

多点DMALL

Dmall Inc.

多点数智有限公司

(Incorporated in the British Virgin Islands with limited liability)

Stock Code: 2586



Joint Sponsors, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners, and Joint Lead Managers



Overall Coordinators, Joint Global Coordinators, Joint Bookrunners, and Joint Lead Managers



Joint Global Coordinators, Joint Bookrunners, and Joint Lead Managers (in alphabetical order)



Joint Bookrunners, and Joint Lead Managers (in alphabetical order)



IMPORTANT

If you are in any doubt about any of the contents in this document, you should obtain independent professional advice.



Dmall Inc. 多点数智有限公司

(Incorporated in the British Virgin Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 25,774,000 Offer Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 2,577,400 Offer Shares (subject to reallocation)
Number of International Offer Shares	: 23,196,600 Offer Shares (subject to reallocation and the Over-allotment Option)
Offer Price	: HK\$30.21 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars, subject to refund)
Nominal value	: US\$0.0001 per Share
Stock code	: 2586

Joint Sponsors, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners, and Joint Lead Managers



Overall Coordinators, Joint Global Coordinators, Joint Bookrunners, and Joint Lead Managers



Joint Global Coordinators, Joint Bookrunners, and Joint Lead Managers (in alphabetical order)



Joint Bookrunners, and Joint Lead Managers (in alphabetical order)



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

A copy of this document, having attached thereto the documents specified in “Documents delivered to the Registrar of Companies and on display” in Appendix V, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this document or any other document referred to above.

The Offer Price per Offer Share unless otherwise announced will be HK\$30.21. Applicants for the Hong Kong Offer Shares may be required to pay, on application (subject to application channels), the offer price of HK\$30.21 for each Hong Kong Offer Share together with a brokerage fee of 1%, a SFC transaction levy of 0.0027%, a Stock Exchange trading fee of 0.00565% and a AFRC transaction levy of 0.00015%.

The Overall Coordinators may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the Offer Price below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Hong Kong Offer Shares being offered under the Global Offering and/or the Offer Price will be published on the websites of our Company and the Stock Exchange at www.dmall.com and www.hkexnews.hk as soon as practicable but in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. See “Structure of the Global Offering” and “How to apply for Hong Kong Offer Shares” for further details.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See “Underwriting—Underwriting arrangements and expenses—Hong Kong Public Offering—Grounds for termination” for further details.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in “Risk Factors.”

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered or sold within or to the United States, or for the account or benefit of U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in accordance with Regulation S.

November 28, 2024

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at <https://www.dmall.com/>. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

<u>Application Channel</u>	<u>Platform</u>	<u>Target Investors</u>	<u>Application Time</u>
HK eIPO White Form service	www.hkeipo.hk	Investors who would like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Thursday, November 28, 2024 to 11:30 a.m. on Tuesday, December 3, 2024, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Tuesday, December 3, 2024, Hong Kong time.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC’s FINI system in accordance with your instruction	Investors who would not like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant’s stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

Our Company will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed “How to Apply for Hong Kong Offer Shares” for further details of the procedures through which you can apply for the Hong Kong Offer Shares.

IMPORTANT

Your application through the **HK eIPO White Form** service or the **HKSCC EIPO** channel service must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table. If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares. If you are applying through the **HKSCC EIPO** channel, you are required to prefund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application/ successful allotment
	<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>
100	3,051.46	2,000	61,029.33	10,000	305,146.68	300,000	9,154,400.35
200	6,102.93	2,500	76,286.67	20,000	610,293.36	400,000	12,205,867.15
300	9,154.39	3,000	91,544.01	30,000	915,440.04	500,000	15,257,333.93
400	12,205.87	3,500	106,801.33	40,000	1,220,586.71	600,000	18,308,800.71
500	15,257.33	4,000	122,058.67	50,000	1,525,733.39	700,000	21,360,267.50
600	18,308.80	4,500	137,316.00	60,000	1,830,880.07	800,000	24,411,734.28
700	21,360.26	5,000	152,573.34	70,000	2,136,026.75	900,000	27,463,201.06
800	24,411.74	6,000	183,088.00	80,000	2,441,173.43	1,000,000	30,514,667.86
900	27,463.20	7,000	213,602.68	90,000	2,746,320.11	1,100,000	33,566,134.64
1,000	30,514.68	8,000	244,117.34	100,000	3,051,466.79	1,288,700 ⁽¹⁾	39,324,252.46
1,500	45,772.00	9,000	274,632.01	200,000	6,102,933.56		

Note:

- (1) Maximum number of Hong Kong Offer Shares you may apply for and this is 50% of the Hong Kong Offer Shares initially offered.
- (2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** Service Provider) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

EXPECTED TIMETABLE⁽¹⁾

Hong Kong Public Offering commences	9:00 a.m. on Thursday, November 28, 2024
Latest time for completing electronic applications under the HK eIPO White Form service through the designated website www.hkeipo.hk ⁽²⁾	11:30 a.m. on Tuesday, December 3, 2024
Application lists of the Hong Kong Public Offering open ⁽³⁾	11:45 a.m. on Tuesday, December 3, 2024
Latest time to (a) complete payment of HK eIPO White Form applications by effecting Internet banking transfer(s) or PPS payment transfer(s) and (b) give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Tuesday, December 3, 2024

If you are instructing your **broker** or **custodian** who is a HKSCC Participant who will submit an **electronic application instructions** on your behalf through HKSCC’s FINI system in accordance with your instruction, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists of the Hong Kong Public Offering close ⁽³⁾	12:00 noon on Tuesday, December 3, 2024
Announcement of an indication of the level of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company’s website at https://www.dmall.com/ ⁽⁵⁾ at or before	11:00 p.m. on Thursday, December 5, 2024

The results of allocations in the Hong Kong Public Offering (with successful applicants’ identification document numbers, where appropriate) to be available through a variety of channels, including:

- In the announcement to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company’s website at <https://www.dmall.com/>⁽⁵⁾ from
- From the “Allotment Results” page at www.hkeipo.hk/IPOResult (or www.tricor.com.hk/ipo/result) with a “search by ID” function from
- From the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from

Dispatch of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering or deposited into CCASS on or before ⁽⁶⁾⁽⁸⁾	11:00 p.m. on Thursday, December 5, 2024
HK eIPO White Form e-Auto Refund payment instructions/refund checks in respect of wholly or partially unsuccessful applications to be dispatched on or before ⁽⁷⁾⁽⁸⁾	11:00 p.m. on Thursday, December 5, 2024
Dealings in the Shares on the Stock Exchange to commence at	Friday, December 6, 2024, to Wednesday, December 11, 2024 (excluding Saturday, Sunday and public holiday in Hong Kong)
	Thursday, December 5, 2024
	Friday, December 6, 2024
	9:00 a.m. on Friday, December 6, 2024

Notes:

(1) All times and dates refer to Hong Kong local time and date, except as otherwise stated.

