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, 2024

The Board 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, 2024. 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 have been reviewed by the Audit Committee. This announcement complies with the relevant requirements of the Listing Rules in relation to information to accompany preliminary announcements of 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,				
	2024 *RMB'000*	**As a percentage of revenue**	2023 *RMB'000*	As a percentage of revenue	Year-on-year change
Revenue	**32,855,766**		43,376,803		(24.3%)
Including:					
Revenue from commerce business	**32,385,207**	**98.6%**	42,989,790	99.1%	(24.7%)
Revenue from service business	**384,499**	**1.2%**	343,162	0.8%	12.0%
Gross profit	**1,142,231**	**3.5%**	1,293,539	3.0%	(11.7%)
Profit from operations	**307,310**	**0.9%**	432,897	1.0%	(29.0%)
Profit for the period	**229,269**	**0.7%**	382,957	0.9%	(40.1%)
Profit attributable to equity shareholders of the Company	**125,087**	**0.4%**	245,128	0.6%	(49.0%)
Net cash generated from operating activities	**248,976**		599,597		(58.5%)

Operating Metrics

	For the six months ended June 30,		
	2024	2023	Year-on-year change
Total number of registered member retail stores	**246,287**	217,592	13.2%
Number of active member retail stores	**92,493**	77,514	19.3%
Number of active wholesaler customers	**6,276**	8,424	(25.5%)
Total number of SaaS+ subscription users	**127,363**	121,209	5.1%
Including: paid SaaS+ users	**47,887**	37,182	28.8%

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2024, the global macroeconomic growth rate slowed down, and the growth of consumption fell short of expectation. As of the end of June 2024, the total retail sales of consumer goods nationwide reached RMB23.6 trillion, representing a year-on-year increase of 3.7%. The per capita disposable income of urban residents grew by 4.6%, while the per capita disposable income of rural residents grew by 6.8%. Although the growth rates of income and consumption of rural residents in China's lower-tier market are better than those of the urban markets, demands are still under pressure in the short term; macro data showed that the consumption potential of rural areas in China is being unleashed, but the consumption confidence and the actual level of consumption expenditure on commodities and services have yet to be further improved.

In the face of a changing, complex and severe external situation, the Group actively responded to the situation by maintaining stability and taking "steady growth and quality improvement for creating a winning future" as the core annual working objective, placing greater emphasis on enhancing the quality and depth of its business, and focusing more on profit and cash flow. The Group proactively adjusted its development strategy, focused on the optimisation of its industrial structure, constantly strengthened its position in lower-tier market channel, and steadily improved its business development capability and risk management and control capacity. In the first half of 2024, the Group continuously adjusted its industrial structure, proactively streamlined certain businesses with low gross profit and low efficiency, strengthened its financial management with more prudent and stable approach, continued to enhance its operation efficiency and effectively responded to market changes, and further vigorously promoted the transformation and upgrading of its business to ensure the realisation of the strategic transition and transformation of "deceleration on corners and overtaking in the future".

In the first half of 2024, the Group's industrial structure adjustment achieved tangible results. As of the end of the Reporting Period, the Group recorded a total revenue of approximately RMB32.86 billion, representing a year-on-year decrease of 24.3%; the profit attributable to equity shareholders of the Company amounted to approximately RMB0.13 billion, representing a year-on-year decrease of 49.0%. With the deepening of cooperation with brands and the continuous increase in the share of the headquarters' supply chain, gross profit margin in sectors such as vehicles and auto parts, agricultural means of production, homebuilding and renovation materials, and personal care significantly improved year-on-year, and recorded an overall gross profit margin of 3.5%, representing an increase of 0.5 percentage points compared with the same period last year.

Steadily improving the supply chain capacity

As a core business of the Group, the commerce business achieved a revenue of RMB32.39 billion during the Reporting Period. As at the end of the Reporting Period, the total number of registered member retail stores exceeded 246 thousand, representing a year-on-year increase of 13.2%, the number of active member retail stores exceeded 92 thousand, representing a year-on-year increase of 19.3%, and the proportion of revenue from member retail stores increased to 43.8% from 35.6% for the same period last year.

During the Reporting Period, the Group focused on building independent and controllable supply chain capacity, and comprehensively promoted industrial upgrading. The Group continued to deepen supply chain resource cooperation across seven major industries, develop innovative industrial models, and consolidate the construction of "two ends and one channel (兩端一路)" for industrial interconnection to enhance the efficiency of the whole industrial chain. Breakthroughs were made in the following three key areas:

Firstly, brand cooperation was further deepened. In the first half of 2024, the Group continued to expand new cooperation with leading brands and deepen the existing ones. At the same time, the Group actively extended collaborations with high-quality resource-oriented companies and regional retail companies, and comprehensively upgraded the supply chain resource system to effectively broaden downstream channels. In the household appliances sector, the Group sustained collaborations with Gree, Midea and AUX while initiating cooperation with Siemens, OUTES and other brands, and strengthened channel construction and reached cooperation with several regional chain companies such as GOME (Northeast Region). In the consumer electronics sector, the Group further deepened its cooperation with Apple, strengthened its penetration of rural market layout, and granted online and offline authorization, with a total of 1,464 O2O stores upgraded as at June 30, 2024. In the vehicles and auto parts sector, the Group continued to deepen its cooperation with BYD and Hozon Auto and reached cooperation with SAIC Motor. In the agricultural means of production sector, the Group continued to expand the influence of its cooperation with Ruixing Group in the field of nitrogen fertilizers, furthered its cooperation with resource-oriented factories such as Ningxia Lanfeng, and enhanced its business cooperation with provincial supply and marketing cooperatives in Provinces such as Chongqing, Jiangsu and Anhui, so as to develop an integrated fertilizer and grain model to deeply empower the development of the dual circulation model of the agricultural means of production industry. In the homebuilding and renovation materials sector, the Group reached cooperation with resource-oriented companies such as Hainan Nongken, as well as eco-sheet material companies such as VOGELY. In the personal care sector, the Group continued to focused on Unilever-branded products to provide higher-quality, stable and diverse products.

