The information and statistics set out in this section and other sections of this Document were extracted from different official government publications, available sources from public market research and other sources form independent suppliers, and from the independent industry report prepared by CIC. We engaged CIC to prepare the CIC Report, an independent industry report, in connection with the [**REDACTED**]. *The information from official government sources has not been independently verified by us, the Joint Sponsors, the Overall Coordinators,* [**REDACTED**], *any of their respective directors and advisers, or any other persons or parties involved in the* [**REDACTED**], *and no representation is given as to its accuracy.*

E-COMMERCE SAAS MARKET IN CHINA

E-commerce Market in China

The e-commerce market in China has evolved rapidly and continues to advance. China has become the world's largest e-commerce market since 2013, with a current share of over 40% in terms of online retail sales value. There were over 27 million active e-commerce merchants in China in 2024, according to CIC. China also has a complex and dynamic e-commerce ecosystem. An increasing number of new e-commerce platforms emerged in recent years, diversifying the market with innovative business models and increasing their market share. More than half of Chinese e-commerce merchants have been operating on two or more platforms for the past five years.

With ever increasing demand for online retail and the emergence of innovative e-commerce business models, the size of China's online retail in terms of sales value has grown at a CAGR of 8.9% from RMB11.8 trillion in 2020 to RMB16.5 trillion in 2024, and is expected to further grow at a CAGR of 7.3% to RMB23.5 trillion in 2029, according to CIC.

SaaS as a Critical Solution for E-commerce in China

SaaS is a cloud-based software delivery model in which the software provider develops and maintains cloud software applications, provides automatic software updates, and makes software available to its customers via the internet on a subscription or pay-as-you-go basis. The emergence of SaaS transformed the software industry in that cloud-based access and updates replaced on-premise infrastructure and installment, subscription and pay-as-you-go replaced one-off purchase, and the deployment of software applications was simplified.

Such transformation is especially meaningful for e-commerce merchants, as SaaS can connect merchants with suppliers and consumers across all platforms, adapt quickly to keep up with the platforms' upgrades and provide an integrated and intuitive solution that empowers the e-commerce merchants' business management. Technology has transformed the way of purchasing and transaction. China's e-commerce SaaS market has grown rapidly in recent years, driven by the rising awareness of cloud-based solutions and continuous technological advancement. Merchants are incentivized to digitalize their business operation procedures in order to enhance their analytical capabilities and operational efficiency. Chinese e-commerce merchants' IT spending reached a total of RMB137.7 billion in 2024, which is expected to further grow to RMB252.9 billion by 2029, according to CIC. E-commerce merchants' demand and willingness to pay for SaaS solutions are expected to rise continuously. In addition, the growth of independent e-commerce SaaS providers is welcomed by e-commerce platforms as these providers contribute to the expansion and upgrade of e-commerce infrastructure.

China's E-commerce SaaS Market Overview

The e-commerce SaaS market in China has experienced rapid growth. The size of the e-commerce SaaS market in China has grown at a CAGR of 15.4% from RMB7.3 billion in 2020 to RMB12.9 billion in 2024, and is expected to further grow at a CAGR of 17.6% to RMB29.0 billion in 2029, according to CIC.

The major functions that e-commerce SaaS provides include ERP, customer relationship management ("CRM") and online store setup and management, among others.

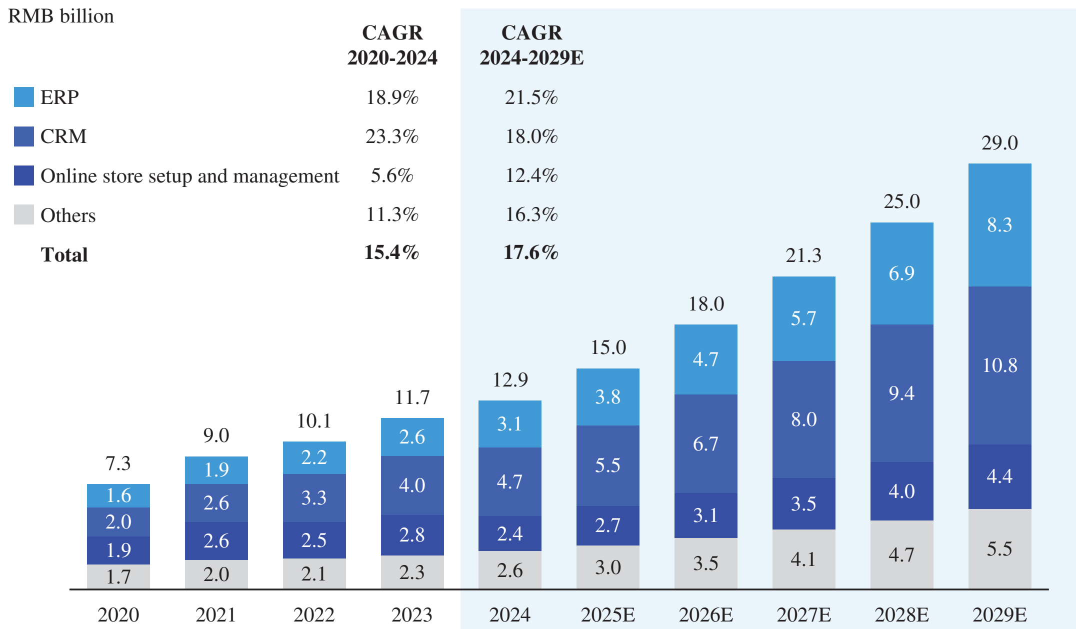
- ERP enables enterprises to track business resources such as cash, raw materials, production capacity as well as the status of business commitments including e-commerce orders, procurement orders and inventory.

