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**Huitongda Network Co., Ltd.**

**匯通達網絡股份有限公司**

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

**(Stock code: 9878)**

## **REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS**

### **BACKGROUND**

Reference is made to the Prospectus, in relation to, among others, the Sales Framework Agreement and Purchase Framework Agreement entered into between the Company and Alibaba China on December 21, 2021. In accordance with the Sales Framework Agreement and Purchase Framework Agreement, the Group agreed to supply to or purchase from Alibaba China and/or its associates the goods (including but not limited to household appliances and consumer electronics). In view of the reasons set out in this announcement, the Company intends to revise the original annual caps under the Sales Framework Agreement and Purchase Framework Agreement for the years ending December 31, 2022 and December 31, 2023.

### **LISTING RULES IMPLICATIONS**

In accordance with Rule 14A.54(2) of the Listing Rules, if the Company proposes to revise the annual cap for continuing connected transactions, the Company shall re-comply with the relevant provisions of Chapter 14A of the Listing Rules in respect of the relevant continuing connected transactions.

As at the date of the announcement, Alibaba China directly holds approximately 17.26% of the total issued share capital of the Company and is the substantial shareholder of the Company. Therefore, according to Chapter 14A of the Listing Rules, Alibaba China is a connected person of the Company. As a result, the transactions under the Sales Framework Agreement and Purchase Framework Agreement constitute the continuing connected transactions of the Company under the Listing Rules.

As the respective highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for the revised annual caps under the Sales Framework Agreement and Purchase Framework Agreement is more than 0.1% but less than 5%, the Revision of Annual Caps is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but is exempt from the independent Shareholders' approval requirement.

## **I. BACKGROUND**

Reference is made to the Prospectus, in relation to, among others, the Sales Framework Agreement and Purchase Framework Agreement entered into between the Company and Alibaba China on December 21, 2021. In accordance with the Sales Framework Agreement and Purchase Framework Agreement, the Group agreed to supply to or purchase from Alibaba China and/or its associates the goods (including but not limited to household appliances and consumer electronics). In view of the reasons set out in this announcement, the Company intends to revise the original annual caps under the Sales Framework Agreement and Purchase Framework Agreement for the years ending December 31, 2022 and December 31, 2023.

## **II. THE SALES FRAMEWORK AGREEMENT AND THE REVISION OF ANNUAL CAPS**

### **1. Date**

December 21, 2021

### **2. Parties:**

- (1) The Company; and
- (2) Alibaba China

### **3. Main contents of the continuing connected transactions under the Sales Framework Agreement**

In accordance with the Sales Framework Agreement, the Group agreed to supply to Alibaba China and/or its associates the goods (including but not limited to household appliances and consumer electronics) for a term commencing from February 18, 2022 (i.e. the listing date of the H Shares of the Company) and ending on December 31, 2023. The Sales Framework Agreement may be renewed upon the mutual agreement of the parties, subject to the compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Pursuant to the terms of the Sales Framework Agreement, Alibaba China and/or its associates will enter into specific agreements or place purchase orders with the Group to formulate specific terms and conditions for the supply of goods. Pursuant to the Sales Framework Agreement, the considerations payable by Alibaba China and/or its associates will be paid according to the time and methods set out in specific agreements or purchase orders agreements.

### **4. Pricing basis**

The prices of transactions contemplated under the Sales Framework Agreement shall be determined by negotiation on an arm's length basis.

The price for selling goods to Alibaba China and/or its associates by the Group shall be determined with reference to the price of the goods that the Group could sell to the Independent Third Parties and the prevailing market price.

## 5. Pricing procedures

The selling prices of the goods are to be separately negotiated for each sale by the parties based on the principles that the selling price to be paid shall be determined on normal commercial terms after arm's length negotiation, and shall be no less favourable than the prevailing market price and the price offered by Independent Third Parties. The parties will enter into separate sale order in respect of each sale in accordance with the terms of the Sales Framework Agreement.

To ensure the selling prices to Alibaba China and/or its associates are fair and reasonable and comparable to those offered to Independent Third Parties, the Group will compare the price in relation to the similar product type and volume with at least two other independent companies prior to entering into sales order with Alibaba China and/or its associates so as to know the prevailing market price. The above procedures can ensure that the transactions under the Sales Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders.

