Huitongda Network Co., Ltd.
匯通達網絡股份有限公司
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 9878)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023

The Board of Directors of Huitongda Network Co., Ltd. is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries for the six months ended June 30, 2023. These results have been prepared in accordance with the applicable disclosure requirements of the Listing Rules and the International Accounting Standard 34 Interim Financial Reporting and has 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 interim results.

In this announcement, "we", "us", and "our" refer to the Company and where the context otherwise requires, the Group.

SUMMARY

Financial Overview

	For the six months ended June 30,				
	2023 (unaudited) Amount	**As a percentage of revenue**	2022 (unaudited) Amount *(restated)*[1]	As a percentage of revenue	Year-on-year change
	(RMB'000, except for percentage)				
Revenue	**43,376,803**		40,685,881		6.6%
Including:					
Revenue from commerce business	**42,989,790**	**99.1%**	40,271,461	99.0%	6.8%
Revenue from service business	**343,162**	**0.8%**	364,447	0.9%	(5.8%)
Gross profit	**1,293,539**	**3.0%**	1,198,290	2.9%	7.9%
Profit from operations	**432,897**	**1.0%**	366,997	0.9%	18.0%
Profit for the period	**382,957**	**0.9%**	228,662	0.6%	67.5%
Profit attributable to equity shareholders of the Company	**245,128**	**0.6%**	112,428	0.3%	118.0%
Non-IFRS measures:					
Adjusted net profit	**382,957**	**0.9%**	320,492	0.8%	19.5%
Adjusted net profit attributable to equity shareholders of the Company	**245,128**	**0.6%**	204,258	0.5%	20.0%
Net cash generated from operating activities	**599,597**		904,886		(33.7%)

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. Such acquisition was completed on May 5, 2023. Upon completion of the acquisition, 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 results for the six months ended June 30, 2022 and the financial position as at December 31, 2022 of the Group have been restated to include the operating results and assets and liabilities of the combining entities. Details are set out in note 4 to the interim financial information.

Operating Metrics

	For the six months ended June 30,		
	2023	2022	Year-on-year change
Total number of registered member retail stores	**217,592**	191,750	13.5%
Number of active member retail stores	**77,514**	65,264	18.8%
Number of active wholesaler customers	**8,424**	9,432	(10.7%)
Total number of SaaS+ subscription users	**121,209**	110,781	9.4%
Including: paid SaaS+ users	**37,182**	27,065	37.4%

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2023, the overall economy recovered slowly and economic growth remained under pressure. Amid this complex, volatile, and tough environment, the Group stayed focused on the core business and customer's needs to effectively control business risks for a stable growth in results.

In the first half of 2023, the Group recorded a total revenue of RMB43.377 billion, representing a year-on-year growth of 6.6%; profit attributable to equity shareholders of the Company amounted to RMB245 million, representing a year-on-year growth of 118.0%.

Steadily improving the supply chain capacity:

During the Reporting Period, the Group stayed committed to the "Stand Upright" strategy. To do that, the Group focused on six industries to consolidate its service capabilities for the lower-tier market, and made breakthroughs in supply chain capabilities in three aspects:

Brand cooperation was taken further. In the first half of 2023, the Group continued growing its new leading brands and deepening cooperation with existing leading brands to enrich its brand matrix and enhance its brand stickiness. In the consumer electronics industry, the Group's business related to Apple saw strong momentum, shaping more than 500 Apple preferred stores and co-built stores. The Group's self-designed booths have been authorized by Apple manufacturers, while the Group also opened up the O2O channel, considerably improving the core competitiveness of member stores. The cooperation with Lenovo was further deepened, and the online and offline national agent licenses were obtained; at the same time, the Group connected with Dell, ZTE and other leading brands. In the vehicles and auto parts merchandise industry, the Group further deepened cooperation with BYD in East China's five provinces and Northeast China. In the agricultural means of production industry, the Group cooperated with Muyuan, Migao and other leading brands strategically, and will jointly build a digital agricultural platform that covers the whole chain, channels, and matches production and marketing. In the homebuilding and renovation materials industry, the Group has entered into strategic cooperation with Xinghuai, Zhonglian, etc., and jointly took further the furniture industry. The Group has connected with more than a thousand high-quality upstream brand manufacturers and the proportion of supply from the headquarters continued to increase to 55%, providing more high-quality, stable and high-value commodity trading solutions for member retail stores.

Product offerings and business chain expansion bore encouraging results. On one hand, the Group leveraged its advantage in the supply chain infrastructure of the lower-tier market to achieve a breakthrough in the industry, recording a growth in the scale of Blue Moon, a brand in the laundry industry, as well as signing up the industry's leading brand – Unilever, and its three brands, – AHC, RAFRA, and TUNEMAKERS, to jointly operate the lower-tier market. On the other hand, focusing on the circle economy, the Group achieved breakthroughs in the used car business and battery recycling business. In the used car business, the Group teamed up with Didi Travel, Cao Cao Travel and FAW Travel to jointly promote new energy replacement vehicles going to the countryside. In the battery recycling field, the Group, partnering with Anhui Conch and Buypb, etc., worked on a battery recycling economic system centered around the recycling and utilization of lead acid and lithium batteries to constantly contribute to the green development of the new energy industry.

The innovation of the supply chain business was rolled out over time. In the first half of 2023, the Group continued to implement the B2F model, which means determining the procurement based on demand, the advancement based on demand and production based on demand, indicating the long-term integration of manufacturers and the lower-tier market demand. This has promoted the industrial chain to reduce costs and increase efficiency, building a flexible supply chain. In the home appliance industry, the Group sought in-depth cooperation with Royalstar, which has helped integrate production and marketing to focus on creating super single air conditioning products. In the vehicles and auto parts merchandise field, based on the demand for commercial vehicles in the lower-tier market, the Group partnered with Karry New Energy to develop a customized vehicle model and piloted innovation of the B2F model. Deepening the cooperation with upstream brand factories, the Group continues to make possible its own brands.

As one of the Group's core business, during the Reporting Period, the commerce business recorded a revenue of RMB42.990 billion, representing a year-on-year increase of 6.8%; the number of accumulated registered member retail stores exceeded 217,000, representing a year-on-year increase of 13.5%, and the number of active member retail stores exceeded 77,000, representing a year-on-year increase of 18.8%.