- CRM compiles data from customers and uses data analytics to effectively identify and to better cater to the target audience's demands, contributing to the growth of sales.

- Online store setup and management through SaaS enables e-commerce merchants to refine landing pages for marketing campaigns, to modify the store template and to update products and categories in real time, easing the merchants' operation and allowing for great flexibility and customization in store interface.

- Other functions include sales and marketing management, data analytics, human capital management and financial management, among others.

Market size of China's e-commerce SaaS market, by category, 2020-2029E



Source: CIC

E-commerce operation SaaS, with a market size of RMB10.4 billion in 2024, according to CIC, is designed for streamlining workflows and improving efficiencies in the routine operation of the e-commerce business, and mainly encompasses ERP, CRM, sales and marketing management, data analytics, human capital management and financial management. As one of the crucial systems for e-commerce operation, ERP integrates the core operating processes in both internal and external management. The market size of e-commerce SaaS ERP grew fast over the past five years and is expected to achieve the highest growth rate among all e-commerce SaaS products in the next five years, attributable to merchants' increasingly complex and ever-changing needs in their daily operation and management.

E-COMMERCE SAAS ERP MARKET IN CHINA

E-commerce SaaS ERP is a cloud-based integrated management software designed for e-commerce merchants, enabling them to achieve efficient, seamless and secure operations. It comprises an array of functions including procurement management, order management, inventory management, distribution management and financial management. E-commerce SaaS ERP provides a unified management system, synchronizing merchants' internal work processes and connecting suppliers and customers across all platforms. The e-commerce SaaS ERP can also automate merchants' workflows and improve the productivity of employees, reducing costs for merchants. As core functions of e-commerce SaaS, the solutions provided by SaaS ERP address the common challenges faced by e-commerce merchants.

Challenges Faced by E-commerce Merchants

- ***Cross-platform store management:*** With the diversification of e-commerce platforms, merchants are in need of consolidating their operations across multiple platforms to manage their inventory as a whole and maximize their exposure to consumers. However, cross-platform operations can be chaotic and inefficient without an integrated system.

- ***Large volume of orders and SKUs:*** The booming e-commerce market leads to increasing volume of orders and SKUs. However, traditional ERP systems are not adequately effective in promptly processing a large number of orders or managing stock with voluminous SKUs, which are common in e-commerce business.

- ***Digitalization and data analysis:*** To seize market opportunities, it is essential for e-commerce merchants to obtain a better understanding of market conditions, sales patterns and consumer behaviors, among others. The evolving e-commerce market condition requires merchants to refine operation management continuously in order to stay efficient and profitable. Innovative e-commerce business models, such as live-streaming, bring huge opportunities to merchants yet pose challenges to their operation. E-commerce merchants, especially the small- or medium-sized ones, usually lack the technical expertise or financial strength to perform operational data analysis or handle large quantities of orders instantaneously on their own.

- ***Industry value chain coordination:*** E-commerce merchants are connected with various upstream and downstream market participants, such as e-commerce platforms, suppliers, and third-party logistics and warehousing service providers. Without cloud-based solutions, e-commerce merchants can face challenges in connecting and coordinating with these stakeholders along the value chain.

The Evolvement of E-commerce SaaS ERP in China

Stage of development	**Industry landscape**
Early stage: emergence of e-commerce SaaS ERP as an industry-specific vertical market	ERP software was initially deployed on premises and designed for traditional manufacturers and enterprises, with functions commonly known as Production-Sales-Inventories (PSI) management and scheduling. However, they are not suitable for e-commerce merchants' daily operations that require processing a high volume of orders, stock-keeping numerous SKUs, leveraging cross-platform data analytics instantly and connecting various external platforms and stakeholders.