## 6. Revision of Annual Caps

In view of the strategic upgrade of the Group and the enhancement of its supply chain capacity, the Group implemented omni-channel and full-link strategy and expanded a variety of sales channels and product types to better serve downstream customers and upstream brand manufacturers. As a result, the original annual caps under the Sales Framework Agreement for the years ending December 31, 2022 and December 31, 2023 may not be sufficient to meet the current business needs of the Group. Therefore, the Company intends to revise the original annual caps, as detailed below:

### ***(1) Original annual caps and historical transaction amounts***

The H Shares of the Company were listed on the Hong Kong Stock Exchange on February 18, 2022. Therefore, the Group is not required to set annual caps for its sales of goods to Alibaba China and/or its associates in accordance with the requirements of Chapter 14A of the Listing Rules for the years ended December 31, 2020 and December 31, 2021 before the listing date. The original annual caps for the transactions under the Sales Framework Agreement for the years ending December 31, 2022 and December 31, 2023 were RMB80 million and RMB60 million respectively.

The historical transaction amounts for the transactions under the Sales Framework Agreement for the years ended December 31, 2020 and December 31, 2021 and the six months ended June 30, 2022 were RMB120.3 million, RMB74.7 million and RMB69.3 million respectively.

The Company confirms that from January 1, 2022 to the date of the announcement, the actual transaction amount of the transactions under the Sales Framework Agreement has not exceeded the original annual cap for the relevant transactions for the year ending December 31, 2022.

**(2) *The revised Annual Caps***

The revised annual caps for the transactions under the Sales Framework Agreement for the years ending December 31, 2022 and December 31, 2023 are RMB500 million and RMB800 million respectively.

**(3) *Basis for the determination of the revised annual caps***

The Company has taken into account the following factors when determining the above revised annual caps:

- i. In 2022, the Group implemented omni-channel and full-link strategy, expanded a variety of sales channels and product types.
- ii. The historical transaction amounts and trend of the Group's sales of goods to Alibaba China and/or its associates:

Details are as mentioned above.

- iii. The expected sales volume of the goods to Alibaba China and/or its associates:

Due to the improvement of the supply chain capacity of the Group and its strategic cooperations with many leading brands in the upstream of household appliances, consumer electronics industries, the Group market competitiveness has been greatly enhanced. The Group will realize mutual complement with Alibaba China and/or its associates in the timely supply of certain household appliances and consumer electronics categories, as well as in the best-selling categories. The Group will cooperate with Alibaba China and/or its associates in certain categories/branded products based on the high-quality upstream supply chain resources, becoming one of its suppliers.

Based on the order intent from the Group's internal feedback, the Company expected that the Group's sales to Alibaba China and/or its associates for household appliances and consumer electronics categories, will exceed RMB400 million and RMB700 million for the years ending December 31, 2022 and December 31, 2023 respectively.

Except for the Revision of Annual Caps stated above, all the other contents of the continuing connected transactions under the Sales Framework Agreement (as disclosed in the Prospectus) remain unchanged.

**7. Reasons and benefits for the entering into of the Sales Framework Agreement and revision of the annual caps thereunder**

- (1) Alibaba China and/or its associates have been purchasing certain goods from the Group during their ordinary course of business given the price advantage of the merchandise offered by the Group compared to other market players. Furthermore, the Group is authorized as designated agent or seller of certain types and/or brands of goods in certain areas. Therefore, Alibaba China and/or its associates could only purchase such goods from the Group. The transaction contemplated under the Sales Framework Agreement is made in the ordinary and usual course of business of the Group on normal commercial terms;
- (2) In 2022, the Group implemented omni-channel and full-link strategy, and expanded a variety of sales channels and product types. As Alibaba China is a leading retail business entity, the Group will gradually strengthen its strategic cooperation with retail platforms such as Alibaba China as one of the Group's sales channels;
- (3) Based on the continued improvement of the supply chain capacity of the Group (especially in the household appliances and consumer electronics industries) and its strategic cooperation with many leading manufacturers in the upstream, such as Gree, Midea, Joyoung and Apple, the Group will realize mutual complement with Alibaba China and/or its associates in the timely supply of certain household appliances and consumer electronics categories, as well as in the best-selling categories.

In conclusion, the Company needs to continue to conduct the transactions under the Sales Framework Agreement and revise the original annual cap of the transactions under the Sales Framework Agreement to meet the above business needs.

## **8. Listing rules implications**

In accordance with Rule 14A.54(2) of the Listing Rules, if the Company proposes to revise the annual cap for continuing connected transactions, the Company shall re-comply with the relevant provisions of Chapter 14A of the Listing Rules in respect of the relevant continuing connected transactions.