Constantly strengthening the capacity for serving members:

In the first half of 2023, the Group stayed focused on customer's needs and deepening member empowerment services.

In respect of our product upgrades, the Group continued SaaS+ product upgrades, focusing more on user application scenarios and the needs for reduce costs and increase efficiency. The Group continuously optimized the operational processes of stores in different scenarios such as procurement, merchandise, orders, inventory, logistics, starting online stores, etc., to improve the efficiency of user operation and management. Furthermore, the big data analysis function was optimized through upgrades to transaction information, member information, financial information and marketing analysis, helping the operators of member retail stores conduct better business analysis, providing auxiliary decision support, and improving the efficiency of store marketing and operation turnover.

In respect of our member activities, the Group provided better products and activities for member retail stores through joint promotion with brand owners and manufacturers. In the first half of 2023, the Group staged 6 monthly national sales promotions, jointly carried out more than 30 regional sales promotions, and carried out more than 21,000 store-based personalized activities. On the back of such marketing activities as the New Year shopping festivals, town market shopping festivals and digital tools, the Group helped member retail stores to acquire and retain customers, scaling up their operations and enhancing customer stickiness. For example, during the 618 period, the number of online orders of Huitongda member retail stores increased by 82.6% year-on-year, the volume of fans conducting transactions increased by 69.2% year-on-year, and the GMV of member stores increased by 206.2% year-on-year.

In respect of our member training, the Group strengthened intelligence and skills training for member retail stores. The Group served over 18 thousand times of training sessions for stores through online open classes, offline salons, etc., promoting the digital transformation of member retail stores and upgrading them to digital retail entities, so that they became the "super port" that connects the industry and the rural consumption terminal.

During the Reporting Period, the Group accumulated 121 thousand SaaS+ subscription users, representing a year-on-year increase of 9.4%, and 37 thousand paid SaaS+ users, representing a year-on-year increase of 37.4%. The loyalty of member retail stores continued to improve, with the renewal rate of SaaS reaching 68% and customer satisfaction exceeding 95%.

Continually promoting digitalization construction:

In the first half of 2023, the Group continued to upgrade the industrial trading platform, developing professional online trading service platforms catering for different industries. For example, in the consumer electronics sector, it has built an O2O integration operation model around the Apple Project. In respect of our home appliance sector, the Group has built a regional industrial innovation service platform and strengthened efforts in government and military procurement platforms. In respect of our agricultural means of production sector, the Group built a digital platform for the agricultural industry centered on "down go agricultural resources, up go agricultural products". In respect of the vehicles and auto parts merchandise sector, the Group built a vehicle sales and trading service platform. The Group deeply integrated digital technology and the real economy, using digital tools to promote the supply chain, customer expansion and improvement in the efficiency of the industrial chain.

In respect of our technological innovation, benefiting from its big data accumulated during the years of the lower-tier market, big language model technology and knowledge graph technology, the Group created a large model with business characteristics, which was designed to focus on smart shopping guides, smart marketing and other business scenarios, so as to provide purchasing strategy and marketing strategy advice for member retail stores, lightening the operational burden of the member retail store owners.

In addition, the Group further integrated warehouse allocation resources through digital means to reduce logistics costs in the industrial chain and optimize diversified logistics solutions, providing more convenient logistics services for differentiated transaction scenarios in the lower-tier market.

Empowering rural rejuvenation while practicing corporate social responsibility:

In respect of helping talents to return home for employment and entrepreneurship, the Group launched the "Torch Plan". The Plan is catered to the new rural youth, including the children of member retail store's owners who are interested in engaging in rural sectors, providing them with new knowledge, new tools and new skills training in business and technology to help them better start businesses and employment. On one hand, it solves the problem of finding someone to inherit the business of family-run retail stores in towns and villages, trains successors of store owners to inherit their business, and lays a solid foundation for their children to systematically and digitally operate the stores. On the other hand, through training and exchanges, it changes young people's understanding of the rural market and enhances their ability to operate digitally, strengthening their confidence in staying in rural areas for long-term development.

In respect of its push for digitalizing rural areas, the Group has signed strategic cooperation agreements with the Department of Commerce of Jiangsu Province and multiple local governments to strengthen government-enterprise cooperation in promoting consumption, digital upgrading of small and micro entities, and training of e-commerce talents and jointly work on a commercial system in county areas. Meanwhile, the Group cooperated with provincial supply and marketing cooperatives in 11 places such as Anhui, Chongqing and Hubei in feed distribution, corn and wheat collection and storage, pesticide and fertilizer, and continued to modernize agriculture and rural areas around rural revitalization.

In the first half of 2023, the leaders of the relevant departments of the National Development and Reform Commission and the State Administration for Market Regulation visited the Group successively and recognized the Group for taking root in the rural market and helping the small and micro real economy. In the first half of 2023, the Group was repeatedly reported by the foremost media, such as Xinhua News Agency and Xuexi.cn, as topped the New and Vigorous List of "2023 Brand Value List of Chinese Listed Companies" (「2023 中國上市公司品牌價值榜」新銳榜) and once again recognized as the "Key Software Enterprise Encouraged by the State".

Continually promoting the equity incentives:

During the Reporting Period, the Company granted approximately 4.84 million RSUs to 494 employees according to the RSU Scheme. The grantees are all members of the Group's core backbone team members, and subject to the main unlocking condition of no less than 30% year-on-year increase in net profits attributable to equity shareholders of the Company every year, the granted RSUs will be vested in batches from 2024 to 2028. Such grant highly binds the interests of employees, the Company and the Shareholders, which would help the Group further improve the efficiency of the core team, maintain the stability of the core team, and provide guarantee for the Group to achieve its medium and long-term performance goals. As of July 28, 2023, the trustee, China Credit Trust Co., Ltd., had purchased 574,500 H Shares on the market. Subject to the rules relating to the RSU Scheme and compliance with all relevant laws, rules and regulations, the Board and/or the delegatee will, depending on the market conditions, instruct the trustee to continue to make on-market purchase of H Shares in due course.