Secondly, breakthroughs were achieved in the integration of production and marketing. In the first half of 2024, the Group developed innovative supply chain models and achieved breakthroughs in the building of its own brands and the integration of production and marketing operations. In the household appliances sector, the self-owned "IDISSA (阿爾蒂沙)" air conditioners were put into mass production and gained high popularity in the market with order quantity exceeding 16 thousand units within two weeks of its launch; and integrated production and marketing projects for household appliances brands such as THOMSON, AKAI and Lamborghini. In the agricultural means of production sector, the Group launched an integrated production and marketing project for "Acephate" in the pesticide field, with independent and controllable core technologies and production management capabilities, which contributed to the establishment of a replicable development model for pesticide technical materials. Through the construction of its own brands and the advancement of integrated production and marketing business, the Group effectively implemented a B2F model characterized by demand-based procurement, inventory and production, which greatly enhanced the efficiency of supply chain and the value output of commerce business.

Thirdly, the Group expanded into new industries and product categories. In the first half of 2024, while deepening its presence in existing industries, the Group actively ventured into new industries and expanded more high-margin product categories. The Group proactively expanded high-margin categories such as household cleaning, personal care and cosmetics in the personal care sector. The Group also laid out a plan in the photovoltaic industry to jointly build a distributed green energy industry platform with leading companies in the industry. Through the layout of new industries and product categories, and the accelerated implementation of "partner" model, the Group further enhanced its gross profit margins. When the development process was at a phase with challenging "corner", the Group opted to moderately reduce the pace, and observed and adjusted in a more prudent manner, while relying on precise strategic planning, innovative initiatives and efficient resource integration to achieve overtake or breakthrough under seemingly unfavourable circumstances, and endeavour to enhance its inputs and outputs to promote sustainable growth, and ultimately accelerate forward from a new starting point and achieving a higher level of development.

Constantly strengthening the capacity for serving members

During the Reporting Period, the Group's service business achieved a revenue of RMB0.38 billion, representing a year-on-year increase of 12.0%. The total number of SaaS+ subscription users amounted to over 127 thousand, representing a year-on-year increase of 5.1%, and the number of paid SaaS+ users amounted to nearly 48 thousand, representing a year-on-year increase of 28.8%. The revenue of SaaS+ subscription amounted to RMB0.31 billion, representing a year-on-year increase of 13.6%.

In the first half of 2024, the Group continued to focus on upgrading product value and deepening membership empowerment services.

In respect of product upgrades, the Group continued to advance SaaS+ product upgrades with focus on "developing popular products + AI integration", and efficiently empowered in terms of digitalized management on store and targeted member marketing, so as to help member retail stores enhance their operations and better meet the needs of customers across all business types, industries and scenarios. Therefore, the number of users continued to rise and the Group further gained market recognition.

In respect of member services, the Group continued to conduct joint promotional activities with brand manufacturers to better empower member retail stores with products and marketing support. In the first half of 2024, the Group staged 6 national sales promotions, and carried out store-based personalized activities of 27 thousand times.

In respect of customer development, the Group continued to advance key customer services, providing digitalization empowerment with digitalization + cloud-based chain capacity, and established cooperation with over 60 government-enterprise business customers, brand owners and chain operators.

Continuously upgrading digitalization construction

In the first half of 2024, the Group continued to upgrade its industrial transaction platforms, focused on the pain points of customers' transaction services demand, and continued to upgrade and optimize core functions. At the same time, the Group continuously promoted technological innovation and reinforced the application of cutting-edge technologies to effectively support industrial upgrades.

In respect of core function upgrades, during the Reporting Period, the Group launched functions such as merchant live-streaming rooms and product inquiry and transactions, and upgraded core modules such as customer center and procurement-sales linkage. Therefore, commodity transactions became more flexible and efficient, with real-time linkage and transparent display of upstream and downstream information flows and logistics, thus comprehensively improving transaction efficiency and constantly enhancing service experience.

In respect of technological innovation, during the Reporting Period, the Group continued to deepen the application of AI technology, such as the enhancement of product AI review function, realizing 24-hour online automatic review and automatic generation of product information, which accelerated product display on shelves and optimized service efficiency.

Constantly enhancing corporate influence

The Group has always adhered to its mission of "Creating a Better Life for Rural People" and has been committed to promoting rural revitalization.

In the first half of 2024, the Group continued to deepen talent empowerment and promoted new momentum for rural employment. Actively responding to the national call to promote the return of rural talent, the Group provided trainings for new farmers for a total of over 20 thousand times during the Reporting Period. Meantime, the Group actively participated in talent trainings held by local governments at all levels, thus injecting strong momentum for agricultural and rural modernization. Since May 2024, the Group has jointly operated "Ningxiaofeng (寧小蜂)" courier station in collaboration with Xiaolingwei Street, which gave full play to its role in serving new employment groups and actively supported unemployed groups, including stay-at-home mothers and veterans. The Group's live streaming and short video training courses helped them unlock their innovative and entrepreneurial potential, thereby promoting high-quality re-employment and jointly building a bridge from learning to employment.

In respect of technological empowerment, the Group continued to promote the construction of digital villages. In the first half of 2024, several local governments fully recognized the Group's practices and achievements in promoting the in-depth integration of the digital economy with the real economy in the lower-tier market and in supporting comprehensive rural revitalization. The Company was once again recognized as "Key Software Enterprise Encouraged by the State" and "China's Listed Unicorn Enterprise".

In the first half of 2024, the Company was successively included in the CSI Hong Kong Stock Connect Retail Sector Composite Index and the MSCI Global Small Cap Index. The inclusion of the Company in the above indices reflected the capital market's recognition of the Group's business performance and growth prospects. In particular, since the Company was included in the MSCI index sequence, it has received more attention from global investors, attracting funding inflows and diversifying the shareholder structure, which has led to the enhancement of the Company's position and influence in the international financial market. Seven new international institutional Shareholders, including an Abu Dhabi sovereign wealth fund, Pictet Asset and Ohio Public Employees Retirement System, became the Shareholders in the first half of 2024.