EXPECTED TIMETABLE⁽¹⁾

- (2) You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above, “Extreme Conditions” and/or a “black” rainstorm warning at any time between 9:00 a.m. and 12:00 noon on Tuesday, December 3, 2024, the application lists will not open on that day. See “How to Apply for Hong Kong Offer Shares—E. Bad Weather Arrangements” of this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to Apply for Hong Kong Offer Shares—A. Application for Hong Kong Offer Shares” of this prospectus.
- (5) None of the websites or any of the information contained on the website forms part of this prospectus.
- (6) Share certificates are expected to be issued on or before Thursday, December 5, 2024 but will only become valid provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details before the receipt of Share certificates and before they become valid do so entirely of their own risk.
- (7) e-Auto Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications.
- (8) Applicants who have applied for Hong Kong Offer Shares through the **HKSCC EIPO** channel should refer to the section headed “How to Apply for Hong Kong Offer Shares—D. Dispatch/Collection of Share Certificates and Refund of Application Monies” of this prospectus for details.

Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks in favor of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at their own risk. Further information is set out in the sections headed “How to Apply for Hong Kong Offer Shares—D. Dispatch/Collection of Share Certificates and Refund of Application Monies” of this prospectus.

The above expected timetable is a summary only. You should read carefully the sections headed “Underwriting”, “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” of this prospectus for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the dispatch of refund checks and Share certificates.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, our Company will make an announcement as soon as practicable thereafter.

CONTENTS

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This document is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this document pursuant to the Hong Kong Public Offering. This document may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstance. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this document to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this document. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representations not contained or made in this document must not be relied on by you as having been authorized by us, the Joint Sponsors, the Overall Coordinators and the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents or representatives, or any other parties involved in the Global Offering.

	<u>Page</u>
Expected timetable	i
Contents	iii
Summary	1
Definitions	31
Glossary of technical terms	45
Forward-looking statements	48
Risk factors	49
Waivers and exemptions	97
Information about this document and the Global Offering	105
Directors and parties involved in the Global Offering	109
Corporate information	116
Industry overview	118
History, reorganization and corporate structure	135
Business	162
Regulations	267
Relationship with the Controlling Shareholders	290
Connected transactions	302
Directors and senior management	330

CONTENTS

	<u>Page</u>
Substantial shareholders	343
Share capital	345
Financial information	348
Cornerstone investor	418
Future plans and use of proceeds	422
Underwriting	428
Structure of the Global Offering	440
How to apply for Hong Kong Offer Shares	449
Appendix I Accountants' report	I-1
Appendix II Unaudited pro forma financial information	II-1
Appendix III Summary of the constitution of our Company and BVI company law	III-1
Appendix IV Statutory and general information	IV-1
Appendix V Documents delivered to the Registrar of Companies and on display	V-1

SUMMARY

This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this document. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to invest in the Offer Shares.

WHO WE ARE

We provide retail digitalization solutions to retailers in the local retail industry. Local retail refers to the business of selling merchandise to consumers located in close proximity through offline channels or online channels. We primarily provide solutions in China and have successfully expanded our businesses to other countries and regions in Asia, comprising Hong Kong SAR, Cambodia, Singapore, Malaysia, Macau SAR, Indonesia, the Philippines and Brunei. According to Frost & Sullivan, we were the largest retail digitalization solution provider in China by revenue in 2023, with a market share of 6.5% and the third largest retail digitalization solution provider in Asia, with a market share of 4.2%. Retail digitalization solution providers refer to companies that offer digital products and services designed to enhance and digitalize the operations of local retailers.

We started our business in retail digitalization in collaboration with Wumei Group, a leading retailer in China, which was our largest customer during the Track Record Period. We have a close business relationship and have engaged in substantial business transactions with Wumei Group, one of our Related Parties. Dr. Zhang Wenzhong, our founder, senior advisor and our Controlling Shareholder, is the controlling shareholder of Wumei Technology Group, Inc., the holding company of Wumei Group. We implemented our cloud solutions in Wumei Group’s nationwide store network and our functionalities through their complex operation. Today, we have developed retail digitalization solutions for customers of various sizes and formats that encompass local retail operations, from procurement and supply chain management, store and headquarters management, to marketing and omni-channel sales. Our experience with Wumei Group has inspired us to deliver many popular modules that are applicable to other retail formats from chained supermarkets, warehouse supermarkets, department stores to convenience stores, specialty retailers and retailers with new retail formats, such as membership stores and discount stores. We also serve other major retailers, such as Chongqing Department Store Group (one of our Related Parties), Yinchuan Xinhua Group (one of our Related Parties and controlled by Dr. Zhang), and Maidelong Entities (one of our Related Parties and controlled by Dr. Zhang), as well as well-known brands such as Wellcome, Mannings, Guardian, Giant, and 7-Eleven (Hong Kong), which operate under the DFI Retail Group. We now cover all major retail formats, such as convenience stores, department stores, supermarkets and specialty retail, helping our expanding customer base meet ever-evolving market challenges and provide quality services to consumers. As a testament to our success, we served 236, 436, 533 and 444 customers for the years ended December 31, 2021, 2022, 2023 and six months ended June 30, 2024, respectively. We were loss making during our Track Record Period, mainly attributable to expenses incurred in line with our rapid growth and development. We have been narrowing the adjusted losses and believe our up front investment in our growth sets a strong foundation for our future business development and path to profitability.

SUMMARY

OUR SERVICE OFFERINGS

Our retail core service cloud, consisting of our proprietary Dmall OS system and AIoT solutions, integrates various function that help retailers digitalize and optimize their operation. Under our Dmall OS system, we provide various service modules designed to help retailers digitalize all crucial aspects of their operations, from procurement, supply chain and warehouse management to product display and store operation. For instance, procurement management helps retailers discern consumer needs and identify changes in user preferences, while supply chain management provides real-time tracking and demand forecasting. Warehouse management optimizes inventory and enhances pick-and-pack efficiency, ensuring timely and accurate fulfillment. Merchandise display management further boosts efficiency by generating merchandise recommendations that tailor to the specific circumstances of each retailer. Store operations benefit from optimized workflows and staff scheduling enabled by our store management module. Retailers have the flexibility to select, configure, and integrate different modules to cater to their unique operational needs and preferences. Together, these modules enable data-driven decisions, reduce costs for retailers, and improve consumer experiences. Additionally, we offer AIoT solutions that integrate AI technologies with the Internet of Things infrastructure to address practical and immediate application scenarios for retailers, thereby improving in-store management efficiency and enhancing personalized shopping experiences for consumers. For example, our intelligent loss prevention solutions replace currently labor intensive and less effective manual monitoring process with remote surveillance and automatic detection of abnormal checkout. Our intelligent package sorting solutions help optimize the route of package sorting personnel from shelf to packing table and improve sorting efficiency. Our proprietary Dmall OS system, in conjunction with AIoT solutions, assists retailers in enhancing productivity, increasing revenue, and reducing costs. The number of customers using our retail core service cloud increased from 231 in 2021 to 527 in 2023. The number of customers using our retail core service cloud increased from 409 in the six months ended June 30, 2023 to 430 in the same period in 2024.