FINANCIAL REVIEW

Revenue

Attributable to the rapidly expanding sales network in the downstream markets, the strengthening of strategic cooperation with upstream brand owners and the continuous increase in penetration of member retail store services, the Group's revenue increased by 6.6% from RMB40,685.9 million for the six months ended June 30, 2022 to RMB43,376.8 million for the six months ended June 30, 2023.

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

Commerce Business

	For the six months ended June 30,		
	2023 (unaudited)	2022 (unaudited) *(restated)*	Year-on-year change
	(RMB'000, except for percentage)		
Commerce Business:			
Direct sales	**42,988,363**	40,270,350	6.7%
Consumer electronics	**23,111,295**	18,582,189	24.4%
Agricultural means of production	**6,754,767**	8,347,688	(19.1%)
Household appliances	**6,557,688**	6,557,262	0.0%
Vehicles and auto parts merchandise	**4,049,168**	3,911,486	3.5%
Homebuilding and renovation materials	**1,535,937**	1,625,822	(5.5%)
Liquor and beverages	**846,070**	1,012,333	(16.4%)
Others[1]	**133,438**	233,570	(42.9%)
Online marketplace	**1,427**	1,111	28.4%
Total for commerce business	**42,989,790**	40,271,461	6.8%

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

Our revenue from the direct sales of the Group was mainly from 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. The revenue from the direct sales grew by 6.7% from RMB40,270.4 million for the six months ended June 30, 2022 to RMB42,988.4 million for the six months ended June 30, 2023. This was primarily due to: (i) contribution of the revenue from consumer electronics, vehicles and auto parts merchandise and household appliances; and (ii) the proportion of revenue from member retail store steadily increased in the first half of the year as the adjustment and optimization of customer structure and update of business quality.

Due to further expansion of the Group's sales channels, and benefiting from the gradual recovery of demand in the consumer electronics market, manufacturers' production capacity as well as logistics after the end of the pandemic, revenue of consumer electronics increased rapidly, representing an increase of 24.4% as compared with the same period last year.

The decrease in revenue from agricultural means of production, liquor and beverages, homebuilding and renovation materials was mainly due to: (i) the revenue of agricultural means of production decreased by 19.1% as compared with the same period last year, which was due to the fact that the Group actively reduced part of its business to reduce the periodic impact of the industry, as a result of the prices of fertiliser, feed and other agricultural means of production continued to decline during the Reporting Period; (ii) the revenue of liquor and beverages decreased by 16.4% compared with the same period of last year, which was due to the fact that the Group adjusted its business to reduce part of the soy sauce business as a result of the sluggish liquor market and the decline in profit margin of the soy sauce category significantly during the Reporting Period; and (iii) the revenue from the homebuilding and renovation materials decreased by 5.5%, which was due to the continuous downturn in the real estate and construction industries, and the Group reduced the relevant business.

Service Business

	For the six months ended June 30,		
	2023	2022	Year-on-year
	(unaudited)	(unaudited)	change
	(RMB'000, except for percentage)		
Service Business:			
SaaS+ subscription	**270,078**	263,442	2.5%
Merchant solutions	**73,084**	101,005	(27.6%)
Total for Service Business	**343,162**	364,447	(5.8%)

Revenue from the service business of the Group was mainly from two segments, namely the SaaS+ subscription and merchant solutions. The SaaS+ subscription grew steadily compared with the same period last year. While the merchant solutions decreased by 27.6% compared with the same period last year, mainly due to the adjustment of business strategy of merchant solutions. In the first half of 2023, merchant solutions focused on self-technical product line digital solutions, and reduced part of the precision marketing business with low gross profit. The gross profit margin and gross profit amount of the overall solution revenue have significantly increased.

Cost of Revenue, Gross Profit and Gross Margin

The Group's cost of revenue increased by 6.6% from RMB39,487.6 million for the six months ended June 30, 2022 to RMB42,083.3 million for the six months ended June 30, 2023, and the gross profit increased by 7.9% from RMB1,198.3 million for the six months ended June 30, 2022 to RMB1,293.5 million for the six months ended June 30, 2023. The growth of the total gross profit of the Group was primarily due to the growth of its revenue and increase of gross profit margin.

The Group's overall gross margin increased from 2.9% for the six months ended June 30, 2022 to 3.0% for the six months ended June 30, 2023. The growth of the gross margin was mainly due to the change in structure of commerce business and the increase in gross profit margin of service business.

The gross margin of the service business increased by 9.0 percentage points compared to the same period last year. As mentioned above, the Group's merchant solutions business was strategically adjusted to focus on high-margin projects, and the focus of software business was shifted from joint delivery to self-delivery, resulting in an increase in gross margin.

Selling and Marketing Expenses

	For the six months ended June 30,				
	2023		2022		
	(unaudited)		(unaudited)		
	Amount	**As a percentage of revenue**	Amount	As a percentage of revenue	Year-on-year change
			(restated)		
	(RMB'000, except for percentage)				
Selling and Marketing Expenses	**622,493**	**1.4%**	629,056	1.5%	(1.0%)

Our selling and marketing expenses primarily consist of advertising expenses, promotion service fees and employee salaries. Selling and marketing expenses decreased by 1.0% from RMB629.1 million for the six months ended June 30, 2022 to RMB622.5 million for the six months ended June 30, 2023, which remained relatively stable.

The ratio of selling and marketing expenses to revenue decreased from 1.5% to 1.4%. The Group's cost efficiency increased.

Administrative and Other Operating Expenses

	For the six months ended June 30,				
	2023		2022		
	(unaudited)		(unaudited)		
	Amount	**As a percentage of revenue**	Amount	As a percentage of revenue	Year-on-year change
			(restated)		
	(RMB'000, except for percentage)				
Administrative and Other Operating Expenses	**172,428**	**0.4%**	200,015	0.5%	(13.8%)

Administrative and other operating expenses decreased by 13.8% from RMB200.0 million for the six months ended June 30, 2022 to RMB172.4 million for the six months ended June 30, 2023, primarily due to: (i) the decrease in listing expenses (listing expenses amounted to RMB16.2 million for the six months ended June 30, 2022, while no listing expenses were incurred for the Reporting Period); and (ii) improving human resources efficiency and management efficiency.