In the first half of 2024, the value of our industrial Internet model was reported frequently by national media such as "People's Daily" and "Xinhua News Agency", and the Company was listed on the "Fortune China 500" for three consecutive years. Mr. Xu Xiuxian, the secretary of the Party committee and the chief executive officer of the Company, was invited to attend the "World Economic Forum 15th Annual Meeting of the New Champions (Summer Davos)", at which he delivered a keynote insight on "Firmly Promoting Industrial Upgrading and Driving Frontier Growth in the Lower-tier Market".

Constantly improving organization and team building

In the first half of 2024, the Group further promoted the upgrade of its organization and talent structures in line with the strategic guidelines for industrial upgrading and operational quality and efficiency improvement. In terms of organization, the Group adjusted the allocation of organizational resources with focus on the development of high-value and high-quality businesses to continuously improve the efficiency of middle and back-end organizations, which ensured high-quality business development and efficient and continuous implementation of strategic goals, and further enhanced human resource efficiency. In terms of talents, the Group continued to strengthen talent echelon building, refined key talent development mechanisms, and attracted industry-leading talents to drive industrial growth in line with industrial upgrading and new track layout.

FINANCIAL REVIEW

Revenue

Amidst a complex and severe market environment, during the Reporting Period, the Group adjusted its strategy to focus on enhancing quality and efficiency, proactively optimized its business structure to strengthened direct cooperation with leading manufacturers, and also promoted the integration of production and marketing. The Group's revenue decreased by 24.3% from RMB43,376.8 million for the six months ended June 30, 2023 to RMB32,855.8 million for the six months ended June 30, 2024.

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,		
	2024	2023	Year-on-year
	RMB'000	*RMB'000*	change
Commerce Business:			
Direct sales	**32,385,015**	42,988,363	(24.7%)
Consumer electronics	**19,527,699**	23,111,295	(15.5%)
Household appliances	**4,314,442**	6,557,688	(34.2%)
Agricultural means of production	**4,139,979**	6,754,767	(38.7%)
Vehicles and auto parts	**2,885,142**	4,049,168	(28.7%)
Homebuilding and renovation materials	**992,089**	1,535,937	(35.4%)
Liquor and beverages	**390,431**	846,070	(53.9%)
Others[(1)]	**135,233**	133,438	1.3%
Online marketplace	**192**	1,427	(86.5%)
Total for commerce business	**32,385,207**	42,989,790	(24.7%)

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

Our revenue from the direct sales of the Group was mainly from six major industries, namely consumer electronics, household appliances, agricultural means of production, vehicles and auto parts, homebuilding and renovation materials and liquor and beverages. The revenue from the direct sales decreased by 24.7% from RMB42,988.4 million for the six months ended June 30, 2023 to RMB32,385.0 million for the six months ended June 30, 2024.

The change in revenue from the commerce business was mainly due to: during the Reporting Period, (i) the consumer electronics sector was highly competitive and the price reduction strategy of the leading brands affected the Group's revenue in this sector, but the Group actively sought changes, deeply explored the consumption demand of mobile phones in the lower-tier market and gave full play to the advantages of the network layout in the lower-tier market, which effectively minimized the impact of the relevant price reduction strategy; (ii) in the household appliances sector, facing with the impact of the market environment, the Group adjusted its development strategy to deepen the development of integrated production and marketing and its own brands and actively adjusted its second-tier product categories and brand layout, which had affected the revenue during the transition stage; (iii) the agricultural means of production sector faced with a complex and volatile international economic and political environment, and the prices of certain raw materials dropped significantly in the first half of 2024, and the Group adopted a more prudent business strategy, taking the initiative to reduce the scale of business that was largely affected, such as soya bean meal, which effectively reduced the losses resulting from the sharp fluctuations in the prices of raw materials; (iv) in terms of vehicles and auto parts sector, on the one hand, there is a downward price trend of new energy vehicles; on the other hand, there are fluctuations in prices and weak demands for related industrial products in the upstream and downstream sectors. As such, the Group adopted a more prudent operation strategy and did not carry out substantial business expansion; (v) homebuilding and renovation materials sector was affected by the cyclicality of the industry and the market demand declined. As such, the Group reduced related business; and (vi) in liquor and beverages sector, market demand was weak and the Group took the initiative to adjust its strategy to focus on and develop controllable brands.

Service Business

	For the six months ended June 30,		
	2024	2023	Year-on-year
	RMB'000	*RMB'000*	change
Service Business:			
SaaS+ subscription	**306,849**	270,078	13.6%
Merchant solutions	**77,650**	73,084	6.2%
Total for Service Business	**384,499**	343,162	12.0%

Revenue from the service business of the Group was mainly from two segments, namely SaaS+ subscription and merchant solutions. The revenue from SaaS+ subscription grew by 13.6% compared with the same period last year, primarily due to the fact that the Group further promoted the experience upgrades of SaaS products, the enhancement of customer service capabilities and the stickiness of member retail store.

The revenue from merchant solutions remained basically flat as compared to the same period last year.

Cost of Revenue, Gross Profit and Gross Margin

The Group's cost of revenue decreased by 24.6% from RMB42,083.3 million for the six months ended June 30, 2023 to RMB31,713.5 million for the six months ended June 30, 2024, and the gross profit decreased by 11.7% from RMB1,293.5 million for the six months ended June 30, 2023 to RMB1,142.2 million for the six months ended June 30, 2024. The decrease in the cost of revenue and gross profit of the Group was primarily due to the decrease in its revenue.

The Group's overall gross margin increased from 3.0% for the six months ended June 30, 2023 to 3.5% for the six months ended June 30, 2024. The increase in gross profit margin was mainly due to: (i) an increase in gross margins from consumer electronics products, agricultural means of production, vehicles and auto parts, homebuilding and renovation materials, and liquor and beverage sectors due to the fact that the Group continued to adjust and optimize the second-tier structure of product categories in each industry based on customers' demand in the first half of 2024, deepened brand cooperation and intensified supply chain cooperation, continued to promote the implementation of innovative supply chains such as centralized purchase and reverse customisation; and (ii) an increased contribution in revenue and gross profit from service business.