BUSINESS DEVELOPMENTS

During the Track Record Period, we also provided e-commerce service cloud and online marketing services. See “Business—E-commerce service cloud.” By the end of 2023, we phased out most e-commerce service cloud offerings as customers transitioned their O2O operations in-house, where they carried out their own daily online store management, such as updating product listings, maintaining product information, handling inquiries and after-sales, and managing store promotions.

In April 2024, we completed the Restructuring to divest all of our equity in Dmall Fresh (Beijing), our former VIE. The Restructuring led to the cessation of the operation of the Dmall app and mini programs, which primarily led to the termination of our online advertising services under the marketing and advertising service cloud we previously operated and payment processing services under the retail core service cloud. The financial results of our online advertising services were classified as discontinued operations in the historical financial information. Following the Restructuring, we are focused on offering retail core service cloud solutions, while other services, such as offline marketing, no longer generate significant revenue. See “—Recent Developments.”

REVENUE

During the Track Record Period, we derived our revenue primarily from the provision of our services of retail core service cloud and e-commerce service cloud. Our revenue increased by 56.6% from RMB848.2 million in 2021 to RMB1,328.3 million in 2022, and further increased by 19.4% to

SUMMARY

RMB1,585.4 million in 2023. Our revenue increased by 22.9% from RMB764.0 million for the six months ended June 30, 2023 to RMB939.2 million for the six months ended June 30, 2024.

The following table sets forth a breakdown of our revenue by operating segment both in absolute amount and as a percentage of our revenue for the years/periods presented:

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>									
	<i>(unaudited)</i>									
Retail core service cloud . . .	438,814	51.7	880,502	66.3	1,298,730	81.9	602,255	78.8	933,185	99.4
- Operating system	288,481	34.0	616,529	46.4	680,043	42.9	330,665	43.3	419,838	44.7
- AIoT solutions	150,333	17.7	263,973	19.9	618,687	39.0	271,600	35.5	513,347	54.7
E-commerce service cloud	409,312	48.3	447,487	33.7	300,006	18.9	160,465	21.0	4,279	0.4
Others	66	*	275	*	(13,379)	(0.8)	1,283	0.2	1,698	0.2
Revenue	848,192	100.0	1,328,264	100.0	1,585,357	100.0	764,003	100.0	939,162	100.0

Notes:

* Less than 0.1%

Retail core service cloud

During the Track Record Period, we primarily provided Dmall OS system and AIoT solutions under our retail core service cloud business segment. In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, revenues from our retail core service cloud solutions were RMB438.8 million, RMB880.5 million, RMB1,298.7 million, RMB602.3 million and RMB933.2 million, respectively, representing 51.7%, 66.3%, 81.9%, 78.8% and 99.4% of our revenues in the same years/periods. The increases in our revenue from retail core service cloud solutions during the Track Record Period was primarily due to (i) an increase in GMV processed through the operating system (the value of customers' total sales through both online and offline channels) as a result of (a) a greater number of customers adopting our operating system as we continue to attract, retain and cooperate with enterprise retail customers and (b) the expansion of our product portfolio such as the introduction of the distributed e-commerce system, (ii) an increase in sales generated from greater adoption of our AIoT solutions by customers as we expanded our AIoT service and product offerings during the Track Record Period, mainly driven by the increase in subscription fees from (a) intelligent merchandise replenishment solutions which automates the replenishment with integrated camera and software, (b) intelligent package sorting solutions which leverage big data algorithms and modeling techniques to enhance overall package sorting efficiency, (c) intelligent cashier solutions which digitalizes the checkout process and streamlines personnel management by leveraging several smart store know-how, (d) intelligent cleaning solutions which combines digital cleaning devices, such as sweeping robot, and labor force in off-line retail settings and (e) intelligent delivery solutions which offers delivery systems, route and order planning algorithms, dispatching, and aggregated delivery services, and (iii) an increase in revenue generated from software development and maintenance services under our operating system segment and associated with our acquisition of Shenzhen Enjoy in November 2021 and (iv) new customization revenues from existing customers who demanded additional customized functionalities, such as customized fulfillment system development based on delivery areas and product attributes, development of tailored technical interfaces for integration with other platforms, and improvement of user interface and ordering process. For more information regarding our acquisition of Shenzhen Enjoy, please refer to "History, Reorganization and Corporate Structure—Acquisitions and Disposals."

SUMMARY

E-commerce service cloud

During the Track Record Period, we primarily provided O2O platform service and logistics services under the e-commerce service cloud business segment. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, revenues from our e-commerce service cloud solutions were RMB409.3 million, RMB447.5 million, RMB300.0 million, RMB160.5 million and RMB4.3 million, respectively, representing 48.3%, 33.7%, 18.9%, 21.0% and 0.5% of our revenues in the same years/periods. The increase in our revenue from 2021 to 2022 for e-commerce service cloud solutions was primarily due to (i) the increase in total GMV processed through our O2O platform together with the expansion of our customer base and (ii) an increase in take rate we charged for certain retailer customers. In 2022 and 2023, revenue generated from our e-commerce service cloud solutions were RMB447.5 million and RMB300.0 million, respectively, representing 33.7% and 18.9% of our revenues in the same years. The decrease in our revenue from e-commerce service cloud solutions was primarily due to (i) the decrease in O2O platform service fees as a result of certain customers opt to operate O2O e-commerce business in-house, (ii) the decrease in GMV processed and number of delivery orders placed through our platform for certain retailer customer and (iii) the cessation of our O2O e-commerce business we used to provide to DFI Retail Group along with our disposal of DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited in April 2022. For details, see “History, Reorganization and Corporate Structure—Acquisitions and Disposals—(4) DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited.” In the six months ended June 30, 2023 and 2024, revenue generated from our e-commerce service cloud solution were RMB160.5 million and RMB4.3 million, respectively, representing 21.0% and 0.5% of our revenues in the same periods. We experienced the decrease in our revenue from e-commerce service cloud solutions as all of our customers shifted to operating their e-commerce business in-house by the end of 2023.

By the end of 2023, all our customers had transitioned to in-house O2O operation, where they manage their own day-to-day O2O operations. Consequently, the bulk of the services we provided under the e-commerce service clouds, such as the operational support for their online stores and delivery services, had been phased out by the end of 2023. The remaining services we provided under the e-commerce service cloud solutions did not generate material revenue in 2024. After the Restructuring, we do not operate any business under the e-commerce service cloud. See “—Recent Developments.”