Impairment Loss on Trade and Other Receivables

Impairment loss on trade and other receivables increased by 39.6% from RMB84.7 million for the six months ended June 30, 2022 to RMB118.2 million for the six months ended June 30, 2023, primarily due to an increase in expected credit losses as a result of the Group's increased provision for expected credit losses on certain aged receivables.

Research and Development Costs

Research and development costs mainly include labor costs, depreciation, amortisation and others. Research and development costs decreased by 27.7% from RMB63.5 million for the six months ended June 30, 2022 to RMB45.9 million for the six months ended June 30, 2023. This was primarily due to: (i) the Group invested in major projects in digital infrastructure and underlying capacity building during the same period last year, while our R&D expenditures remained at a normal level during this Reporting Period; and (ii) during the Reporting Period, the Group strengthened its R&D systematization capacity building, significantly improving its self research ability and R&D development efficiency.

Other Revenue

Other revenue increased by 38.4% from RMB21.6 million for the six months ended June 30, 2022 to RMB29.9 million for the six months ended June 30, 2023, primarily due to an increase in government grants compared to the same period last year.

Other Net Gains

Other net gains decreased by 44.9% from RMB124.2 million for the six months ended June 30, 2022 to RMB68.4 million for the six months ended June 30, 2023, primarily due to the gradual utilization of the proceeds and the decrease in the total foreign exchange amount, which resulted in a lower exchange gain compared to the same period last year.

Net Finance Income/(Costs)

The amount of net finance income/(costs) increased by 110.6% from net cost of RMB85.5 million for the six months ended June 30, 2022 to net income of RMB9.0 million for the six months ended June 30, 2023, primarily due to the decrease in interest expenses arising from redeemable capital contributions. As the Company was listed on the Main Board of the Hong Kong Stock Exchange on February 18, 2022, the special rights related to the Pre-IPO Investment were unconditionally terminated, the redeemable capital contributions were reclassified as equity and the related interest was no longer accrued.

Income Tax Expense

Income tax increased by 11.8% from RMB52.6 million for the six months ended June 30, 2022 to RMB58.9 million for the six months ended June 30, 2023, primarily due to the increase in adjusted profit before tax as compared to the same period last year.

The consolidated tax rate calculated based on the adjusted profit before tax for the six months ended June 30, 2023 was 13.3%, representing a slight decrease from 14.1% for the corresponding 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, we recorded a profit attributable to equity Shareholders of the Company of RMB245.1 million for the six months ended June 30, 2023 and RMB112.4 million for the six months ended June 30, 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 period, for the periods indicated:

	For the six months ended June 30,	
	2023	2022
	(unaudited)	(unaudited)
		(restated)
	(RMB'000)	
Profit for the period	**382,957**	228,662
Add: interest expenses arising from redeemable capital contributions	**–**	91,830
Adjusted Net Profit (Non-IFRS Measures)	**382,957**	320,492

Adjusted net profit for the six months ended June 30, 2023 and the six months ended June 30, 2022 was RMB383.0 million and RMB320.5 million, respectively, representing an increase of 19.5%.

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

	For the six months ended June 30,	
	2023	2022
	(unaudited)	(unaudited)
		(restated)
	(RMB'000)	
Profit attributable to equity shareholders of the Company	**245,128**	112,428
Add: interest expenses arising from redeemable capital contributions	**–**	91,830
Adjusted net profit attributable to equity shareholders of the Company (non-IFRS measures)	**245,128**	204,258

For the six months ended June 30, 2023 and the six months ended June 30, 2022, our adjusted net profit attributable to equity shareholders of the Company amounted to RMB245.1 million and RMB204.3 million, respectively, representing a growth of 20.0%.

Cash and Cash Equivalents

As at June 30, 2023 and December 31, 2022, our cash and cash equivalents amounted to RMB4,672.8 million and RMB4,082.2 million, respectively. The Group has sufficient working capital for our operating requirements.

Inventories

As at June 30, 2023 and December 31, 2022, the inventories amounted to RMB2,705.2 million and RMB2,553.1 million, respectively, representing an increase of 6.0%. The increase in inventories was primarily due to the stocking of household appliances such as air conditioners.

The inventory turnover days during the Reporting Period was 11 days, representing a slight decrease compared with 12 days as at the end of last year.

Prepayments, Deposits and Other Receivables

As at June 30, 2023 and December 31, 2022, our prepayments, deposits and other receivables were RMB9,441.1 million and RMB9,037.7 million, respectively, representing an increase of 4.5%. As the purchase scale grows, we increased our prepayments at the same time to lock supplies of goods.

Trade and Bills Payables

As at June 30, 2023 and December 31, 2022, our trade and bills payables were RMB16,033.8 million and RMB15,071.4 million, respectively, representing an increase of 6.4%. The increase of bills payables came in tandem with an increase in procurement scale.

Capital Expenditures

For the six months ended June 30, 2023 and the six months ended June 30, 2022, our capital expenditures were RMB23.9 million and RMB11.1 million, respectively. The capital expenditures were used primarily for the properties renovation and acquisition of equipment.

EMPLOYEES AND REMUNERATION POLICY

As at June 30, 2023, the Group had employed a total of 4,630 employees. The Group hires and promotes our employees based on their individual on-the-job performance and development potential. The remuneration package of all our employees depends on their performance and market salary levels.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Acquisition of Nanjing Hosjoy Engineering

On March 21, 2023, the Company entered into an equity acquisition agreement with Hosjoy Comfortable Smart Home Co., Ltd., which is an associate (as defined under the Listing Rules) of Mr. Wang Jianguo, the single largest shareholder of the Company and the non-executive Director, pursuant to which the Company has conditionally agreed to acquire the entire equity interest of Nanjing Hosjoy Engineering, 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.

Under the above equity acquisition agreement, Hosjoy Comfortable Smart Home Co., Ltd. has made relevant commitment to the Company in respect of the net profits realised on a consolidated basis of Nanjing Hosjoy Engineering for the year ending December 31, 2023, the year ending December 31, 2024 and the year ending December 31, 2025, and stipulated the compensation method.

The above acquisition was completed on May 5, 2023. Upon completion of the acquisition, Nanjing Hosjoy Engineering Group became subsidiaries of the Company, and its financial results were consolidated into the financial statements of the Group. For further details, please refer to the announcement of the Company dated March 21, 2023.