Selling and Marketing Expenses

	For the six months ended June 30,				
	2024		2023		
	RMB'000	**As a percentage of revenue**	*RMB'000*	As a percentage of revenue	Year-on-year change
Selling and Marketing Expenses	**572,554**	**1.7%**	622,493	1.4%	(8.0%)

Selling and marketing expenses primarily consist of advertising expenses, promotion service fees and employee salaries. Selling and marketing expenses decreased by 8.0% from RMB622.5 million for the six months ended June 30, 2023 to RMB572.6 million for the six months ended June 30, 2024, which was primarily due to the fact that the Group's organisational efficiency was improved, and business promotion and publicity increased during its process, leaving room for selling and marketing expenses to decline in the future.

Administrative and Other Operating Expenses

	For the six months ended June 30,				
	2024		2023		
	RMB'000	**As a percentage of revenue**	*RMB'000*	As a percentage of revenue	Year-on-year change
Administrative and Other Operating Expenses	**160,052**	**0.5%**	172,428	0.4%	(7.2%)

Administrative and other operating expenses decreased by 7.2% from RMB172.4 million for the six months ended June 30, 2023 to RMB160.1 million for the six months ended June 30, 2024, primarily due to the fact that the Group implemented measures for reducing costs and improving efficiency, achieving overall cost reductions in certain degree with the exception of rigid costs and achieving higher improvement on organisational efficiencies in particular.

Impairment Loss on Trade and Other Receivables

Impairment loss on trade and other receivables increased by 13.8% from RMB118.2 million for the six months ended June 30, 2023 to RMB134.5 million for the six months ended June 30, 2024, primarily due to 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 and amortisation and others. Research and development costs decreased by 15.8% from RMB45.9 million for the six months ended June 30, 2023 to RMB38.6 million for the six months ended June 30, 2024. This was primarily due to the enhancement of the Group's research and development capability, gradual completion of the research and development systemization, and continuous improvement of the research and development efficiency. During the Reporting Period, the research and development investment was at a normal level.

Other Revenue

Other revenue decreased by 19.1% from RMB29.9 million for the six months ended June 30, 2023 to RMB24.2 million for the six months ended June 30, 2024, primarily due to the decrease in government grants.

Other Net Gains

Other net gains decreased by 32.0% from RMB68.4 million for the six months ended June 30, 2023 to RMB46.5 million for the six months ended June 30, 2024, primarily due to the decrease in gains on wealth management products.

Net Finance (Costs)/Income

The amount of net finance (costs)/income decreased from net income of RMB9.0 million for the six months ended June 30, 2023 to net costs of RMB34.7 million for the six months ended June 30, 2024, primarily due to the decrease in bank deposit interest rates.

Income Tax Expense

Income tax decreased by 24.0% from RMB58.9 million for the six months ended June 30, 2023 to RMB44.8 million for the six months ended June 30, 2024, primarily due to the decrease in profit before tax as compared to the same period last year.

The consolidated tax rate calculated based on the profit before tax for the six months ended June 30, 2024 was 16.3%.

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 RMB125.1 million for the six months ended June 30, 2024 and RMB245.1 million for the six months ended June 30, 2023.

Net Profit

Net profit for the six months ended June 30, 2024 and the six months ended June 30, 2023 amounted to RMB229.3 million and RMB383.0 million, respectively, representing a decrease of 40.1%. The decrease in net profit was primarily due to the fact that (i) the Group conducted industrial upgrading and strategic transformation, and actively adjusted its revenue structure, resulting in decline of the scale of certain business; and (ii) the strategic upgrading projects such as integrated production and marketing piloted, while their direct contribution to the profit requires time to become apparent.

Cash and Cash Equivalents

As at June 30, 2024 and December 31, 2023, our cash and cash equivalents amounted to RMB3,473.5 million and RMB3,748.9 million, respectively. The Group has sufficient working capital for our operating requirements.

Inventories

As at June 30, 2024 and December 31, 2023, the inventories amounted to RMB2,777.1 million and RMB2,581.1 million, respectively, representing an increase of 7.6%. The increase in inventories was primarily due to seasonal stockpiling in household appliances and consumer electronics product sectors.

The inventory turnover days during the Reporting Period was 15 days.

Trade and Bills Payables

As at June 30, 2024 and December 31, 2023, the trade and bills payables were RMB15,975.4 million and RMB15,516.0 million, respectively, which were basically flat.

Prepayments, Deposits and Other Receivables

As at June 30, 2024 and December 31, 2023, the prepayments, deposits and other receivables amounted to RMB9,393.3 million and RMB9,312.4 million, respectively, which were basically flat.

Capital Expenditures

For the six months ended June 30, 2024 and the six months ended June 30, 2023, our capital expenditures were RMB6.4 million and RMB23.9 million, respectively. The decrease in capital expenditures was primarily due to the decrease in properties renovation and acquisition of equipment.

EMPLOYEES AND REMUNERATION POLICY

As at June 30, 2024, the Group had employed a total of 3,952 employees. The Group hires and promotes its employees based on their personal on-the-job performance and development potential. The remuneration package of all the employees depends on their performance and market salary levels.

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

For the six months ended June 30, 2024, 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, 2024) or have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

BUSINESS OUTLOOK

In the second half of 2024, the Group will continue to deepen the overall approach of "improving quality and efficiency, and reforming and innovating", and accelerate its strategic transformation and industrial upgrading, adhering to the principle of "stabilising the first line of growth, strengthening the second line of growth and expanding the third line of growth", and further enhancing the corporate operation capability and risk management and control capacity, in order to lay the foundation for better advancing and achieving its strategic objectives in the next five years.

I. The Group will focus on "Standing Upright", strengthening our supply chain capabilities, stabilizing the first line of growth:

The Group will lead the sustainable growth of our existing business, with operation body as the core and profitability as the centre. Firstly, the Group will focus on "Standing Upright" and lay out a large amount of incremental business at the corporate scale, strengthen existing cooperation with leading brands, integrate supply chain resources to achieve strong alliances, incubate super monoliths, and create benchmarks for brand cooperation, in-store and digitalisation within the Group, so as to become a leading commercial digitalized service platform in the industry. Secondly, the Group will accelerate the layout of new industries and emerging sectors, vigorously develop high-margin categories, to enhance the supply chain capability of its headquarters. The Group will focus on two major industries, namely household appliances and personal care, to construct or incubate subsectors. The Group will integrate personalised and customised channels, broaden new pathways, to achieve diversified channel expansion in new media, interest-based e-commerce and private domains, and deploy brands overseas, so as to enhance our comprehensive profitability.

