loss) for the year | | 509,978 | (177,049) |
| Other comprehensive income for the year | | — | — |
| Total comprehensive income for the year | | <u>509,978</u> | <u>(177,049)</u> |
| Attributable to: | | | |
| Equity shareholders of the Company | | 287,245 | (349,881) |
| Non-controlling interests | | <u>222,733</u> | <u>172,832</u> |
| Total comprehensive income for the year | | <u>509,978</u> | <u>(177,049)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*(Expressed in Renminbi)*

| | | 2022 | 2021 |
|--|--------------|-----------------------|-----------------------|
| | <i>Notes</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Non-current assets | | | |
| Property, plant and equipment | | 76,685 | 42,635 |
| Right-of-use assets | | 103,657 | 111,171 |
| Investment property | | 15,881 | 3,707 |
| Interests in associates | | 9,660 | 1,990 |
| Financial assets at fair value through other comprehensive income | | 2,000 | 2,000 |
| Financial assets at fair value through profit or loss | 8 | 547,987 | – |
| Pledged deposits | | 820,000 | 1,150,000 |
| Time deposits | | 320,000 | 865,000 |
| Deferred tax assets | | 95,331 | 68,690 |
| | | <u>1,991,201</u> | <u>2,245,193</u> |
| Current assets | | | |
| Financial assets at fair value through profit or loss | 8 | 2,329,220 | 2,705,757 |
| Inventories | 9 | 2,443,800 | 2,718,623 |
| Trade and bills receivables | 10 | 3,127,285 | 2,652,767 |
| Prepayments, deposits and other receivables | 11 | 8,661,049 | 8,416,880 |
| Restricted deposits | | 5,155 | 15,492 |
| Pledged deposits | | 4,329,686 | 3,873,552 |
| Time deposits | | 1,845,981 | – |
| Cash and cash equivalents | | 4,038,408 | 2,966,920 |
| Taxation recoverable | | 3,396 | 2,827 |
| | | <u>26,783,980</u> | <u>23,352,818</u> |

| | <i>Notes</i> | 2022 RMB'000 | 2021 RMB'000 |
|---|--------------|--------------------------|------------------------|
| Current liabilities | | | |
| Bank loans and other borrowings | | 698,783 | 129,460 |
| Loans from non-controlling shareholders of subsidiaries | | 8,064 | 17,026 |
| Lease liabilities | | 42,621 | 40,421 |
| Financial liabilities at fair value through profit or loss | | 89,381 | – |
| Trade and bills payables | <i>12</i> | 14,938,783 | 14,418,802 |
| Other payables and accruals | | 781,480 | 612,025 |
| Contract liabilities | <i>13</i> | 2,725,225 | 2,937,060 |
| Redeemable capital contributions | | – | 9,027,445 |
| Taxation payable | | 57,461 | 48,819 |
| | | <u>19,341,798</u> | <u>27,231,058</u> |
| Net current assets/(liabilities) | | <u>7,442,182</u> | <u>(3,878,240)</u> |
| Total assets less current liabilities | | <u>9,433,383</u> | <u>(1,633,047)</u> |
| Non-current liabilities | | | |
| Lease liabilities | | 56,254 | 67,399 |
| Deferred income | | 17,000 | 17,000 |
| | | <u>73,254</u> | <u>84,399</u> |
| NET ASSETS/(LIABILITIES) | | <u>9,360,129</u> | <u>(1,717,446)</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | | 562,570 | 508,658 |
| Reserves | | 7,392,244 | (3,584,116) |
| Total equity/(deficit) attributable to equity shareholders of the Company | | 7,954,814 | (3,075,458) |
| Non-controlling interests | | 1,405,315 | 1,358,012 |
| TOTAL EQUITY/(DEFICIT) | | <u>9,360,129</u> | <u>(1,717,446)</u> |

NOTES

1 GENERAL INFORMATION AND BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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, 2022 that is included in this annual results announcement does not constitute the Group’s consolidated financial statements for the year ended December 31, 2022 but is derived from those financial statements.

2 CHANGES IN ACCOUNTING POLICIES

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

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

None of these developments 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.

3 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 3(b).