Stage of development	Industry landscape
	E-commerce SaaS ERP modifies traditional ERP transaction processing functions to respond to e-commerce merchants' distinct needs, and has since become an industry-specific vertical market that differentiates itself from the traditional ERP solutions.
Growth stage: integration of OMS and WMS as standard core functions	E-commerce SaaS ERP initially focused on basic functions like order processing. Order Management System (OMS) enables split, processing and fulfillment of orders timely and automatically, improving merchants' productivity and reducing the costs. A breakthrough in e-commerce SaaS ERP products was the incorporation of Warehousing Management System (WMS), which deals with inventory and logistics management that naturally follows order processing. Order-picking, packing, shipping and stocktaking can be done automatically through WMS, which optimizes space utilization and enhances the accuracy of operating task coordination.
Expansion stage: incorporation of more functions to enable collaboration	Driven by merchants' demand for holistic resource planning, it is expected that e-commerce SaaS ERP can track the live status of business resources and commitments with precision, and consolidate more collaborative functions, such as financial management and analysis, supply chain and distributor management, procurement management and workflow management.

Drivers of E-commerce SaaS ERP

- ***Evolvement of E-commerce in China:*** As the e-commerce market matures, merchants are facing challenges in navigating the diverse and complex operational environment. They seek operation refinement constantly to stay competitive. The emergence of innovative e-commerce channels and creative sales methods compel merchants to upgrade their operations for smooth and efficient coordination with emerging platforms. Nowadays, more than 50% of China's e-commerce merchants are operating on two or more e-commerce platforms. In addition, the increase of logistics and warehousing service providers creates a strong demand for technical solutions that well allocate resources along the industry value chain. E-commerce SaaS ERP will be the key for merchants to address these rising challenges and to improve decision-making.

- ***Merchants' increasing reliance on SaaS ERP and willingness to pay:*** As e-commerce merchants benefit from improved operational efficiency, reduced cost and grown sales, they have increasingly become reliant on SaaS ERP and willing to pay for SaaS ERP. The number of paying customers of e-commerce SaaS ERP increased at a CAGR of 17% from 2020 to 2024, which is significantly higher than the growth rate of the total number of e-commerce merchants during the same period. In particular, third-party e-commerce SaaS ERP has become a useful tool for merchants across multiple platforms, offering advanced and useful features that enable cross-platform operational management. With such reliance, the growth rate of China's SaaS ERP market is expected to further accelerate with relatively low customer acquisition costs.

- ***Advancement of technology:*** The pervasiveness of the internet and the advancement of technology lay a solid foundation for the future development of e-commerce SaaS ERP. Enhancement of IT infrastructure and cloud computing capabilities is one of China's key national strategies. The transformation from on-premise deployment to cloud services, the improving scalability and increasing stability of cloud services, among others, are enabling easier and hassle-free use of e-commerce SaaS ERP, and are the major technological contributors to the industry. Against this backdrop, enterprises are expected to expedite their digital transformation, driving the development of enterprise-level SaaS.

E-commerce SaaS ERP Market Overview in China

The e-commerce SaaS ERP market in China has been expanding rapidly during the past few years. The size of the e-commerce SaaS ERP market in China in terms of merchant spending grew at a CAGR of 18.9% from RMB1.6 billion in 2020 to RMB3.1 billion in 2024, and is expected to further grow to RMB8.3 billion in 2029, more than 2.5 times that of 2024, according to CIC. We believe the addressable market of our products is broad. In 2024, there were over 27 million active e-commerce merchants in China, operating on over 300 e-commerce platforms and generating over 170 billion e-commerce orders. The penetration rate of e-commerce SaaS ERP stayed relatively low at 1.6% in 2024, but is expected to grow steadily as merchants' business scale expands, the complexity of their operation increases and their demands to consolidate online and offline business rise.

Market size of China's e-commerce SaaS ERP market, 2020-2029E

Source: CIC

A small percentage of e-commerce merchants use traditional ERP instead of SaaS ERP. Traditional ERP and SaaS ERP share similar functionalities, but SaaS ERP could provide system updates over the air, which is a much smoother experience for merchants. By contrast, it is practically difficult for traditional ERP, which is deployed on premise, to achieve such features. Traditional ERP is usually selected by merchants who do not need the newest features or who have significant demand for enhanced data security brought by on-premise deployment, whereas SaaS ERP is aimed towards the general, broader e-commerce merchant group. According to CIC, the market size of e-commerce traditional ERP in terms of merchant spending was RMB0.12 billion in 2024, with an extremely low penetration rate of less than 0.1%, and is expected to grow at a CAGR of 5.9% to RMB0.16 billion in 2029.

COMPETITIVE LANDSCAPE

The Company is China's largest e-commerce SaaS ERP provider in terms of relevant revenue in 2024, taking up to 24.4% of the market share, exceeding the combined market share of the second through the fifth largest players, according to CIC. The Company is also the largest e-commerce operation SaaS provider in China in terms of revenue, with a market share of 8.7% in 2024, according to CIC. All of the top five e-commerce SaaS ERP providers in China have been focusing on e-commerce from the initial setup, instead of rooting from traditional ERP.