II. The Group will focus on integrated production and marketing, enhancing the brand operation capabilities and strengthening the second line of growth:

On the basis of the successful experience gained in the first half of 2024, the Group will further deepen integrated production and marketing, integrate the resources of factories and ground net through innovative cooperation modes, and help upgrade the whole chain of the industry; accelerate the process of integrated production and marketing, such as its own brands, strategic joint brands and authorized brands, build and improve its own brand matrix, create an independent and controllable supply chain system, and further optimize its business structure, closely integrating the two key links of production and sales to form an efficient and synergistic organic whole.

In terms of the production, the Group's big data system, which has been accumulated over the years, enables it to grasp market demand more accurately, carry out demand-driven product design and production, and achieve B2F customization through market research and data analysis, so as to create high-quality products that are more in line with the expectations of consumers and market demand. In terms of sales, market demand information can gain transmitted to production in a timely manner, promoting the optimization of product structure and improving production efficiency; it can also gain more in-depth understanding of the characteristics, advantages and stories behind of the products to provide more professional and personalized services to end-users. Meanwhile, by combining the Group's supply chain resources, the distribution costs of the intermediate links can be effectively reduced and the consolidated gross profit of the products can be increased, so as to promptly respond to market changes and further enhance the Company's competitiveness in the market.

III. The Group will focus on the core needs of stores, enhancing platform service capacity and expanding the third line of growth:

The Group will focus on the omni-channel B-side customer system in the lower-tier market and aim to be positioned as an open platform industrial company. There will be two main responsibilities around "1 main and 2 supporting (1主2輔)": building an open B2B distribution platform with the B2B digitalized service platform as the main business; supplemented by digital technology empowerment service, the Group will optimize and enrich the digitalized product matrix, provide customized service for large enterprises and SAAS service for small and medium-sized enterprises, and promote the growth of enterprise digitalization and business of digital rural areas; achieving improvement in both store operation and brand profitability through incubating the franchise business, focusing on digitalization, grading intelligent management and store operation. On the one hand, the Group will continue to carry out joint promotion activities to help member retail stores link to high-quality supply chain commodities; on the other hand, the Group will upgrade our live broadcasting plans and private domain operation strategy based on our further upgrades of our marketing capabilities and operation efficiency, and upgrade the "Empowerment + Open Platform" model, and continuously upgrade our SaaS products and improving our service system based on AI empowerment, to continuously improve the operation efficiency of member retail stores.

IV. The Group will focus on long term strategic goals, and reform its organizational mechanisms to support future development engine:

Surrounding the industrial upgrading and innovative development, the Group promoted its organizational mechanism reform. In terms of talents, the Group will continue to attract industry-leading talents to accelerate breakthroughs in new industries, sectors and models. In terms of mechanisms, the Group will optimize performance evaluation and incentive mechanisms in a tiered approach to enhance flexibility and stimulate team vitality. In terms of deepening culture, the Group will carry forward the spirit of creativity, innovation and entrepreneurship, foster an entrepreneurial atmosphere and strengthen team belief and confidence to support the implementation of core strategies.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED JUNE 30, 2024 (UNAUDITED)
(Expressed in Renminbi)

		Six months ended June 30,	
	Note	**2024**	2023
		RMB'000	*RMB'000*
Revenue	4	**32,855,766**	43,376,803
Cost of revenue		**(31,713,535)**	(42,083,264)
Gross profit		**1,142,231**	1,293,539
Other revenue	5(a)	**24,217**	29,928
Other net gain	5(b)	**46,522**	68,412
Research and development costs		**(38,586)**	(45,850)
Selling and marketing expenses		**(572,554)**	(622,493)
Administrative and other operating expenses		**(160,052)**	(172,428)
Impairment loss on trade and other receivables	6(b)	**(134,468)**	(118,211)
Profit from operations		**307,310**	432,897
Finance income	6(a)	**99,051**	129,960
Finance costs	6(a)	**(133,765)**	(120,940)
Net finance (costs)/income		**(34,714)**	9,020
Share of profits/(losses) of associates		**2,108**	(95)
Share of losses of a joint venture		**(682)**	–
Profit before taxation	6	**274,022**	441,822
Income tax	7	**(44,753)**	(58,865)
Profit for the period		**229,269**	382,957
Attributable to:			
Equity shareholders of the Company		**125,087**	245,128
Non-controlling interests		**104,182**	137,829
Profit for the period		**229,269**	382,957
Earnings per share	8		
Basic (RMB)		**0.23**	0.44
Diluted (RMB)		**0.23**	0.44

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2024 (UNAUDITED)
(Expressed in Renminbi)

	Note	**Six months ended June 30, 2024** *RMB'000*	Six months ended June 30, 2023 *RMB'000*
Profit for the period		**229,269**	382,957
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		**29**	(9)
Other comprehensive income for the period		**29**	(9)
Total comprehensive income for the period		**229,298**	382,948
Attributable to:			
Equity shareholders of the Company		**125,116**	245,119
Non-controlling interests		**104,182**	137,829
Total comprehensive income for the period		**229,298**	382,948

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JUNE 30, 2024 (UNAUDITED)

(Expressed in Renminbi)