Others

During the Track Record Period, the services we provided under our other business segment primarily included offline marketing services, offline marketing products and the provision of discounts and coupons. In 2021, 2022 and 2023, revenue generated from others was RMB0.1 million, RMB0.3 million and negative RMB13.4 million, respectively. We recorded negative RMB13.4 million in revenue in 2023 for others primarily due to an amount of RMB18.9 million provided to Chongqing Department Store representing the equivalent value shortage of marketing resources we collaborated with third party marketing participants. We entered into a marketing resource collaboration agreement with Chongqing Department Store in late 2022, pursuant to which we agreed to assist Chongqing Department Store Group’s marketing activities by gathering marketing resources from third party market participants (including but not limited to brand owners, payment solution operators, banks and other businesses or organizations) of not less than RMB50 million in value per calendar year during the service period from January 1, 2023 to December 31, 2025. In 2023, as the marketing resources used by consumers of Chongqing Department Store was less than RMB50 million in value due to the decrease in consumers’ willingness to spend, we paid the resultant value shortage (the part short of RMB50 million, the “**Value Shortage**”) to Chongqing Department Store. In the six months ended

SUMMARY

June 30, 2023 and 2024, revenue generated from others was RMB1.3 million and RMB1.7 million, respectively. See “Business—Others—Marketing Resource Collaboration Agreement with Chongqing Department Store.”

GROSS PROFIT AND GROSS MARGIN

We had a total gross profit margin of 20.4%, 38.0%, 35.0%, 36.3% and 38.3% in 2021, 2022, 2023 and six months ended June 30, 2023 and 2024, respectively. The overall increase in gross profit margin during the Track Record Period was driven by our strategic focus on high-gross-margin segments and greater revenue contribution of our retail core service cloud business, which has a notably high gross profit margin. The decrease from 2022 to 2023 was due to the increasing adoption of our AIoT solutions by our customers, which has a relatively lower gross profit margin compared to our other products.

The following table sets forth our gross profit in absolute amounts and as percentages of relevant segment revenue, or gross margin, for the years/periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	Gross Profit/(Loss)	Gross Margin	Gross Profit	Gross Margin	Gross Profit/(Loss)	Gross Margin	Gross Profit/(Loss)	Gross Margin	Gross Profit/(Loss)	Gross Margin
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>									
	<i>(unaudited)</i>									
Retail core service										
cloud	260,163	59.3	494,570	56.2	541,721	41.7	265,308	44.1	368,566	39.5
<i>Operating system</i>	209,300	72.6	436,128	70.7	478,330	70.3	234,728	71.0	322,233	76.8
<i>AIoT solutions⁽¹⁾</i>	50,863	33.9	58,442	22.2	63,391	10.2	30,580	11.3	46,332	9.0
E-commerce service										
cloud	(87,490)	(21.4)	10,351	2.3	30,858	10.3	12,554	7.8	1,708	39.9
Others	66	100.0	275	100.0	(17,878)	—	(693)	(54.0)	(11,020)	(649.0)
Total	172,739	20.4	505,196	38.0	554,701	35.0	277,169	36.3	359,254	38.3

Note:

(1) AIoT solutions is a type of value-added service we provide, and many of its customers come from our existing Dmall OS customers. As a result, we anticipate that the selling and marketing and research and development expenses associated with AIoT solutions will be lower compared to our other existing business operations.

The retail core service cloud solutions segment had a gross profit margin of 59.3% and 56.2% in 2021 and 2022, respectively, driven by increased sales from our AIoT solutions with relatively lower gross margins including digitalized smart tags and intelligent loss prevention solutions, in comparison to other components of our retail core service cloud solutions. The retail core service cloud solutions segment had a gross profit margin of 56.2% and 41.7% in 2022 and 2023, respectively, driven by the launch of additional AIoT solutions with relatively lower gross margins in comparison to other components of our retail core service cloud solutions. The retail core service cloud solutions segment had a gross profit margin of 44.1% and 39.5% in the six months ended June 30, 2023 and 2024, respectively, driven by the expansion of our AIoT solutions which have relatively lower gross margins in comparison to other components of our retail core service cloud solutions. Our AIoT solutions initially incur higher costs due to outsourcing and labor needs, which led to relatively lower gross margin. As these solutions mature, generally within three years based on our estimates, outsourcing needs decrease, leading to a gradual reduction in costs until they stabilize at a lower level.

The e-commerce service cloud solutions segment had a gross margin of negative 21.4%, 2.3%, 10.3%, 7.8% and 39.9% in 2021, 2022, 2023 and in the six months ended June 30, 2023 and 2024, respectively. The

SUMMARY

gross loss margin in 2021 and low gross profit margins in 2022 and 2023 were mainly due to high logistics cost incurred from the delivery service we provided to consumers to fulfill their delivery orders, accounting for 93.6%, 76.6% and 77.8% of revenue from our e-commerce service cloud solutions in 2021, 2022 and 2023, respectively. The increase in gross margin from 2021 to 2023 is primarily driven by (i) charging a higher average take rate of 4.5% in 2021 compared to 5.6% in 2023 for customers using our e-commerce service cloud, which is the result of arm's-length negotiation with our customers based on the rate of our competitors and our costs for operating the e-commerce service cloud solutions and (ii) a decrease in logistics cost by 10.5% from RMB383.1 million in 2021 to RMB342.8 million in 2022, and a further decrease by 31.9% from RMB342.8 million in 2022 to RMB233.5 million in 2023, mainly due to the introduction of our delivery service bidding process as well as certain customers transitioning to an in-house delivery model in lieu of using our on-demand delivery service. We adopted a delivery service bidding process in April 2020, which provides a thorough way for us to evaluate a logistic service provider's service proposal and competencies. We collect bids from service providers and select the supplier that best meets our needs with the most competitive price. As more logistic service providers joined the bidding process, we saw an improvement in logistic costs during the Track Record Period. In addition, we ceased to provide logistics services under e-commerce service cloud when customers transitioned their O2O operations in-house, which also contributed to an increase in the gross margin of our e-commerce service cloud. See “—Recent Developments” and “—Business Sustainability & Path to Profitability.”

Others had a gross profit margin of 100.0% in 2021 and 2022. We recorded gross loss for 2023 and the six months ended June 30, 2024.

PRICING

Our pricing structure varies depending on the product or service we offer.

Retail core service cloud

Dmall OS. For our Dmall OS system, we offer the option to either charge a percentage of the customers' GMV processed by our system or provide a fixed subscription fee tailored to suit customers' individual needs or financial situation. The take rate based fee we charge is determined based on various factors, including, among others, the number and types of modules subscribed by the customer, the subscription period, the expected customer's total GMV transacted through our system, and the size and operational scope of the customer. For customers that adopt the subscription fee based model, we charge them a service and consultation fee based on various factors, including, among others, the number and types of modules subscribed by the customer, the subscription period, and the size and operational scope of the customers. In addition, for customers in need of customization, implementation, software development and maintenance services, we provide customized services and charge them a corresponding service fee based on the aggregated work hour or work day involved and the applicable fee rate per worker per work hour or work day.

AIoT solutions. For our AIoT solutions, other than the Scan-and-Go solutions, we charge either a one-time payment or a monthly subscription fee. The amount of the fee is determined by several factors, such as the types of products and/or services provided by us and the retail format, store size, and operating scope of the customer. For our Scan-and-Go solutions, which allow consumers to conduct self-checkout and make payments using their phones, we charge a take rate fee that varies depending on the payment channel used by consumers. Due to retailers' requirements for collaborating with different payment providers, we incur different costs. As a result, the take rate we charge

SUMMARY

customers varies. Consumers can choose from various payment service providers, such as WeChat Pay, Alipay, and UnionPay, to complete their purchases. This fee is only applicable to customers who use our Scan-and-Go solutions.