Competitive landscape of China's e-commerce SaaS ERP providers, 2024

Ranking	Player	Relevant revenue in 2024, RMB million	Market share in terms of revenue in 2024
1	Our Company	765	24.4%
2	Company A[1]	370	11.8%
3	Company B[2]	162	5.2%
4	Company C[3]	138	4.4%
5	Company D[4]	88	2.8%

Source: CIC

Notes:

1. Company A is a private company headquartered in Beijing and was founded in 2011. It focuses on offering e-commerce SaaS ERP, along with other e-commerce and physical retail SaaS such as procurement and distribution management systems.

2. Company B is a private company headquartered in Hangzhou and was founded in 2005. It focuses on offering e-commerce SaaS ERP, along with software for physical retailers such as online-to-offline store management and supply chain management.

3. Company C is a China-listed company headquartered in Hangzhou and was founded in 2013. It offers a variety of e-commerce SaaS, including product and order management, sales and marketing management and ERP, among others.

4. Company D is a private company headquartered in Shanghai and was founded in 2013. It focuses on offering e-commerce SaaS ERP, as well as ERP for physical retailers.

In addition to ERP SaaS provider, China's e-commerce SaaS market also includes providers of CRM, online store setup and management, sales and marketing management, data analytics, human capital management and financial management. The Company is also China's second largest e-commerce SaaS provider in terms of relevant revenue in 2024.

KEY SUCCESS FACTORS

- **E-commerce industry and ERP know-how:** The e-commerce industry features complex operations, a large amount of information flow and changing customers' demands. Especially in China, the e-commerce industry evolves rapidly and consumer behavior patterns change from time to time. ERP also comprises a complex array of modules and requires expertise in constructing a comprehensive system. Therefore, e-commerce industry insights and ERP technical know-how are critical for the success of e-commerce SaaS ERP products.

- **Advanced and user-friendly product offering:** An effective and easy-to-use SaaS ERP system is the key to solving the challenges faced by the merchants. An advanced ERP product offering empowers merchants to efficiently coordinate internal workflow, smoothly connect with external parties and fulfill their commitment to customers. User-friendly SaaS ERP products provide merchants with intuitive experience in their daily operations.

- **Expansibility of solutions and features:** Capability of expanding the range of functions is crucial for e-commerce SaaS ERP products to stay competitive. Flexible and synergistic modules that can be easily integrated with other SaaS products can be extra value-adding for e-commerce merchants and thus win customers.

- **Technical capabilities:** Technical capabilities are crucial for SaaS solution providers. In light of the rapidly evolving SaaS industry, the abilities to keep abreast of the developing technologies to ensure smooth system operation and fast data processing are critical to the players in the SaaS ERP industry.

- **Sales and customer service:** Rapid deployment and customer training are essential to the success of an e-commerce SaaS ERP solution. Experienced sales personnel can accurately locate suitable products for customers and obtain orders efficiently. Thus, orientation and basic training are instrumental for the merchants to fully discover the potential of the SaaS ERP solution and benefit from it. A successful SaaS ERP provider must ensure full coverage of sales, implementation and after-sales service to attract and retain customers.

SOURCES OF INFORMATION

We commissioned China Insights Industry Consultancy Limited, an independent market research and consulting firm, to provide an analysis of, and to produce a report (the "CIC Report") on China's e-commerce SaaS ERP market. China Insights Industry Consultancy Limited, founded in Hong Kong, provides professional services including, among others, industry consulting, commercial due diligence and strategic consulting. We have agreed to pay a fee of RMB1,320,000 to China Insights Industry Consultancy Limited in connection with the preparation of the CIC Report. The report was prepared independent of the influence of us and other interested parties. We have extracted certain information from the CIC Report in this section, as well as elsewhere in this Document, to provide our potential [**REDACTED**] with a more comprehensive presentation of the industry in which we operate.

During the preparation of the CIC Report, China Insights Industry Consultancy Limited performed both primary and secondary research, and obtained knowledge, statistics, information on and industry insights into China's e-commerce SaaS ERP market. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources.

The market projections in the CIC Report are based on the following assumptions: (i) the overall social, economic and political environment in China is expected to remain stable during the forecast period; (ii) relevant key drivers, such as the development of China's e-commerce industry, the increasing reliance on digital tools and the advancement of technology, are likely to drive the continued growth of China's e-commerce SaaS ERP market throughout the forecast period; and (iii) there is no extreme force majeure or unforeseen industry regulation in which the industry may be affected in either a dramatic or fundamental way. All forecasts in relation to market size are based on the general economic conditions as of the Latest Practicable Date.