For the six months ended June 30, 2023, save as disclosed above, the Group did not hold any significant investments (none of each investment held by the Group constitute 5% or above of the total assets of the Group as at June 30, 2023) or have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

BUSINESS OUTLOOK

Going forward, the Group will follow the guidelines of "achieving sustainable growth with profit and member store operation at the core", and advance the following key work around the general requirements of "improving quality, stabilizing growth and creating value":

I. Upgrading supply chain capacity: the Group will focus on customers' diversified demand for commodities and the goal of reducing cost and increasing the efficiency of the whole industry chain, and continue to seek cooperation with more high-quality upstream leading brand manufacturers. The Group will create an innovative supply chain to integrate production and marketing. The Group will build its own brand matrix, continue to promote the B2F inverted supply chain, and jointly shape a smart supply chain system for flexible production with manufacturers.

II. Upgrading member store service capacity: the Group will focus on the pain points of member retail stores and accumulate capabilities with "technology + operation + marketing". The Group, through AI technology, will make business scenarios more intelligent to meet the diversified needs of customers. Meanwhile, the Group, focusing on the private area traffic operation of stores, will improve its comprehensive management capabilities and help member retail stores improve efficiency and profitability in a highly competitive market.

III. Upgrading digital capability: focusing on the differentiated digital needs of the whole chain in multiple industries, the Group will build a vertical industrial Internet platform in industries to further improve user experience. Meanwhile, the Group will continue to upgrade the industrial trading platform, and further improve the level of intelligence to provide member retail stores with more powerful intelligent business assistants, digital livestreaming and other functions to enhance customer satisfaction.

IV. Upgrading warehousing and distribution system: focusing on the system construction of warehousing and logistics in the lower-tier market, the Group will further digitally improve the efficiency of warehousing and distribution to have in place an intelligent warehousing and distribution system, helping villages to secure a smooth logistics system and ensure the stable and sustainable development of the supply chain.

V. Upgrading organization: focusing on the organization construction that can stay committed to the future strategy, the Group will shape a business organization with leading talents at its very core. The Group will increase the introduction and empowerment of talents in the professional fields of various industries. The Group will continue to implement equity incentives, further activate the potential of the team, and realize the internal drive development of the organization to help implement strategies.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED JUNE 30, 2023 (UNAUDITED)
(Expressed in Renminbi)

	Note	**Six months ended June 30,** **2023** ***RMB'000***	2022 *RMB'000* *(restated)* *(Note 4)*
Revenue	5	**43,376,803**	40,685,881
Cost of revenue		**(42,083,264)**	(39,487,591)
Gross profit		**1,293,539**	1,198,290
Other revenue	6(a)	**29,928**	21,629
Other net gain	6(b)	**68,412**	124,249
Research and development costs		**(45,850)**	(63,450)
Selling and marketing expenses		**(622,493)**	(629,056)
Administrative and other operating expenses		**(172,428)**	(200,015)
Impairment loss on trade and other receivables	7(b)	**(118,211)**	(84,650)
Profit from operations		**432,897**	366,997
Finance income	7(a)	**129,960**	107,819
Finance costs	7(a)	**(120,940)**	(193,296)
Net finance income/(costs)		**9,020**	(85,477)
Share of losses of associates		**(95)**	(211)
Profit before taxation	7	**441,822**	281,309
Income tax	8	**(58,865)**	(52,647)
Profit for the period		**382,957**	228,662
Attributable to:			
Equity shareholders of the Company		**245,128**	112,428
Non-controlling interests		**137,829**	116,234
Profit for the period		**382,957**	228,662
Earnings per share	9		
Basic and diluted (RMB)		**0.44**	0.26

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2023 (UNAUDITED)
(Expressed in Renminbi)

	Note	**Six months ended June 30,**	
		2023	2022
		RMB'000	*RMB'000*
			(restated)
			(Note 4)
Profit for the period		**382,957**	228,662
Other comprehensive income for the period (after tax adjustments)			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of a subsidiary with functional currency other than Renminbi		**(9)**	–
Other comprehensive income for the period		**(9)**	–
Total comprehensive income for the period		**382,948**	228,662
Attributable to:			
Equity shareholders of the Company		**245,119**	112,428
Non-controlling interests		**137,829**	116,234
Total comprehensive income for the period		**382,948**	228,662

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JUNE 30, 2023 (UNAUDITED)
(Expressed in Renminbi)

	Note	**At June 30, 2023** *RMB'000*	At December 31, 2022 *RMB'000* *(restated)* *(Note 4)*
Non-current assets			
Property, plant and equipment		**89,030**	77,077
Right-of-use assets		**93,278**	106,875
Investment property		**20,484**	15,881
Interests in associates		**12,565**	9,660
Financial assets at fair value through other comprehensive income		**2,000**	2,000
Financial assets at fair value through profit or loss	10	**757,628**	547,987
Pledged deposits	14(c)	**280,000**	820,000
Time deposits	14(d)	**20,000**	320,000
Deferred tax assets		**94,341**	96,199
		1,369,326	1,995,679
Current assets			
Financial assets at fair value through profit or loss	10	**3,061,190**	2,329,220
Inventories	11	**2,705,164**	2,553,074
Trade and bills receivables	12	**3,550,884**	3,206,462
Prepayments, deposits and other receivables	13	**9,441,139**	9,037,748
Restricted deposits	14(b)	**2,665**	5,255
Pledged deposits	14(c)	**4,838,270**	4,329,686
Time deposits	14(d)	**1,930,709**	1,845,981
Cash and cash equivalents	14(a)	**4,672,778**	4,082,240
Taxation recoverable		**1,181**	3,396
		30,203,980	27,393,062

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JUNE 30, 2023 (UNAUDITED)

(Expressed in Renminbi)