The following table sets forth our revenues from our retail core service cloud by pricing model in absolute amount and as a percentage of our revenues from our retail core service cloud for the years/periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>						<i>(unaudited)</i>			
Operating system	288,481	65.7	616,529	70.0	680,043	52.4	330,655	54.9	419,838	44.9
- Take rate	198,172	45.1	429,498	48.8	431,769	33.2	224,344	37.2	240,119	25.7
- Subscription ⁽¹⁾	60,590	13.8	36,471	4.1	89,812	6.9	31,444	5.2	86,160	9.2
- Customization, implementation, software development and maintenance and others ⁽²⁾	29,719	6.8	150,560	17.1	158,462	12.2	74,867	12.5	93,559	10.0
AIoT solutions	150,333	34.3	263,973	30.0	618,687	47.6	271,600	45.1	513,347	55.1
- Take rate	113,894	26.0	105,638	12.0	66,057	5.0	36,624	6.1	28,878	3.1
- Subscription ⁽³⁾	16,693	3.8	85,885	9.8	516,473	39.8	211,403	35.1	479,418	51.4
- Product sales ⁽⁴⁾	19,746	4.5	72,450	8.2	36,157	2.8	23,573	3.9	5,051	0.6
Total revenue for retail core service cloud . . .	438,814	100.0	880,502	100.0	1,298,730	100.0	602,255	100.0	933,185	100.0

Notes:

- (1) The decrease in subscription fee we recognized in 2022, as compared to 2021, was primarily due to certain customer switching from subscription based payment to take rate based payment. The increase in subscription fee in 2023, as compared to 2022, was primarily due to the text messaging services we provided to meet the business demands of our customers.
- (2) Our customization, implementation, software development and maintenance and others revenue increased from RMB29.7 million in 2021 to RMB150.6 million in 2022, mainly attributable to increase in software development and maintenance revenue in association with our acquisition of Shenzhen Enjoy completed in November 2021, and new customization revenue from existing customers who demanded additional customized functionalities on our operating system due to respective business needs.
- (3) There was a general increase in the subscription fees under our AIoT solutions, mainly attributable to a greater adoption of such solutions by customers as we expanded our AIoT service during the Track Record Period, including intelligent loss prevention solutions in early 2022, as well as intelligent merchandise replenishment solutions, intelligent package sorting solutions, intelligent cashier solutions, intelligent cleaning solutions and intelligent delivery solutions in 2023.
- (4) The increase in our product sales under AIoT solutions from RMB19.7 million in 2021 to RMB72.5 million in 2022 resulted from the expansion of our product offerings of digitalized smart tags in late 2021. The decrease from RMB72.5 million in 2022 to RMB36.2 million in 2023 was mainly due to the majority of our retailer customers' stores having completed their digitalized smart tags adoption by 2022.

We use the total sales value of our customers as the GMV for determining the fees we charge our customers. We record our customers' total value of both offline and online sales to consumers as the GMV. Offline sales of customers are recorded through point-of-sale system (POS system) and Scan-and-Go terminals. We also record online sales of our customers through Dmall OS system. For retail core service cloud solutions, our customers under the take rate fee model generally subscribed at least to our POS system. We charge a customer a take rate for subscribing our POS system and will increase the take rate when the customer subscribes for more modules to reflect fees for additional services we provide through these modules. For customers that do not use the aforementioned product and services and therefore do not directly produce GMV information, we generally charge them a subscription fee. We do not set minimum subscription requirement for our customers.

SUMMARY

E-commerce service cloud

For our e-commerce service cloud, we derived revenue from O2O platform service fees paid by our customers and delivery fees paid by consumers during the Track Record Period. For O2O platform service fees, we primarily adopted a take rate fee structure by charging a percentage of the GMV processed by our e-commerce service cloud. The take rate we charged under the e-commerce service cloud was determined based on the scope and scale of our customers' operation. We also charged consumers delivery fee for using the on-demand delivery services.

The following table sets forth our revenue under our e-commerce service cloud segment in absolute amount and as a percentage of our total revenue for e-commerce service cloud for the years/periods indicated:

	Years Ended December 31,						Six Months Ended June 30,				
	2021		2022		2023		2023		2024		
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	
	<i>(in thousands, except percentages)</i>										
	<i>(unaudited)</i>										
Revenue											
O2O platform service	310,794	75.9	349,263	78.0	246,909	82.3	130,464	81.3	4,279	100	
Logistics	98,518	24.1	98,224	22.0	53,097	17.7	30,001	18.7	—	—	
Total revenue from e-commerce service cloud	409,312	100.0	447,487	100.0	300,006	100.0	160,465	100.0	4,279	100.0	

Others

During the Track Record Period, the services we provided under our other business segment primarily included offline marketing services, offline marketing products and the provision of discounts and coupons. The price of our offline marketing and advertising services, including both advertisement placement and related consultation services, was determined based on various factors, including, among others, the format and duration of the advertisement, targeting scope and display location. Our offline marketing products are priced based on an arm's length negotiation with our customers based on the type of products provided and the relevant amount and specifications. See also "Business—Marketing Resource Collaboration Agreement with Chongqing Department Store."

KEY OPERATING DATA

The following table sets forth our key operating data for the years/periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2021	2022	2023	2023	2024
GMV processed through our system⁽¹⁾ (in RMB billions)					
- Retail core service cloud					
- Operating system ⁽²⁾	95.1	123.3	141.9	69.1	76.1 ⁽⁵⁾
- Take rate customers ⁽³⁾	58.5	106.3	113.5	56.8	48.8
<i>Related Parties</i>	50.9	81.1	76.7	39.5	28.0
<i>Other Related Party</i>	6.9	22.0	32.8	15.3	19.2
<i>Independent Customers</i>	0.7	3.1	4.0	2.0	1.6
- AIoT Solutions	14.2	12.6	10.2	5.5	4.9
- E-commerce service cloud* ⁽⁴⁾	6.9	8.2	4.4	2.4	—
<i>Related Parties</i>	5.5	7.5	4.3	2.3	—
<i>Other Related Party</i>	0.2	0.1	—	—	—
<i>Independent Customers</i>	1.1	0.5	0.2	0.1	—

SUMMARY

	Year Ended December 31,			Six Months Ended June 30,	
	2021	2022	2023	2023	2024
Number of customers⁽⁶⁾					
- Retail core service cloud	231	432	527	409	430
- <i>Operating system</i>	164	300	324	251	283
- <i>AIoT solutions</i>	84	188	281	214	184
- E-commerce service cloud*	40	35	29	29	*
- Others	3	4	4	2	19
Total number of customers⁽⁷⁾	236	436	533	413	444

Notes:

- * The e-commerce cloud service solutions has been immaterial in 2024. By the end of 2023, all our customers had transitioned to in-house O2O operation, where they manage their own day-to-day O2O operations. As a result of our customers opting for in-house O2O e-commerce business, we ceased to provide system and delivery services under the e-commerce service cloud solutions for those customers accordingly, but we provide distributed e-commerce system and other services to them if they decide to subscribe to such services. Consequently, the bulk of the services we provided under the e-commerce service clouds during the Track Record Period, such as the operational support for their online stores and delivery services, had been phased out by the end of 2023. The remaining services we provided under the e-commerce service cloud solutions did not generate material revenue in 2024. In April 2024, we completed the Restructuring, which led to the divestment of the Dmall app. After the Restructuring, we do not operate any business under the e-commerce service cloud. See “—Recent Development,” “Business—Retail Core Service Cloud Solutions—Distributed e-commerce system” and “Business—E-commerce service cloud.”
- (1) Refers to the GMV processed by our retail core service cloud and e-commerce service cloud. The provision of other revenue is not directly associated with GMV as we do not charge our advertising customers based on the GMV processed.
- (2) Refers to the GMV processed through our Dmall OS system.
- (3) Take rate customers for a given year/period refers to customers that contributed revenue under the take rate fee model in the given year/period, excluding customers that subscribe only to the membership and product sales management module under the take rate fee model. GMV from customers that are not take rate customers (i.e. customers that pay fixed subscription fee) accounted for the difference between GMV attributable to the operating system and take rate customers. The membership and product sales management module is specifically designed to help large retailers manage consumer profiles and arrange the sales of certain high-value hot sellers. We charge customers that subscribed to this module a take rate of no less than 1% compared to other modules that have an average take rate ranging from 0.3% to 0.5% during the Track Record Period to account for the system’s complexity. We exclude the GMV from subscriptions to our purchase membership and product sales management module that are made on a standalone basis due to (i) the module’s higher take rate could distort our operating metrics, and (ii) the GMV from these standalone subscriptions is not material to our overall performance.
- (4) The decrease in GMV in 2023 compared to that of 2022 was primarily due to (i) certain customers opt to operate O2O e-commerce business in-house, where they manage their own day-to-day O2O operations, (ii) the cessation of our O2O e-commerce business we used to provide to DFI Retail Group along with our disposal of DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited in April 2022 and (iii) our strategic decision to not aggressively expand our e-commerce business. For details, see “Summary—Business Sustainability & Path to Profitability” and “History, Reorganization and Corporate Structure—Acquisitions and Disposals—(4) DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited.”
- (5) The overall increase in operating system GMV was primarily driven by more customers subscribing to our operating system and our customers subscribing to additional modules and integrating our services into more stores. We experienced a decline in operating system GMV from take-rate customers as some Wumart supermarket transitioned to a subscription-based fee model.
- (6) Number of customers that have contributed revenue to us in a given year/period, including number of customers we serve through Shenzhen Enjoy as a result of our acquisition of Shenzhen Enjoy in November 2021. If we remove the number of customers solely using Shenzhen Enjoy’s products from the calculation, in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, we had retail core service cloud solutions customer of 86, 162, 259, 213 and 183, respectively, including (i) operating system customer of 23, 39, 60, 47 and 60, respectively, (ii) AIoT solutions customers of 75, 142, 217, 182 and 136, respectively. The number of customers does not include those from our tax invoice management system services, which was launched in 2023 and generated revenue of RMB10 thousand in 2023 and RMB2.3 million in the six months ended June 30, 2024. We had 14 and 930 tax invoice customers in the second half of 2023 and the six months ended June 30, 2024, respectively.
- (7) Many of our customers use more than one of our cloud service solutions. Therefore eliminations are made to avoid double counting.

OUR CUSTOMERS AND SUPPLIERS

We have a close business relationship and have engaged in substantial business transactions with the Related Parties. Dr. ZHANG Wenzhong, our founder, senior advisor and our Controlling Shareholder is a prominent leader in the local retail industry in China and founder and a controlling shareholder of Wumei Technology Group, Inc., the holding company of Wumei Group. Our customers are primarily retailers and brand owners. Revenues generated from our five largest customers in each of 2021, 2022, 2023, and the six months ended June 30, 2024 accounted for 79.4%, 83.3%, 87.2% and 89.6%, respectively, of our revenue during the same years/period. Revenue generated from our largest customer in each of 2021, 2022, 2023 and the six months ended June 30, 2024 accounted for 60.0%,

SUMMARY

64.0%, 71.9% and 75.3%, respectively, of our revenue during the same years/period. See “Business—Customers” and “Business—Our Relationship with the Related Parties.”

During the Track Record Period, we recognized a substantial portion of our revenue from our cooperation with the Related Parties. The following table sets out the historical revenue contribution of the Related Parties, Other Related Party and Independent Customers in absolute amount and as percentage of our revenue during the Track Record Period:

	Years Ended December 31,						Six Months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>									
	<i>(unaudited)</i>									
Revenue contribution										
Wumei Group	384,055	45.3	561,579	42.3	821,047	51.8	396,454	51.9	484,459	51.6
MDL Wholesale Group**	86,618	10.2	258,246	19.4	259,471	16.4	125,347	16.4	183,819	19.6
Yinchuan Xinhua Group	38,052	4.5	30,676	2.3	54,944	3.5	27,416	3.6	32,521	3.5
Chongqing Department										
Store Group	90,153	10.6	115,094	8.7	62,781	4.0	39,627	5.2	27,684	2.9
B&T Entities	—	—	—	—	3,721	0.2	1,101	0.1	5,971	0.6
Dmall Fresh (Beijing)	—	—	—	—	—	—	—	—	126	*
Related Parties	598,878	70.6	965,595	72.7	1,201,964	75.9	589,945	77.2	734,580	78.2
Other Related Party	28,198	3.3	95,380	7.2	138,986	8.8	67,815	8.9	79,725	8.5
Independent Customers	221,116	26.1	267,289	20.1	244,407	15.3	106,243	13.9	124,857	13.3
Revenue	848,192	100.0	1,328,264	100.0	1,585,357	100.0	764,003	100.0	939,162	100.0

* Less than 0.1%

** Refers to Maidelong Entities prior to the MDL Reorganization.

Apart from the Chinese mainland, we have successfully expanded our businesses into markets outside the Chinese mainland, namely Hong Kong SAR, Cambodia, Singapore, Malaysia, Poland, Macau SAR, Indonesia, the Philippines and Brunei. We are also in the initial stage venturing into European market through our collaboration with Metro Group, a leading wholesaler headquartered in Germany. The following table sets forth the breakdown of our revenue by geographic region.