(i) Disaggregation of revenue

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

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Revenue from contracts with customers within the scope of IFRS 15 | | |
| Revenue from merchandise sales | 79,436,247 | 65,222,853 |
| Commission income | 2,089 | 2,760 |
| Revenue from SaaS+ subscription | 533,590 | 278,405 |
| Revenue from merchant solutions | 261,246 | 159,409 |
| Revenue from other services | 121,603 | 99,375 |
| | <u>80,354,775</u> | <u>65,762,802</u> |
| Revenue from other sources | | |
| Others | – | 372 |
| | <u>–</u> | <u>372</u> |
| | <u>80,354,775</u> | <u>65,763,174</u> |

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

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|-----------------|------------------------|------------------------|
| A point in time | 79,821,185 | 65,488,133 |
| Over time | 533,590 | 275,041 |
| | <u>80,354,775</u> | <u>65,763,174</u> |

The Group's customer base is diversified and nil (2021: nil) of the customers with whom transactions have exceeded 10% of the Group's revenues for the year ended December 31, 2022.

(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 resource allocated and assessment of segment performance for the years ended December 31, 2022 and 2021 is set out below.

| | 2022 | | | |
|----------------------------|--|---|---------------------------|--------------------------|
| | Commerce business RMB'000 | Service business RMB'000 | Others RMB'000 | Total RMB'000 |
| Reportable segment revenue | <u>79,438,336</u> | <u>794,836</u> | <u>121,603</u> | <u>80,354,775</u> |
| Reportable segment profit | <u>1,795,724</u> | <u>593,400</u> | <u>107,722</u> | <u>2,496,846</u> |

| | 2021 | | | Total RMB'000 |
|----------------------------|---------------------------------|--------------------------------|-------------------|-------------------|
| | Commerce business RMB'000 | Service business RMB'000 | Others RMB'000 | |
| Reportable segment revenue | <u>65,225,613</u> | <u>437,814</u> | <u>99,747</u> | <u>65,763,174</u> |
| Reportable segment profit | <u>1,498,255</u> | <u>286,952</u> | <u>82,759</u> | <u>1,867,966</u> |

The reconciliation of gross profit to profit/(loss) before tax for the years ended December 31, 2022 and 2021 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 all of its revenue was generated in the PRC and all of its non-current assets and capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

4 OTHER REVENUE AND OTHER NET GAIN

(a) **Other revenue**

| | 2022 RMB'000 | 2021 RMB'000 |
|-------------------|-----------------|-----------------|
| Government grants | 42,429 | 55,175 |
| Others | <u>2,660</u> | <u>668</u> |
| | <u>45,089</u> | <u>55,843</u> |

(b) **Other net gain**

| | 2022 RMB'000 | 2021 RMB'000 |
|--|-----------------|-----------------|
| Net realized and unrealized gain on financial assets at fair value through profit or loss | 151,219 | 136,663 |
| Net (loss)/gain on disposal of interests in subsidiaries | (54,251) | 734 |
| Net gain on disposal of interests in associates | – | 185 |
| Net (loss)/gain on disposal of property, plant and equipment | (70) | 104 |
| Net foreign exchange gain/(loss) | 151,236 | (2,397) |
| Net realized and unrealized loss on financial liabilities at fair value through profit or loss | (81,601) | – |
| Others | <u>5,566</u> | <u>1,340</u> |
| | <u>172,099</u> | <u>136,629</u> |

5 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Net finance costs

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Interest income from bank deposits | (225,435) | (166,308) |
| Finance income | (225,435) | (166,308) |
| Interest expenses on discounted bills and bank loans | 188,412 | 193,741 |
| Interest expenses on loans from non-controlling shareholders of subsidiaries | 635 | 2,567 |
| Interest expenses on lease liabilities | 4,624 | 5,494 |
| Interest expenses arising from redeemable capital contributions | 91,830 | 677,490 |
| Finance costs | 285,501 | 879,292 |
| Net finance costs | 60,066 | 712,984 |

(b) Staff costs

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Salaries, wages and other benefits | 610,373 | 540,619 |
| Contributions to defined contribution retirement plans | 34,456 | 34,117 |
| Equity settled share-based payment expenses | 3,755 | – |
| | 648,584 | 574,736 |

(c) Other items

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Cost of inventories recognized as expenses (<i>Note i</i>) | 77,452,662 | 63,509,813 |
| Depreciation charge | | |
| – owned property, plant and equipment | 18,154 | 20,763 |
| – right-of-use assets | 50,844 | 59,402 |
| – investment property | 212 | 194 |
| Research and development costs (<i>Note ii</i>) | 113,234 | 78,547 |
| Provision for credit loss on trade and other receivables | | |
| – expected credit loss on trade and other receivables | 220,063 | 101,415 |
| – write-on of other receivables previously written off | (3,682) | (11,115) |
| Decrease of provisions | – | (843) |
| Provision for write-down of inventories | 14,971 | 15,747 |
| Listing expenses | 16,178 | 25,650 |
| Auditors' remuneration | | |
| – audit services | 7,100 | 5,000 |
| – non-audit services (<i>Note iii</i>) | 4,600 | 7,080 |