	Note	At June 30, 2023 *RMB'000*	At December 31, 2022 *RMB'000* *(restated)* *(Note 4)*
Current liabilities			
Bank loans and other borrowings		**1,652,924**	698,783
Loans from non-controlling shareholders of subsidiaries		**20,215**	16,207
Lease liabilities		**46,679**	43,726
Financial liabilities at fair value through profit or loss		**110,159**	89,381
Trade and bills payables	15	**16,033,838**	15,071,382
Other payables and accruals		**1,386,196**	903,954
Contract liabilities	16	**2,756,572**	2,821,954
Taxation payable		**65,594**	58,261
		22,072,177	19,703,648
Net current assets		**8,131,803**	7,689,414
Total assets less current liabilities		**9,501,129**	9,685,093
Non-current liabilities			
Lease liabilities		**45,769**	57,923
Deferred income		**17,000**	17,000
		62,769	74,923
NET ASSETS		**9,438,360**	9,610,170
CAPITAL AND RESERVES			
Share capital		**562,570**	562,570
Treasury shares	17	**(11,593)**	–
Reserves	17	**7,224,177**	7,538,716
Total equity attributable to equity shareholders of the Company		**7,775,154**	8,101,286
Non-controlling interests		**1,663,206**	1,508,884
TOTAL EQUITY		**9,438,360**	9,610,170

NOTES

1 GENERAL INFORMATION

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

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

2 BASIS OF PREPARATION

This unaudited interim financial information was extracted from the interim financial report of the Group for the six months ended June 30, 2023

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorized for issue on August 28, 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statement. Details of any changes in accounting policies are set out in Note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

Saved as the effect of business combination under common control set out in Note 4, the financial information relating to the financial year ended December 31, 2022 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements. The company's auditor has reported on those financial statements. The auditor's report was unqualified and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following new and amended IFRSs issued by the IASB to this interim financial report for the current accounting period:

- IAS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

In July 2023, the Hong Kong Institute of Certified Public Accountants published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism.

Apart from the impacts of the adoption of the new and 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 in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 in the annual financial statements, 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

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 subsidiaries (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 therefore there were no changes in the economic substance of the ownership and the business of Nanjing Hosjoy Engineering Group. The acquisition of Nanjing Hosjoy Engineering Group was considered as a business combination involving entities under common control.

The financial results previously reported by the Group for the six months ended June 30, 2022 have been restated to include the operating results of the combining entities, as set out below:

	The Group *RMB'000*	**Nanjing Hosjoy Engineering Group** *RMB'000*	**The Group** *RMB'000* *(restated)*
Revenue	39,894,712	791,169	40,685,881
Cost of revenue	(38,744,425)	(743,166)	(39,487,591)
Gross profit	1,150,287	48,003	1,198,290
Other revenue	21,277	352	21,629
Other net gain	124,248	1	124,249
Research and development costs	(63,450)	–	(63,450)
Selling and marketing expenses	(619,053)	(10,003)	(629,056)
Administrative and other operating expenses	(194,087)	(5,928)	(200,015)
Impairment loss on trade and other receivables	(83,265)	(1,385)	(84,650)
Profit from operations	335,957	31,040	366,997
Finance income	107,629	190	107,819
Finance costs	(192,775)	(521)	(193,296)
Net finance costs	(85,146)	(331)	(85,477)
Share of losses of associates	(211)	–	(211)
Profit before taxation	250,600	30,709	281,309
Income tax	(50,935)	(1,712)	(52,647)
Profit for the period	199,665	28,997	228,662
Attributable to:			
Equity shareholders of the Company	95,043	17,385	112,428
Non-controlling interests	104,622	11,612	116,234
Profit for the period	199,665	28,997	228,662
Profit for the period	199,665	28,997	228,662
Other comprehensive income for the period (after tax adjustments)	–	–	–
Total comprehensive income for the period	199,665	28,997	228,662
Attributable to:			
Equity shareholders of the Company	95,043	17,385	112,428
Non-controlling interests	104,622	11,612	116,234
Total comprehensive income for the period	199,665	28,997	228,662

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, as set out below:

	The Group	**Nanjing Hosjoy Engineering Group**	**Intra-group eliminations**	**The Group**
	RMB'000	*RMB'000*	*RMB'000*	*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
	1,991,201	4,478	–	1,995,679
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
	26,783,980	609,082	–	27,393,062
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
	19,341,798	361,850	–	19,703,648
Net current assets	7,442,182	247,232	–	7,689,414
Total assets less current liabilities	9,433,383	251,710	–	9,685,093

	The Group *RMB'000*	Nanjing Hosjoy Engineering Group *RMB'000*	Intra-group eliminations *RMB'000*	The Group *RMB'000* *(restated)*
Non-current liabilities				
Lease liabilities	56,254	1,669	–	57,923
Deferred income	17,000	–	–	17,000
	73,254	1,669	–	74,923
NET ASSETS	9,360,129	250,041	–	9,610,170
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	9,360,129	250,041	–	9,610,170

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.

(i) Disaggregation of revenue

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

	Six months ended June 30,	
	2023 ***RMB'000***	2022 *RMB'000* *(restated)* *(Note 4)*
Revenue from contracts with customers within the scope of IFRS 15		
Revenue from merchandise sales	**42,988,363**	40,270,350
Commission income	**1,427**	1,111
Revenue from SaaS+ subscription	**270,078**	263,442
Revenue from merchant solutions	**73,084**	101,005
Revenue from other services	**43,851**	49,973
	43,376,803	40,685,881

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

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
		(restated)
		(Note 4)
A point in time	**43,106,725**	40,422,439
Over time	**270,078**	263,442
	43,376,803	40,685,881

(b) Segment reporting

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

Commerce business

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

Service business

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

Others

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

(i) Segment results, assets and liabilities

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

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

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

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

	Six months ended June 30, 2023			
	Commerce business *RMB'000*	**Service business** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Reportable segment revenue	**42,989,790**	**343,162**	**43,851**	**43,376,803**
Reportable segment profit	**967,732**	**289,527**	**36,280**	**1,293,539**

	Six months ended June 30, 2022 (restated)			
	Commerce business *RMB'000*	Service business *RMB'000*	Others *RMB'000*	Total *RMB'000*
Reportable segment revenue	40,271,461	364,447	49,973	40,685,881
Reportable segment profit	883,374	274,676	40,240	1,198,290

The reconciliation of gross profit to profit before tax for the six months ended June 30, 2023 and 2022 is shown in the consolidated statement of profit or loss.