	Note	**At June 30, 2024** *RMB'000*	At December 31, 2023 *RMB'000*
Non-current assets			
Property, plant and equipment		**75,922**	81,725
Right-of-use assets		**74,754**	78,293
Investment property		**158,839**	25,298
Interests in associates		**14,534**	11,831
Interests in a joint venture		**14,018**	14,700
Financial assets at fair value through other comprehensive income		**2,000**	2,000
Financial assets at fair value through profit or loss	9	**908,746**	898,163
Pledged deposits	13(c)	**150,000**	20,000
Time deposits	13(d)	**400,000**	430,000
Deferred tax assets		**139,738**	98,587
		1,938,551	1,660,597
Current assets			
Financial assets at fair value through profit or loss	9	**3,630,743**	2,434,550
Inventories	10	**2,777,139**	2,581,063
Trade and bills receivables	11	**2,681,758**	2,830,982
Prepayments, deposits and other receivables	12	**9,393,339**	9,312,440
Restricted deposits	13(b)	**4,983**	2,220
Pledged deposits	13(c)	**5,555,515**	5,682,725
Time deposits	13(d)	**880,000**	848,600
Cash and cash equivalents	13(a)	**3,473,509**	3,748,938
Taxation recoverable		**3,705**	7,955
		28,400,691	27,449,473

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JUNE 30, 2024 (UNAUDITED) (CONTINUED)
(Expressed in Renminbi)

	Note	At June 30, 2024 RMB'000	At December 31, 2023 RMB'000
Current liabilities			
Bank loans and other borrowings		**1,424,255**	368,605
Loans from non-controlling shareholders of subsidiaries		**16,734**	16,553
Lease liabilities		**34,632**	35,374
Financial liabilities at fair value through profit or loss		**479**	–
Trade and bills payables	14	**15,975,377**	15,516,038
Other payables and accruals		**713,522**	908,618
Contract liabilities	15	**2,420,616**	2,426,677
Taxation payable		**63,961**	44,912
		20,649,576	19,316,777
Net current assets		**7,751,115**	8,132,696
Total assets less current liabilities		**9,689,666**	9,793,293
Non-current liabilities			
Bank loans and other borrowings		**211,400**	241,600
Lease liabilities		**39,268**	39,664
Deferred income		**17,000**	17,000
		267,668	298,264
NET ASSETS		**9,421,998**	9,495,029
CAPITAL AND RESERVES			
Share capital		**562,570**	562,570
Treasury shares	16	**(227,869)**	(92,903)
Reserves	16	**7,308,256**	7,302,792
Total equity attributable to equity shareholders of the Company		**7,642,957**	7,772,459
Non-controlling interests		**1,779,041**	1,722,570
TOTAL EQUITY		**9,421,998**	9,495,029

NOTES

1 GENERAL INFORMATION

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

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

2 BASIS OF PREPARATION

This unaudited interim financial information was extracted from the interim financial report of the Group for the six months ended June 30, 2024.

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, 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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.

The 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 2023 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 IFRS Accounting Standards.

The financial information relating to the financial year ended December 31, 2023 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements. The Company's auditor has reported on those financial statements. The auditor's report was unqualified and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report.

3 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")*
- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")*
- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows* and IFRS 7*, Financial instruments: Disclosures – Supplier finance arrangements*

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

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) Disaggregation of revenue

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

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Revenue from merchandise sales	**32,385,015**	42,988,363
Commission income	**192**	1,427
Revenue from SaaS+ subscription	**306,849**	270,078
Revenue from merchant solutions	**77,650**	73,084
Revenue from other services	**86,060**	43,851
	32,855,766	43,376,803

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

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
A point in time	**32,548,917**	43,106,725
Over time	**306,849**	270,078
	32,855,766	43,376,803

(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, 2024			
	Commerce business	**Service business**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Reportable segment revenue	32,385,207	384,499	86,060	32,855,766
Reportable segment profit	757,003	318,828	66,400	1,142,231

	Six months ended June 30, 2023			
	Commerce business	Service business	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*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

The reconciliation of gross profit to profit before tax for the six months ended June 30, 2024 and 2023 is shown in the consolidated statement of profit or loss.

5 OTHER REVENUE AND OTHER NET GAIN

(a) Other revenue

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Government grants	**23,564**	29,849
Others	**653**	79
	24,217	29,928

(b) Other net gain

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Net realized and unrealized gain on financial assets at fair value through profit or loss	**39,429**	82,076
Net gain/(loss) on disposal of interests in subsidiaries	**2,477**	(3,468)
Impairment loss on investment property	**(3,414)**	–
Net loss on disposal of property, plant and equipment and investment property	**(462)**	(96)
Net exchange (loss)/gain	**(141)**	37,084
Net realized and unrealized loss on financial liabilities at fair value through profit or loss	**(51)**	(50,232)
Others	**8,684**	3,048
	46,522	68,412

6 PROFIT BEFORE TAXATION

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

(a) Net finance costs/(income)

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Interest income from bank deposits	**(99,051)**	(129,960)
Finance income	**(99,051)**	(129,960)
Interest expenses on discounted bills and bank loans	**131,707**	118,407
Interest expenses on loans from non-controlling shareholders of subsidiaries	**532**	382
Interest expenses on lease liabilities	**1,526**	2,151
Finance costs	**133,765**	120,940
Net finance costs/(income)	**34,714**	(9,020)

(b) Other items

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Cost of inventories recognized as expenses (Note i)	**31,589,704**	41,935,226
Depreciation charge		
– owned property, plant and equipment	**9,730**	11,040
– right-of-use assets	**23,155**	25,687
– investment property	**1,118**	271
Research and development costs (Note ii)	**38,586**	45,850
Provision for credit loss on trade and other receivables	**134,468**	118,211
Provision for write-down of inventories	**14,383**	3,478

Notes:

(i) Cost of inventories recognized as expenses includes provision for write-down of inventories.