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 5(b) for each of these types of expenses.
- (iii) During the year ended December 31, 2022, the Group recognized auditors' remuneration for non-audit services in respect of initial public offering of RMB4,600,000 (2021: RMB7,080,000), among which RMB2,130,000 (2021: RMB5,027,000) is also included in the listing expenses disclosed separately above.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Current tax | | |
| Provision for the year | 132,626 | 109,588 |
| Deferred tax | | |
| Origination and reversal of temporary differences | <u>(39,474)</u> | <u>(8,654)</u> |
| Total income tax expense | <u><u>93,152</u></u> | <u><u>100,934</u></u> |

7 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share during the years ended December 31, 2022 and 2021 is based on the profit/(loss) attributable to ordinary equity shareholders of the Company for the purpose of basic earnings/(loss) per share for the years ended December 31, 2022 and 2021 and the weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share calculated as follows:

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

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|---|------------------------|-------------------------|
| Profit/(loss) for the year attributable to equity shareholders of the Company | 287,245 | (349,881) |
| Allocation of loss for the year attributable to equity shareholders of redeemable capital contributions | <u>16,727</u> | <u>130,318</u> |
| Profit/(loss) for the year attributable to ordinary equity shareholders of the Company for the purpose of basic earnings/(loss) per share | <u><u>303,972</u></u> | <u><u>(219,563)</u></u> |

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

| | 2022 | 2021 |
|--|---------------------------|---------------------------|
| Issued ordinary shares at the beginning of the year | 508,658,037 | 508,658,037 |
| Effect of ordinary shares issued for redeemable capital contributions | (24,417,248) | (189,456,188) |
| Effect of ordinary shares issued by initial public offering | <u>46,657,795</u> | <u>–</u> |
| Weighted average number of ordinary shares at the end of the year for the purpose of basic earnings/(loss) per share | <u><u>530,898,584</u></u> | <u><u>319,201,849</u></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 and 2021, which are subject to redemption and excluded from the calculation of the basic earnings/(loss) per share.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume exercise of redemption rights attributable to the investors of the Pre-IPO Investments. For the years ended December 31, 2022 and 2021, the Company had the redeemable capital contributions as financial liabilities which are potential ordinary shares. The potential ordinary shares were excluded from the calculation of diluted earnings/(loss) per share for the years ended December 31, 2022 and 2021 as their effect would be anti-dilutive. Accordingly, diluted earnings/(loss) per share for the years ended December 31, 2022 and 2021 are the same as basic earnings/(loss) per share of the respective years.

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2022 RMB'000 | 2021 RMB'000 |
|---|-------------------------|-------------------------|
| Financial assets at FVPL – non-current portion | | |
| – Unlisted investments | 312,460 | – |
| – Structured deposits | <u>235,527</u> | <u>–</u> |
| Financial assets at FVPL – current portion | | |
| – Structured deposits and wealth management products | <u>2,329,220</u> | <u>2,705,757</u> |
| | <u><u>2,877,207</u></u> | <u><u>2,705,757</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 issued by a financial institution in the PRC with a floating return. The unlisted investments are the Group's interests in a company engaged in the research and development, manufacturing and sales of electric vehicles, a company engaged in augmented reality and virtual reality solutions and a company engaged in new energy battery business.

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.

9 INVENTORIES

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|---------------------------|-------------------------|-------------------------|
| Merchandise | 2,407,584 | 2,620,770 |
| Goods in transit | 104,252 | 180,623 |
| | <u>2,511,836</u> | <u>2,801,393</u> |
| Write-down of inventories | <u>(68,036)</u> | <u>(82,770)</u> |
| | <u><u>2,443,800</u></u> | <u><u>2,718,623</u></u> |

10 TRADE AND BILLS RECEIVABLES

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|----------------------|-------------------------|-------------------------|
| Trade receivables | 1,829,690 | 1,616,940 |
| Bills receivable | 1,359,856 | 1,081,519 |
| | <u>3,189,546</u> | <u>2,698,459</u> |
| Less: loss allowance | <u>(62,261)</u> | <u>(45,692)</u> |
| | <u><u>3,127,285</u></u> | <u><u>2,652,767</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:

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|------------------------------------|------------------------|------------------------|
| Within 3 months | 2,936,820 | 2,472,909 |
| Over 3 months but within 12 months | 136,859 | 155,894 |
| Over 12 months | 53,606 | 23,964 |
| | <u>3,127,285</u> | <u>2,652,767</u> |

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

11 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|--------------------------------------|-------------------------|-------------------------|
| Prepayments | 7,579,098 | 7,475,689 |
| Value added tax recoverable | 152,724 | 151,778 |
| Refund receivables from suppliers | 201,842 | 293,739 |
| Amounts due from former subsidiaries | 536,955 | 344,139 |
| Interest receivables | 202,770 | 96,250 |
| Other deposits and receivables | 281,129 | 212,566 |
| | <u>8,954,518</u> | <u>8,574,161</u> |
| Less: loss allowance | <u>(293,469)</u> | <u>(157,281)</u> |
| | <u>8,661,049</u> | <u>8,416,880</u> |

12 TRADE AND BILLS PAYABLES

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|----------------|------------------------|------------------------|
| Trade payables | 1,131,314 | 1,588,378 |
| Bills payable | 13,807,469 | 12,830,424 |
| | <u>14,938,783</u> | <u>14,418,802</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:

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|-----------------|------------------------|------------------------|
| Within 3 months | 7,835,375 | 4,942,782 |
| 3 to 12 months | 7,023,841 | 9,362,080 |
| Over 12 months | 79,567 | 113,940 |
| | <u>14,938,783</u> | <u>14,418,802</u> |

13 CONTRACT LIABILITIES

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|--|-------------------------|-------------------------|
| Balance at the beginning of the year | 2,937,060 | 2,133,207 |
| 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 | (2,823,622) | (2,032,806) |
| Increase in contract liabilities as a result of receiving advance payments during the year | 2,742,239 | 2,988,570 |
| Acquisition of interests in subsidiaries | - | 11,100 |
| Decrease in contract liabilities as a result of disposal of interests in subsidiaries | (130,452) | (163,011) |
| Balance at the end of the year | <u>2,725,225</u> | <u>2,937,060</u> |

14 DIVIDENDS

The Directors did not propose the payment of any dividend during the year ended December 31, 2022.

15 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

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., which is an affiliate company of the single largest shareholder of the Group and the non-executive director of the Company, Mr. Wang Jianguo, at a consideration of RMB504,299,500. As at the date of this announcement, the acquisition has not yet been completed.

OTHER INFORMATION

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

From the Listing Date up to December 31, 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

2. Final Dividend

The Board resolved not to recommend payment of final dividend for the year ended December 31, 2022.

3. Annual General Meeting

A notice convening the annual general meeting of the Company will be published and despatched to the Shareholders in the manner required by the Listing Rules in due course.

4. Corporate Governance Practice

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

The Company has complied with the code provisions of the Corporate Governance Code from the Listing Date to December 31, 2022.

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 the specific enquiries to all directors and supervisors, each of the Directors and Supervisors has confirmed that they have complied with the standards set out in the Model Code throughout the period from the Listing Date to December 31, 2022.

6. Audit Committee

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

The Company's audited annual results for the year ended December 31, 2022 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 accountants.

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, 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG (the "**Auditor**"), Certified Public Accountants, 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

Except for the subsequent events disclosed in note 15 to the financial information in this announcement, as at 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 will be 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, 2022 containing all information required by the Listing Rules will also be despatched to the Shareholders in due course and will be published on the above websites.

DEFINITIONS

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

| | |
|----------------------------------|---|
| “Board” | the board of directors of the Company |
| “China” or “PRC” | the People’s Republic of China |
| “Company” | Huitongda Network Co., Ltd. (匯通達網絡股份有限公司), a joint stock company with limited liabilities established under the laws of the PRC on December 6, 2010 |
| “Corporate Governance Code” | Corporate Governance Code set out in Appendix 14 to the Listing Rules |
| “Directors” | the directors of the Company |
| “Group” | our Company and its Subsidiaries (or our Company and any one or more of its Subsidiaries, as the context may require) |
| “H Share(s)” | overseas listed foreign Shares in the share capital of our Company with nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Stock Exchange |
| “HK dollars” or “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Listing Date” | Friday, February 18, 2022, on which dealings in our H Shares first commence on the Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time) |
| “Model Code” | Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules |
| “Reporting Period” or “the Year” | the year ended December 31, 2022 |

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

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

Nanjing, the PRC
March 28, 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.