As at the date of the announcement, Alibaba China directly holds approximately 17.26% of the total issued share capital of the Company and is the substantial shareholder of the Company. Therefore, according to Chapter 14A of the Listing Rules, Alibaba China is a connected person of the Company. As a result, the transactions under the Sales Framework Agreement constitute the continuing connected transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) for the revised annual caps under the Sales Framework Agreement is more than 0.1% but less than 5%, the Revision of Annual Caps is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but is exempt from the independent Shareholders' approval requirement.

## **III. THE PURCHASE FRAMEWORK AGREEMENT AND THE REVISION OF ANNUAL CAPS**

### **1. Date**

December 21, 2021

### **2. Parties:**

- (1) The Company; and
- (2) Alibaba China

### **3. Main contents of the continuing connected transactions under the Purchase Framework Agreement**

In accordance with the Purchase Framework Agreement, the Group agreed to purchase from Alibaba China and/or its associates the goods (including but not limited to household appliances and consumer electronics) for a term commencing from February 18, 2022 (i.e. the listing date of the H Shares the Company) and ending on December 31, 2023. The Purchase Framework Agreement may be renewed upon the mutual agreement of the parties, subject to the compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Pursuant to the terms of the Purchase Framework Agreement, the Group will enter into specific agreements or place purchase orders with Alibaba China and/or its associates to formulate specific terms and conditions for the supply of goods. Pursuant to the Purchase Framework Agreement, the considerations payable by the Group will be paid according to the time and methods set out in specific agreements or purchase orders.

### **4. Pricing basis**

The prices of transactions contemplated under the Purchase Framework Agreement shall be determined by negotiation on an arm's length basis.

The price for purchasing certain goods from Alibaba China and/or its associates by the Group shall be determined with reference to the price of the goods that the Group could purchase from the Independent Third Parties and the prevailing market prices.

### **5. Pricing procedures**

The purchase prices of the goods are to be separately negotiated for each purchase by the parties based on the principles that the purchase price payable shall be determined on normal commercial terms after arm's length negotiation, and shall be no less favourable than the prevailing market price and the price offered by Independent Third Parties. The parties will enter into separate purchase order in respect of each purchase in accordance with the terms of the Purchase Framework Agreement.

To ensure the purchase prices offered by Alibaba China and/or its associates are fair and reasonable and comparable to those offered by Independent Third Parties, the Group will compare the price in relation to the similar product type and volume from at least two other independent companies prior to entering into purchase order with Alibaba China and/or its associates so as to know the prevailing market price. The above procedures can ensure that the transactions under the Purchase Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders.

## 6. Revision of Annual Caps

In view of the strategic upgrade of the Group and the enhancement of its supply chain capacity, the Group implemented omni-channel and full-link strategy and expanded a variety of sales channels and product types to better serve downstream customers and upstream brand manufacturers. As a result, the original annual caps under the Purchase Framework Agreement for the years ending December 31, 2022 and 2023 may not be sufficient to meet the current business needs of the Group. Therefore, the Company intends to revise the original annual caps, as detailed below:

### ***(1) Original annual caps and historical transaction amounts***

The H Shares of the Company were listed on the Hong Kong Stock Exchange on February 18, 2022. Therefore, the Group is not required to set annual caps for its purchase of goods from Alibaba China and/or its associates in accordance with the requirements of Chapter 14A of the Listing Rules for the years ended December 31, 2020 and December 31, 2021 before the listing date. The original annual caps for the transactions under the Purchase Framework Agreement for the years ending December 31, 2022 and December 31, 2023 were RMB50 million and RMB100 million respectively.

The historical amounts of the transactions contemplated under the Purchase Framework Agreement were RMB108.9 million, RMB0 and RMB0 for the years ended December 31, 2020 and December 31, 2021 and the six months ended June 30, 2022 respectively.

The Company confirms that from January 1, 2022 to the date of the announcement, the actual transaction amount of the transactions under the Purchase Framework Agreement has not exceeded the original annual cap for the relevant transactions for the year ending December 31, 2022.

### ***(2) The revised annual caps***

The revised annual caps for the transactions under the Purchase Framework Agreement for the years ending December 31, 2022 and December 31, 2023 are RMB80 million and RMB150 million respectively.