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>									
	<i>(unaudited)</i>									
The Chinese Mainland	827,936	97.6	1,247,930	94.0	1,462,096	92.2	705,676	92.4	864,121	92.0
Overseas										
- Hong Kong	18,312	2.2	76,502	5.8	113,428	7.2	54,013	7.1	60,000	6.4
- Cambodia	989	0.1	2,598	0.2	4,842	0.3	2,628	0.3	2,389	0.3
- Singapore	955	0.1	971	*	2,309	0.1	948	0.1	4,712	0.5
- Malaysia	—	—	—	—	1,687	0.1	—	—	223	*
- Poland	—	—	239	*	667	*	667	0.1	2	*
- Macau	—	—	24	*	328	*	71	*	550	0.1
- Indonesia	—	—	—	—	—	—	—	—	1,260	0.1
- the Philippines	—	—	—	—	—	—	—	—	5,627	0.6
- Brunei	—	—	—	—	—	—	—	—	278	*
Total	848,192	100.0	1,328,264	100.0	1,585,357	100.0	764,003	100.0	939,162	100.0

Note:

* Less than 0.1%

SUMMARY

Our suppliers primarily include labor outsourcing companies, logistics service providers, payment processing service providers, AIoT product providers, text messaging service providers, cloud service providers, customer service providers and marketing support providers. Amounts paid to our five largest suppliers in each of 2021, 2022 and 2023 and the six months ended June 30, 2024 accounted for 14.8%, 15.4%, 27.7%, and 37.4%, respectively, of our purchases from continuing operations during the same years/period. Amounts paid to our largest suppliers in each of 2021, 2022 and 2023 and the six months ended June 30, 2024 accounted for 6.5%, 7.8%, 15.3%, and 20.6% of our total purchases from continuing operations during the same years/period respectively. See “Business—Suppliers.”

OUR RELATIONSHIP WITH THE RELATED PARTIES

During the Track Record Period, we recognized a substantial portion of our revenue from our cooperation with the Related Parties. Related Parties contributed revenue of RMB598.9 million, RMB965.6 million, RMB1,202.0 million, RMB589.9 million and RMB734.6 million in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively.

Despite the relatively high revenue contribution from the Related Parties to our Group during the Track Record Period, there is no undue reliance on the Related Parties to conduct our business. We believe the business relationship between our Group and the Related Parties is mutually beneficial and dependent. Through extensive collaboration with the Related Parties, we have developed a profound understanding of their retail operations. Leveraging this knowledge, we offer customized solutions via our proprietary Dmall OS system to address various operational challenges. Furthermore, our Dmall OS system is capable of continuous enhancement. Given the magnitude and intricacy of the Related Parties’ operations, we believe they are reliant on our system and services. It also would pose significant challenges and incur substantial expenses for the Related Parties to find an alternative retail digitalization solution provider to replace us. This is primarily because the process would involve disruptive transitions, extensive training expenditures, and a considerable amount of time to complete. In addition, we have maintained close and stable business relationship with the Related Parties and do not expect any material adverse change in such relationship.

Other than the Related Parties, we have entered into cooperation agreements with other leading retailers in China, other parts of Asia and Europe. The recognition by these leading retailers of our service capabilities and quality has created a solid foundation for our Group to attract many more retailer customers outside of the Related Parties. We have implemented strategies to attract more independent customers. For example, customers can choose selected modules of our product, encouraging them to subscribe to additional features after experiencing positive results. We create benchmark case studies that demonstrate the system’s effectiveness, which in turn attracts other independent retailers. For instance, after deploying our system with a notable retailer in a specific region, we observed a ripple effect as neighboring businesses adopted our solutions. Additionally, we are broadening our reach by expanding into various retail sectors, moving from convenience stores, department stores, supermarkets and specialty retail to include other retail environments, such as campus retail. The number of our Independent Customers grew from 233 for 2021 to 433 for 2022 and 530 for 2023 and 440 for the six months ended June 30, 2024.

SUMMARY

BUSINESS SUSTAINABILITY & PATH TO PROFITABILITY

	For the Year Ended December 31,			For the Six Months Ended June 30	
	2021	2022	2023	2023	2024
				<i>(unaudited)</i>	
Growth of revenue	—	56.6%	19.4%	—	22.9%
Gross margin ⁽¹⁾	20.4%	38.0%	35.0%	36.3%	38.3%
Net margin ⁽²⁾	(213.2%)	(67.8%)	(47.3%)	(76.9%)	(51.3%)
Adjusted net margin from continuing operations (non-IFRS measure) ⁽³⁾	(111.0%)	(26.8%)	(14.7%)	(18.8%)	(6.0%)

Notes:

(1) Equals gross profit for the year/period divided by revenue for the year/period and multiplied by 100%.

(2) Equals loss for the year from continuing operations divided by revenue for the year/period and multiplied by 100%.

(3) Equals adjusted loss from continuing operations (non-IFRS measures) for the year/period divided by revenue for the year/period and multiplied by 100%.

In 2015, we began our journey by assisting retailers in setting up and operating e-commerce platforms, responding to the burgeoning demand for online retail. This initiative served as a pivotal entry point for achieving our broader goal of helping retailers digitalize all facets of their operations. By 2017, we introduced AIoT solutions, combining hardware and software to enhance retail efficiency in specific scenarios, such as intelligent price tags that automatically update merchandise prices. In 2018, we launched the core services now offered under the Dmall OS system, including product management, product procurement process management, and supply chain management. In 2019, we launched our proprietary Dmall OS system that addresses the full range of operation needs of retailers. As our customers have become more accustomed to e-commerce operations, they have shown a tendency to bring the operation of their e-commerce business in-house, where they manage their own day-to-day O2O operations, while still requiring technical support to establish their online presence and manage day-to-day operations. In light of these shifts in our customers' business models, we introduced the distributed e-commerce system module in 2022 and intelligent delivery service in 2023.

During the Track Record Period, we have demonstrated our ability to generate revenue and progress towards achieving profitability. We achieved strong revenue growth as our revenue grew by 56.6% from RMB848.2 million in 2021 to RMB1,328.3 million in 2022, increased by 19.4% from RMB1,328.3 million in 2022 to RMB1,585.4 million in 2023, and increased by 22.9% from RMB764.0 million in the six months ended June 30, 2023 to RMB939.2 million in the same period in 2024. We have also improved our gross margin during the Track Record Period. Our gross margins were 20.4%, 38.0% and 35.0% in 2021, 2022 and 2023, and 36.3% and 38.3% in the six months ended June 30, 2023 and 2024, respectively.