(ii) Research and development costs include amounts relating to staff costs and depreciation expenses, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Current tax		
Provision for the period	**86,799**	57,182
Deferred tax		
Origination and reversal of temporary differences	**(42,046)**	1,683
	44,753	58,865

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. The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (six months ended 30 June 2023: 16.5%) to the six months ended 30 June 2024.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB125,087,000 (six months ended 30 June 2023: RMB245,128,000). The weighted average number of ordinary shares for the purpose of basic earnings per share is calculated as follows:

	Six months ended June 30,	
	2024	2023
Issued ordinary shares at the beginning of the period	**562,569,837**	562,569,837
Effect of purchase of own shares (Note 16(c))	**(7,954,754)**	(56,916)
Weighted average number of ordinary shares at the end of the period for the purpose of basic earnings per share	**554,615,083**	562,512,921

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB125,087,000 (six months ended 30 June 2023: RMB245,128,000). The weighted average number of ordinary shares for the purpose of diluted earnings per share is calculated as follows:

	Six months ended June 30,	
	2024	2023
Weighted average number of ordinary shares at the end of the period for the purpose of basic earnings per share	**554,615,083**	562,512,921
Effect of outstanding shares under the RSU Scheme (Note 16(b))	**261,330**	–
Weighted average number of ordinary shares at the end of the period for the purpose of diluted earnings per share	**554,876,413**	562,512,921

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At June 30, 2024 *RMB'000*	At December 31, 2023 *RMB'000*
Financial assets at fair value through profit or loss (FVPL) - non-current portion		
– Unlisted investments	**408,046**	361,834
– Structured deposits and wealth management products	**500,700**	536,329
Financial assets at FVPL – current portion		
– Structured deposits and wealth management products	**3,630,743**	2,434,410
– Future contracts	**–**	140
	4,539,489	3,332,713

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

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

10 INVENTORIES

	At June 30, 2024 *RMB'000*	At December 31, 2023 *RMB'000*
Merchandise	**2,666,132**	2,356,255
Goods in transit	**184,404**	286,511
	2,850,536	2,642,766
Write down of inventories	**(73,397)**	(61,703)
	2,777,139	2,581,063

During the six months ended June 30, 2024, the Group recognized a write-down of RMB14,383,000 (six months ended June 30, 2023: RMB3,478,000) against those inventories with net realizable value lower than carrying value. The write-down is included in cost of revenue in the consolidated statement of profit or loss.

11 TRADE AND BILLS RECEIVABLES

	At June 30, 2024 *RMB'000*	At December 31, 2023 *RMB'000*
Trade receivables	**1,903,952**	1,969,744
Bills receivable	**871,347**	956,193
	2,775,299	2,925,937
Less: loss allowance	**(93,541)**	(94,955)
	2,681,758	2,830,982

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, 2024	At December 31, 2023
	RMB'000	*RMB'000*
Within 3 months	**2,312,218**	2,488,862
Over 3 months but within 12 months	**266,551**	96,524
Over 12 months	**102,989**	245,596
	2,681,758	2,830,982

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

12 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At June 30, 2024	At December 31, 2023
	RMB'000	*RMB'000*
Prepayments	**8,445,598**	8,246,328
Value added tax recoverable	**232,781**	156,919
Refund receivables from suppliers	**548,850**	489,538
Amounts due from former subsidiaries	**415,953**	526,263
Interest receivables	**59,566**	119,897
Other deposits and receivables	**280,307**	277,172
	9,983,055	9,816,117
Less: loss allowance	**(589,716)**	(503,677)
	9,393,339	9,312,440

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

(a) Cash and cash equivalents comprise:

	At June 30, 2024 *RMB'000*	At December 31, 2023 *RMB'000*
Cash at bank	**3,473,507**	3,748,938
Cash in hand	**2**	–
	3,473,509	3,748,938

(b) Restricted deposits comprise:

	At June 30, 2024 *RMB'000*	At December 31, 2023 *RMB'000*
Other restricted deposits	**4,983**	2,220

(c) Pledged deposits comprise:

	At June 30, 2024 *RMB'000*	At December 31, 2023 *RMB'000*
Current portion	**5,555,515**	5,682,725
Non-current portion	**150,000**	20,000
Pledged deposits for issuance of bills payable, letters of guarantee and bank facilities	**5,705,515**	5,702,725

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

(d) Time deposits comprise:

	At June 30, 2024 *RMB'000*	At December 31, 2023 *RMB'000*
Current portion	**880,000**	848,600
Non-current portion	**400,000**	430,000
	1,280,000	1,278,600

14 TRADE AND BILLS PAYABLES

	At June 30, 2024 *RMB'000*	At December 31, 2023 *RMB'000*
Trade payables	**742,929**	939,025
Bills payable	**15,232,448**	14,577,013
	15,975,377	15,516,038

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, 2024 *RMB'000*	At December 31, 2023 *RMB'000*
Within 3 months	**9,213,024**	9,495,937
3 to 12 months	**6,615,350**	5,899,438
Over 12 months	**147,003**	120,663
	15,975,377	15,516,038

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

15 CONTRACT LIABILITIES

	At June 30, 2024 *RMB'000*	At December 31, 2023 *RMB'000*
Balance at the beginning of the year/period	**2,426,677**	2,821,954
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	**(2,275,464)**	(2,666,768)
Increase in contract liabilities as a result of receiving advance payments during the year/period	**2,328,261**	2,324,194
Decrease in contract liabilities as a result of disposal of interests in subsidiaries	**(58,858)**	(52,703)
Balance at the end of the year/period	**2,420,616**	2,426,677

16 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

(b) Equity settled share-based transactions

The Restricted Share Unit ("RSU") Scheme (the "RSU Scheme")

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

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

On May 31, 2024, pursuant to the approval of the Company's remuneration and appraisal committee, 413,000 RSUs, representing 413,000 underlying shares, were granted to and accepted by the Participants under the RSU Scheme in aggregate.

The terms and conditions of the grants are as follows:

Restricted shares granted to directors, supervisors and employees:	**Number of RSUs**	**Vesting condition**	**Consideration per RSU RMB**
– on April 6, 2023	4,372,000	Graded vest of 10% of 4,372,000 RSUs in November 2024, 20% of 4,372,000 RSUs in November 2025, 2026 and 2027, respectively, 30% of 4,372,000 RSUs in November 2028 and subject to performance conditions	Nil
– on April 6, 2023	383,400	Cliff vest of 383,400 RSUs in April 2026 and subject to performance conditions	Nil
– on December 27, 2023	4,157,000	Cliff vest of 4,157,000 RSUs in April 2027 and subject to performance conditions	Nil
– on May 31, 2024	413,000	Cliff vest of 413,000 RSUs in April 2027 and subject to performance conditions	Nil

A summary of RSUs outstanding for the six months ended June 30, 2024:

	June 30, 2024	
	Weighted average grant-date fair value *RMB*	**Number of RSUs**
Balance at the beginning of the period	**26.25**	8,570,520
Grant during the period	**25.64**	413,000
Forfeited during the period	**26.18**	(797,740)
Balance at the end of the period	**26.23**	8,185,780

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, 2024, the total expenses recognized in the consolidated statement of profit or loss for the above transactions are RMB14,995,000 (six months ended June 30, 2023: 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.