**(3) Basis for the determination of the revised annual caps**

The Company has taken into account the following factors when determining the above revised annual caps:

- i. Historical transaction amounts and trends for the purchasing of goods from Alibaba China and/or its associates by the Group:

In 2020, the Group purchased Tmall Genie, a smart speaker developed by Alibaba China and/or its associates as the main product. Also, for the expansion of business operation of the Group, the Group further deepened the cooperation with Alibaba China and/or its associates. However, based on the business changes, the Group has ceased its purchase transactions with Alibaba China and/or its associates since January 2021. As a result, the Group did not purchase goods from Alibaba China and/or its associates during the six months ended June 30, 2022.

- ii. Expected purchasing volume of the goods from Alibaba China and/or its associates:

The Group serves more than 190 thousand member stores and boasts strong channel extension capacity. With the increase of per capita disposable income of rural residents, the consumption potential of the lower-tiered city market will be further released. To meet the diversified product demands of member stores in the lower-tiered city market, the Group will adopt the strategy of multi-channel supply chain. Based on the price advantage of Alibaba China and/or its associates in certain goods, the Group will purchase certain goods from Alibaba China and/or its associates to serve the temporary commodity demand of certain member stores.

Specifically, the Company expects that the overall business results of the Group will maintain stable growth in 2022, and that the Group will increase the transaction orders with Alibaba China and/or its associates in the second half of 2022, in order to meet the better-than-expected demands for popular products and the temporary demands from member stores, with an estimated purchase amount of not exceeding RMB80 million. Therefore, the Company intends to increase the original annual cap under the Purchase Framework Agreement for the year ending December 31, 2022 to RMB80 million correspondingly. On the basis of the revised annual cap for the year 2022, as well as taking into account the estimated revenue growth of the Company and the temporary commodity demands of the member stores in the past, the Company expects that the amount of the purchase transactions with Alibaba China and/or its associates will increase by a certain extent compared with last year. Therefore, the Company intends to increase the original annual cap under the Purchase Framework Agreement for the year ending December 31, 2023 to RMB150 million correspondingly.

Except for the Revision of Annual Caps stated above, all the other contents of the continuing connected transactions under the Purchase Framework Agreement (as disclosed in the Prospectus) remain unchanged.

## **7. Reasons and benefits for the entering into of the Purchase Framework Agreement and revision of the annual caps thereunder**

- (1) The Group has been purchasing certain goods from Alibaba China and/or its associates given the price advantage of such goods offered by Alibaba China and/or its associates compared to other market players. The transaction contemplated under the Purchase Framework Agreement is made in the ordinary and usual course of business of the Group and on normal commercial terms;
- (2) After 10 years of development, the Group now serves more than 190 thousand member stores and boasts strong channel extension capacity. With the increase of per capita disposable income of rural residents, the consumption potential of the lower-tiered city market will be further released. And the Group will constantly enhance the stickiness of member stores through the supply chain + SaaS services. To meet the diversified product demands of member stores in the lower-tiered city market, the Group will adopt the strategy of multi-channel supply chain. Based on the price advantage of Alibaba China and/or its associates in certain commodities, the Group will purchase certain commodities from Alibaba China and/or its associates to solve the temporary demand of certain member stores;
- (3) The Company expects that the overall business results of the Group will maintain stable growth in the future. Taking into account the estimated revenue growth of the Company and the temporary product demands of the member stores in the past, it is expected that the amount of the purchase transactions with Alibaba China and/or its associates will increase by a certain extent.

In conclusion, the Company needs to continue to conduct the transactions under the Purchase Framework Agreement and to revise the original annual caps for the transactions under the Purchase Framework Agreement to meet the above business needs.

## **8. Listing rules implications**

In accordance with Rule 14A.54(2) of the Listing Rules, if the Company proposes to revise the annual cap for continuing connected transactions, the Company shall comply with the relevant provisions of Chapter 14A of the Listing Rules in respect of the relevant continuing connected transactions.

As at the date of the announcement, Alibaba China directly holds approximately 17.26% of the total issued share capital of the Company and is the substantial shareholder of the Company. Therefore, according to Chapter 14A of the Listing Rules, Alibaba China is a connected person of the Company. As a result, the transactions under the Purchase Framework Agreement constitute the continuing connected transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) for the revised annual caps under the Purchase Framework Agreement is more than 0.1% but less than 5%, the Revision of Annual Caps is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but is exempt from the independent Shareholders' approval requirement.