6 OTHER REVENUE AND OTHER NET GAIN

(a) Other revenue

	Six months ended June 30,	
	2023 *RMB'000*	2022 *RMB'000* *(restated)* *(Note 4)*
Government grants	**29,849**	20,611
Others	**79**	1,018
	29,928	21,629

(b) Other net gain

	Six months ended June 30,	
	2023 *RMB'000*	2022 *RMB'000* *(restated)* *(Note 4)*
Net realized and unrealized gain on financial assets at fair value through profit or loss	**82,076**	73,799
Net loss on disposal of interests in subsidiaries	**(3,468)**	(9,288)
Net (loss)/gain on disposal of property, plant and equipment	**(96)**	50
Net exchange gain	**37,084**	91,864
Net loss on financial liabilities at fair value through profit or loss	**(50,232)**	(35,194)
Others	**3,048**	3,018
	68,412	124,249

7 PROFIT BEFORE TAXATION

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

(a) Net finance (income)/costs

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
		(restated)
		(Note 4)
Interest income from bank deposits	**(129,960)**	(107,819)
Finance income	**(129,960)**	(107,819)
Interest expenses on discounted bills and bank loans	**118,407**	98,398
Interest expenses on loans from non-controlling shareholders of subsidiaries	**382**	760
Interest expenses on lease liabilities	**2,151**	2,308
Interest expenses arising from redeemable capital contributions	**–**	91,830
Finance costs	**120,940**	193,296
Net finance (income)/costs	**(9,020)**	85,477

(b) Other items

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
		(restated)
		(Note 4)
Cost of inventories recognized as expenses (Note i)	**41,935,226**	39,284,064
Depreciation charge		
– owned property, plant and equipment	**11,040**	9,132
– right-of-use assets	**25,687**	25,003
– investment property	**271**	66
Research and development costs (Note ii)	**45,850**	63,450
Provision for credit loss on trade and other receivables	**118,211**	84,650
Provision for write-down of inventories	**3,478**	39,271
Listing expenses	**–**	16,178

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.

8 INCOME TAX

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
		(restated)
		(Note 4)
Current tax		
Provision for the period	**57,182**	71,355
Deferred tax		
Origination and reversal of temporary differences	**1,683**	(18,708)
	58,865	52,647

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

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share during the six months ended June 30, 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 six months ended June 30, 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 period attributable to ordinary equity shareholders of Company for the purpose of basic earnings per share

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
		(restated)
		(Note 4)
Profit for the period attributable to equity shareholders of the Company	**245,128**	112,428
Allocation of loss for the period attributable to equity shareholders of redeemable capital contributions	**–**	15,165
Profit for the period attributable to ordinary equity shareholders of the Company for the purpose of basic earnings per share	**245,128**	127,593

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

	Six months ended June 30,	
	2023	2022
Issued ordinary shares at the beginning of the period	**562,569,837**	508,658,037
Effect of ordinary shares issued for redeemable capital contributions	**–**	(49,239,201)
Effect of ordinary shares issued by initial public offering	**–**	39,283,557
Effect of purchase of own shares (Note 17(c))	**(56,916)**	–
Weighted average number of ordinary shares at the end of the period for the purpose of basic earnings per share	**562,512,921**	498,702,393

Effect of ordinary shares issued for redeemable capital contributions represent the weighted average number of ordinary shares of the Company associated with the redeemable capital contributions at June 30, 2022, 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").

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. During the six months ended June 30, 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 six months ended June 30, 2022 as their effect would be anti-dilutive. Accordingly, diluted earnings per share for the six months ended June 30, 2022 is the same as basic earnings per share of the respective periods.

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 for the six months ended June 30, 2023 is the same as the basic earnings per share as there were no potentially dilutive ordinary share issued.

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At June 30, 2023	At December 31, 2022
	RMB'000	*RMB'000*
Financial assets at fair value through profit or loss (FVPL) – non-current portion		
– Unlisted investment	**321,495**	312,460
– Structured deposits	**436,133**	235,527
Financial assets at FVPL – current portion		
– Structured deposits and wealth management products	**3,055,233**	2,329,220
– Forward exchange contracts	**5,041**	–
– Future contracts	**916**	–
	3,818,818	2,877,207

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 represent structured deposits and wealth management products issued by various financial institutions in the PRC with a floating return, forward exchange contracts and future contracts.

11 INVENTORIES

	At June 30, 2023 *RMB'000*	At December 31, 2022 *RMB'000* *(restated)* *(Note 4)*
Merchandise	**2,614,775**	2,517,230
Goods in transit	**160,618**	104,252
	2,775,393	2,621,482
Write down of inventories	**(70,229)**	(68,408)
	2,705,164	2,553,074

During the six months ended June 30, 2023, the Group recognized a write-down of RMB3,478,000 (six months ended June 30, 2022: RMB39,271,000) against those inventories with net realizable value lower than carrying value. The write-down is included in cost of sales in the consolidated statement of profit or loss.

12 TRADE AND BILLS RECEIVABLES

	At June 30, 2023 *RMB'000*	At December 31, 2022 *RMB'000* *(restated)* *(Note 4)*
Trade receivables	**2,135,050**	1,900,904
Bills receivable	**1,500,584**	1,372,954
	3,635,634	3,273,858
Less: loss allowance	**(84,750)**	(67,396)
	3,550,884	3,206,462

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

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

	At June 30, 2023 *RMB'000*	At December 31, 2022 *RMB'000* *(restated)* *(Note 4)*
Within 3 months	**3,193,786**	2,992,653
Over 3 months but within 12 months	**261,100**	143,172
Over 12 months	**95,998**	70,637
	3,550,884	3,206,462

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

13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At June 30, 2023 *RMB'000*	At December 31, 2022 *RMB'000* *(restated)* *(Note 4)*
Prepayments	**8,406,565**	7,943,364
Value added tax recoverable	**203,725**	152,724
Refund receivables from suppliers	**291,787**	216,623
Amounts due from former subsidiaries	**509,571**	536,955
Interest receivables	**151,885**	202,770
Other deposits and receivables	**261,227**	283,160
	9,824,760	9,335,596
Less: loss allowance	**(383,621)**	(297,848)
	9,441,139	9,037,748

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

(a) Cash and cash equivalents comprise:

	At June 30, 2023 *RMB'000*	At December 31, 2022 *RMB'000* *(restated)* *(Note 4)*
Cash at bank	**4,672,743**	4,082,207
Cash on hand	**35**	33
	4,672,778	4,082,240

(b) Restricted deposits comprise:

	At June 30, 2023 *RMB'000*	At December 31, 2022 *RMB'000* *(restated)* *(Note 4)*
Other restricted deposits	**2,665**	5,255

(c) Pledged deposits comprise:

	At June 30, 2023 *RMB'000*	At December 31, 2022 *RMB'000*
Current portion	**4,838,270**	4,329,686
Non-current portion	**280,000**	820,000
Pledged deposits for issuance of bills payable, letters of credit and bank loans	**5,118,270**	5,149,686

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

(d) Time deposits comprise:

	At June 30, 2023 *RMB'000*	At December 31, 2022 *RMB'000*
Current portion	**1,930,709**	1,845,981
Non-current portion	**20,000**	320,000
	1,950,709	2,165,981

15 TRADE AND BILLS PAYABLES

	At June 30, 2023 *RMB'000*	At December 31, 2022 *RMB'000* *(restated)* *(Note 4)*
Trade payables	**1,344,434**	1,263,913
Bills payable	**14,689,404**	13,807,469
	16,033,838	15,071,382

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

	At June 30, 2023 *RMB'000*	At December 31, 2022 *RMB'000* *(restated)* *(Note 4)*
Within 3 months	**8,326,797**	7,926,972
3 to 12 months	**7,592,025**	7,048,757
Over 12 months	**115,016**	95,653
	16,033,838	15,071,382

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

16 CONTRACT LIABILITIES

	At June 30, 2023 *RMB'000*	At December 31, 2022 *RMB'000* *(restated)* *(Note 4)*
Balance at the beginning of the year/period	**2,821,954**	3,036,673
Decrease in contract liabilities as a result of recognizing revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	**(2,446,739)**	(2,915,928)
Increase in contract liabilities as a result of receiving advance payments during the year/period	**2,382,857**	2,831,661
Decrease in contract liabilities as a result of disposal of interests in subsidiaries	**(1,500)**	(130,452)
Balance at the end of the year/period	**2,756,572**	2,821,954

17 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The directors of the Company did not propose the payment of any dividend during the period. (June 30, 2022: Nil)

(b) Equity settled share-based transactions

The Restricted Stock Unit ("RSU") Scheme

On April 6, 2023, the Group's Remuneration and Appraisal Committee approved the adoption of the RSU Scheme and would grant up to 4,842,500 RSUs, representing 4,842,500 underlying shares to the directors of the Company and employees of the Group under the RSU Scheme in aggregate.

The terms and conditions of the grants are as follows:

Number of RSUs	**Vesting condition**	**Consideration per RSU** *RMB*
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
470,500	Cliff vest of 470,500 RSUs in April 2026, and subject to performance conditions	Nil

During the six months ended June 30, 2023, no shares were vested and transferred to the employees.

A summary of RSUs outstanding for the six months ended June 30, 2023:

	June 30, 2023	
	Weighted average grant-date fair value ***RMB***	**Number of RSUs** ***'000***
Balance at the beginning of the period	–	–
Grant during the period	26.40	4,842,500
Balance at the end of the period	26.40	4,842,500

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 six months ended June 30, 2023, the total expenses recognized in the consolidated statement of profit or loss for the above transactions are RMB8,378,000.

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. 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.

During the six months ended June 30, 2023, the total expenses recognized in the consolidated statement of profit or loss for the above transactions are RMB1,555,000.

(c) Purchase of own shares

During the interim period, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Trading month	**Number of shares repurchased**	**Highest price paid per share** *HK$*	**Lowest price paid per share** *HK$*	**Aggregate price** *HK$*
April 2023	20,300	30.40	30.05	614,499
May 2023	164,200	31.00	28.01	4,844,318
June 2023	235,700	32.00	29.70	7,292,019
Total				12,750,836
Equivalent to RMB				11,593,000

The repurchased shares will all be the underlying shares of the RSUs granted to the directors of the Company and the employees of the Group in accordance with the RSU Scheme.

OTHER INFORMATION

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

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. Interim 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 an interim dividend for the six months ended June 30, 2023.

3. 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.

The Company has complied with the code provisions of the Corporate Governance Code during the Reporting Period.

4. Model Code for Securities Transactions

The Company adopts the Model Code as its code of conduct for securities transactions by the Directors and Supervisors. After making the specific enquiries to all Directors and Supervisors, except for the failure to obtain confirmation from Mr. Cheng Zichuan, an independent non-executive Director, all the other Directors and Supervisors have confirmed that they have complied with the standards set out in the Model Code throughout the Reporting Period.

5. Audit Committee

The Board has established the Audit Committee which comprises two independent non-executive Directors, Ms. Yu Lixin (chairlady) and Mr. Liu Xiangdong, and a non-executive Director, Mr. Wang Ran.

The unaudited interim results of the Company for the six months ended June 30, 2023 have been reviewed by the Audit Committee. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group.

6. Independent Review of Auditor

The interim financial report for the six months ended June 30, 2023 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements No. 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to the Shareholders.

7. Significant Events After the Reporting Period

After June 30, 2023 and up to the date of this announcement, there were no significant events affecting the Group which have occurred.

8. Publication of Interim Results and 2023 Interim Report

This interim results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.htd.cn). The interim report for the Company for the six months ended June 30, 2023 containing all information required by the Listing Rules will 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:

"Audit Committee"	the audit committee of the Board
"Board"	the board of directors of the Company
"China" or "PRC"	the People's Republic of China
"Company"	Huitongda Network Co., Ltd. (匯通達網絡股份有限公司), a joint stock company with limited liabilities established under the laws of the PRC on December 6, 2010, whose H Shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock code: 9878)
"Corporate Governance Code"	Corporate Governance Code set out in Part II of Appendix 14 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 a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and listed on the Hong Kong Stock Exchange
"HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)

"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"Reporting Period"	the six months ended June 30, 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
"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)"	the supervisors of the Company
"%"	per cent

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

Nanjing, the PRC
August 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.