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

During the six months ended June 30, 2024, the total expenses recognized in the consolidated statement of profit or loss for the above transactions are RMB915,000 (six months ended June 30, 2023: RMB1,555,000).

(c) Treasury shares

During the interim period, the Company repurchased its own shares through two trusts, on The Stock Exchange of Hong Kong Limited pursuant to the RSU Scheme as follows:

Trading month	**Number of shares repurchased**	**Highest price paid per share** *HK$*	**Lowest price paid per share** *HK$*	**Aggregate price** *HK$*
January 2024	4,868,500	31.05	27.10	145,797,236
April 2024	10,000	30.90	30.80	308,605
May 2024	30,000	27.10	26.50	804,470
Total				146,910,311
Equivalent to RMB				134,966,000

The total amount paid on the repurchased shares of HK$146,910,311 (equivalent to RMB134,966,000) was recognized as treasury shares.

As of June 30, 2024, the total number of shares repurchased for the RSU Scheme was 8,358,900 shares (2023: 3,450,400 shares).

OTHER INFORMATION

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

Pursuant to the RSU Scheme, the trustees of the RSU Scheme purchased a total of 4,908,500 H Shares on the Hong Kong Stock Exchange at a total consideration of HK$146,910,311 during the Reporting Period.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sales of treasury shares (as defined under the Listing Rules)).

As at the end of the Reporting Period, the Company did not hold any treasury share.

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, 2024.

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 CG Code as the basis of the corporate governance practice of the Company.

The Company has complied with the provisions of the CG 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, all 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 three independent non-executive Directors, namely Ms. Yu Lixin (chairlady), Mr. Liu Xiangdong and Mr. Diao Yang.

The unaudited interim results of the Company for the six months ended June 30, 2024 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, 2024 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 published in due course.

7. Significant Events After the Reporting Period

After June 30, 2024 and up to the date of this announcement, there were no significant subsequent events affecting the Group.

8. Publication of Interim Results and 2024 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 of the Company for the six months ended June 30, 2024 containing all information required by the Listing Rules will be published on the above websites and dispatched to the H Shareholders by the mean of receipt of communications chosen by the H Shareholders in due course.

CLARIFICATION IN RELATION TO THE 2023 ANNUAL REPORT

Reference is made to the annual report of the Company for the year ended December 31, 2023 published on April 26, 2024 (the "**2023 Annual Report**").

As set out on page 26 and page 70 of the 2023 Annual Report, on March 21, 2023, the Company entered into an equity acquisition agreement (the "**Equity Acquisition Agreement**") with Hosjoy Comfortable Smart Home Co., Ltd. ("**Hosjoy**") for the acquisition of 100% equity interest in Nanjing Hosjoy Engineering Technology Co., Ltd. ("**Nanjing Hosjoy Engineering**"). According to the Equity Acquisition Agreement, Hosjoy has made relevant commitment to the Company in respect of the net profit achieved on a consolidated basis (the "**Committed Net Profit**") of Nanjing Hosjoy Engineering for the year ended December 31, 2023, the year ending December 31, 2024 and the year ending December 31, 2025 (collectively, the "**Performance Commitment Period**"), and stipulated the compensation method.

The Company would like to clarify that according to the financial statement of Nanjing Hosjoy Engineering for the year ended December 31, 2023, the net profit achieved on a consolidated basis of Nanjing Hosjoy Engineering for the year ended December 31, 2023 was approximately RMB55.765 million, which did not meet the Committed Net Profit for the year ended December 31, 2023 of RMB64.775 million.

According to the Equity Acquisition Agreement, if the accumulated actual net profit achieved on a consolidated basis as at the end of the three-year period by Nanjing Hosjoy Engineering during the Performance Commitment Period is less than the three-year accumulated Committed Net Profit but not less than 90% of the three-year accumulated Committed Net Profit, Hosjoy is not required to compensate the Company for the profit gap; if the three-year accumulated actual net profit achieved on a consolidated basis of Nanjing Hosjoy Engineering during the Performance Commitment Period is less than 90% of the three-year accumulated Committed Net Profit, Hosjoy shall compensate the Company for the profit gap (the calculation formula for performance compensation being: the amount of compensation = three-year accumulated Committed Net Profit – three-year accumulated actual net profit achieved on a consolidated basis). In the event that the compensation obligation of Hosjoy is triggered, Hosjoy shall pay the full amount of compensation to the Company in one lump sum within 30 working days from the date of publication of the Company's audit report for the year 2025.

Save for the above clarification, the other information set out in the 2023 Annual Report remains unchanged. In the future, Nanjing Hosjoy Engineering will continue to strengthen its operation capability, striving to achieve the three-year accumulated Committed Net Profit.

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
"CG Code"	Corporate Governance Code set out in Appendix C1 to the Listing Rules
"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)
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require)
"H Share(s)"	overseas listed foreign shares in the share capital of the Company with nominal value of RMB1.00 each, which are subscribed for and traded in HK$ and listed on the Hong Kong Stock Exchange
"H Shareholder(s)"	holder(s) of H Share(s)
"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 C3 to the Listing Rules
"Reporting Period"	the six months ended June 30, 2024
"RMB"	Renminbi, the lawful currency of the PRC
"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 under the Listing Rules
"Supervisor(s)"	the supervisors of the Company
"%"	per cent

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

Nanjing, the PRC
August 28, 2024

As at the date of this announcement, the Board comprises the Chairman and non-executive Director, namely Mr. Wang Jianguo; the executive Directors, namely Mr. Xu Xiuxian, Mr. Zhao Liangsheng and Mr. Sun Chao; the non-executive Directors, namely Mr. Cai Zhongqiu and Mr. Wang Ran; and the independent non-executive Directors, namely Ms. Yu Lixin, Mr. Liu Xiangdong and Mr. Diao Yang.