#### IV. INTERNAL CONTROL MEASURES

To safeguard the interests of our Shareholders as a whole, including the minority Shareholders, the Company has put in place internal approval and controlling procedures relating to the continuing connected transactions under the Sales Framework Agreement and Purchase Framework Agreement, which include the following:

- we have adopted and implemented a management system on connected transactions. Under such system, the audit committee of the Board is responsible for conducting reviews on compliance with relevant laws, regulations, our Company's policies and the Listing Rules in respect of the continuing connected transactions. In addition, the audit committee of the Board, the Board and various other internal professional departments of the Company are jointly responsible for evaluating the terms under framework agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each agreement;
- The Company has established a warning mechanism for transaction caps. The relevant professional departments of the Company, including the finance department, securities affairs department and various business departments, will track and control the connected transaction matters, and during this process, the financial department of the Company will regularly collect and monitor the transaction amounts of connected transactions under the continuing connected transaction framework agreements monthly. Assuming that the actual transaction amount reaches 75% of the amount of annual cap, a transaction warning will be activated. The above relevant professional departments of the Company will strengthen the approval and control of subsequent relevant connected transactions and review them one by one, and may suspend transactions when necessary to ensure that the actual transaction amount does not exceed the annual caps; and
- our independent non-executive Directors and external auditor will conduct an annual review on our continuing connected transactions and provide annual confirmations in accordance with the Listing Rules that the individual transactions are conducted in accordance with the terms of the relevant agreements, on normal commercial terms and in accordance with our pricing policy and in the interests of our Shareholders as a whole.

## **V. OPINIONS OF THE BOARD**

Mr. Wang Yi, our non-executive Director, is a director designated by Alibaba China, and deemed to be connected to the Sales Framework Agreement and the Purchase Framework Agreement and the transactions thereunder. Therefore, he has abstained from voting on the Board resolution approving the Revision of Annual Caps. Except as disclosed above, no other Directors had any material interests in the relevant Board resolution, and no other Directors shall abstain from voting on the relevant Board resolution.

After considering the above pricing basis, determination basis of revised annual caps, the reasons and benefits for the entering into of the Sales Framework Agreement and the Purchase Framework Agreement and revision of the annual caps thereunder and the internal control measures, our Board (including the independent non-executive Directors) are of the view that the terms of the Sales Framework Agreement and the Purchase Framework Agreement and the revised annual caps were entered into in our ordinary course of business and on normal commercial terms, and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **VI. INFORMATION ON THE RELATED PARTIES**

The Company is a joint stock company incorporated under the PRC laws on December 6, 2010. As a leading transaction and service platform dedicated to serving the corporate customers in retail industry in lower-tiered city markets in the PRC, the Company provides stable one-stop supply chain and SaaS services for customers. The service business has become a new rapid growth point of the Company.

Alibaba China is an indirect subsidiary of Alibaba Group. Alibaba China is owned as to 57.59% by Taobao (China) Software Co., Ltd., 35.75% by Zhejiang Tmall Technology Co., Ltd. and 6.66% by Alibaba.com China Limited, each a subsidiary of Alibaba Group. Alibaba China is primarily engaged in the operations of the wholesale marketplaces of Alibaba Group.

Alibaba Group is a company incorporated in the Cayman Islands and the American depositary shares of which are listed on the New York Stock Exchange (stock code: BABA), and the shares of which are listed on the Hong Kong Stock Exchange (stock code: 9988). Alibaba Group's businesses comprise of China commerce, international commerce, local consumer services, Cainiao logistics services, cloud services, digital media and entertainment, and innovation initiatives and others.

## VII. DEFINITIONS

Unless the context otherwise requires, the following expressions shall have the following meanings in this announcement:

“Alibaba China”	Alibaba (China) Network Technology Co., Ltd., one of our substantial shareholders
“Alibaba Group”	Alibaba Group Holding Limited and, as the context requires, its consolidated subsidiaries and its related consolidated entities, including its variable interest entities and their subsidiaries from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of the directors of the Company
“Company” or “We”	Huitongda Network Co., Ltd.
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the Director(s) of the Company
“Group”	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)
“H Shares”	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Third Party(ies)”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise revised from time to time
“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

“Prospectus”	The Prospectus of the Company dated January 31, 2022
“Purchase Framework Agreement”	the purchase framework agreement entered into between the Company and Alibaba China on December 21, 2021
“Revision of Annual Caps”	revision of the annual caps under the Sales Framework Agreement and/or Purchase Framework Agreement for the years ending December 31, 2022 and December 31, 2023
“RMB”	Renminbi, the lawful currency of the PRC
“SaaS”	software as a service
“Sales Framework Agreement”	the sales framework agreement entered into between the Company and Alibaba China on December 21, 2021
“Shareholders”	the shareholders of the Company
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

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

Nanjing, the PRC  
August 23, 2022

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