Our net losses from continuing operations decreased from RMB1,808.0 million for 2021 to RMB900.0 million for 2022, primarily attributable to our continued gross profit improvement associated with our ongoing strategic focus on our retail core service cloud solutions as well as the decreases in our selling and marketing expenses attributable to the decrease in promotional incentives to retail consumers for our e-commerce service cloud solutions and our general efforts to control costs and optimize our operational efficiency in 2022. Our net losses decreased from RMB900.0 million in 2022 to RMB749.0 million in 2023, and from RMB587.9 million in the six months ended June 30, 2023 to RMB482.2 million in the six months ended June 30, 2024 primarily attributable to the decrease in our loss from operations due to our concerted efforts to control costs and optimize our operational efficiency. We had adjusted net losses from continuing operations (non-IFRS measure) of RMB941.6 million, RMB355.9 million, RMB233.3 million, RMB143.9 million and RMB56.4 million in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively, primarily attributable

SUMMARY

to expenses incurred in line with the growth and development of our business, including significant investment in research and development to support the continued development of our proprietary operating system and marketing resources to grow our customer base for our retail core service cloud solutions as well as logistic costs for our integrated e-commerce service. We recorded a substantial decrease in adjusted net losses from continuing operations (non-IFRS measure) and operating cash outflows in 2022, primarily attributable to our continued gross profit improvement benefitting from new business under our retail core service cloud solutions as well as our efforts to control costs and optimize our operational efficiency in 2022, including but not limited to, labor structure optimization and non-extension of certain office leases. We had a gain from disposal of RMB100.1 million relating to the disposal of DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited in April 2022, which contributed to decreasing our net loss in 2022. For details, see “History, Reorganization and Corporate Structure—Acquisitions and Disposals—(4) DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited.” Our adjusted net loss from continuing operations (non-IFRS measure) decreased from RMB355.9 million in 2022 to RMB233.3 million in 2023 and from RMB143.9 million in the six months ended June 30, 2023 to RMB56.4 million in the same period in 2024, primarily due to our efforts to control costs and optimize our operational efficiency.

We recorded adjusted net margin from continuing operations (non-IFRS measure) of negative 111.0% in 2021, negative 26.8% in 2022, negative 14.7% in 2023, negative 18.8% in the six months ended June 30, 2023, and negative 6.0% in the six months ended June 30, 2024. We recorded net liabilities of RMB4,739.2 million, RMB6,077.4 million, RMB6,765.1 million, and RMB7,053.6 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. The net liabilities were primarily attributable to the convertible redeemable preferred shares of RMB5,137.2 million, RMB6,378.7 million, RMB6,965.5 million and RMB7,407.2 million as of December 31, 2021, 2022, and 2023 and June 30, 2024, respectively, issued pursuant to the Pre-IPO Investments. The convertible redeemable preferred shares will be redesignated from liabilities to equity as a result of automatic conversion into ordinary shares upon the Listing such that the net liabilities position would turn into a net asset position. Our net cash used in operating activities were RMB1,274.7 million, RMB205.5 million, RMB179.2 million and RMB56.7 million for the years ended December 31, 2021, 2022, and 2023 and the six months ended June 30, 2024, respectively. These were primarily attributable to loss for the year. See “Financial Information—Non-IFRS Measure”, “Financial Information—Liquidity and Capital Resources—Net Cash Used in Operating Activities” and “Risk Factors—We incurred significant net losses and generated net operating cash outflows in the past and we may continue to do so in the future” in this document for more information.

Our accumulated losses of RMB3,446.9 million before the start of Track Record Period were primarily attributable to costs and expenses associated with our e-commerce services and AIoT solutions, as well as investment in research and development of our operating system, as we work towards designing and improving our offerings to customers in the local retail industry and laying a strong foundation for our business operations. We recorded accumulated losses of RMB5,199.4 million, RMB6,008.2 million, RMB6,601.5 million, and RMB6,836.4 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. Our loss-making position throughout the Track Record Period was attributable to expenses incurred in line with the growth and development of our business, including significant investment in research and development to support the continued development of our proprietary operating system, additional headcount across our internal functions consistent with our accelerated growth, and marketing resources to grow our customer base and stimulate consumer traffic for our e-commerce platform as well as logistic costs for our integrated e-commerce service. Our accumulated loss before and our loss-making position during

SUMMARY

the Track Record Period occurred during a time when we were growing rapidly and invested in developing high quality products and services to pave the way for our profitability in the long run.

Going forward, we plan to achieve long-term profitability and improve our cash flow position in view of our net operating cash outflows as of June 30, 2024, with our overall increase in revenue and through a series of cost control and efficiency enhancement measures, including: (i) refining our organizational structure to maximize employee potential and streamline responsibilities, (ii) upgrading our IT infrastructure to improve performance while managing cloud operations costs, and (iii) re-designing our office space to reduce our lease expense.

Based on our current business model, our revenue growth and profitability primarily rely on: (i) increasing our business scale, which is in turn driven by (a) the continued expansion of our customer base, and (b) the increased spending from our customers, and (ii) achieving higher margin through better operational efficiency and improving our cost structure.

Expanding our customer base. We plan to expand our customer base by relying on our well-established market recognition and continuously upgraded products and services to meet the latest customer needs in the local retail market. Leveraging our successful lighthouse examples in implementing the Dmall OS system with leading retailers in China, we expect to further onboard regional enterprise retailers in China that will drive our long-term financial growth. We plan on continuing to grow the number of independent third-party customers and to strengthen our brand and reputation within the retail digitalization solution industry. Our collaboration with leading enterprise retailers in the local retail industry deepened our know-hows and continues to facilitate our development of new modules and incorporate new industry practices. Our lighthouse collaborations help us to retain existing customers and attract new independent customers. We will continue to build a pipeline of potential customers for our new AIoT solutions. We expect to attract more customers for our AIoT solutions through our successful lighthouse collaborations with Wumei Group and Maidelong Entities in which our solutions assist customers to monitor their operations and enhance operational efficiency through our equipment powered by artificial intelligence analysis. We further plan on expanding our regional coverage and establishing new relationships with retailers both in the Chinese mainland and overseas. In particular, we plan to replicate our business model and expand our footprint in overseas markets in Southeast Asia and Europe, generating high-quality and sustainable revenue. For instance, we plan to implement our operating system for DFI Retail Group and another leading Asian retail conglomerate in Southeast Asia, to expand our product's coverage in retail stores across Hong Kong SAR, Cambodia, Singapore, Malaysia, Macau SAR, Indonesia, the Philippines and Brunei, and to integrate our products with Metro Group in Europe.

Increasing spending of our customers. We launched and continue to launch new and improved product offerings to enhance customer engagement and increase our customer's spending. For our retail core service cloud solutions, we are rolling out new modules and functions and diversifying and expanding our AIoT solutions. Our AIoT solutions can help retailers, especially existing Dmall OS customers, reduce costs and increase efficiency. We have launched various services under our AIoT solution business, such as intelligent merchandise replenishment, package sorting, cashier, loss prevention, and cleaning. We believe these initiatives can drive rapid revenue growth. We are also working to improve the gross margin of our AIoT solutions, which is mainly affected by non-recurring labor costs at the beginning of our new customer's service life-cycle, as we devote resources to onboard new customers to our AIoT solutions, which impact will diminish in the long-run as our collaboration with these customers mature.

SUMMARY

In addition, our ability to increase spending of our customers is primarily driven by our customers' deepening engagement with our product offerings through retail core service cloud. The dollar-based net retention ratio for our customers was 184% in 2021, 158% in 2022, 117% in 2023 and 123% in the twelve months ended June 30, 2024, as calculated by revenues generated in the given period by recurring customers (excluding consumers) with the prior period divided by revenues generated in the prior period by all customers (excluding consumers). Dollar-based net retention ratio measures the ability of our Company to retain and expand its existing customer base over time and indicates the level of loyalty among customers and their willingness to continue paying for our offerings. We onboarded several major customers for deployment of our Dmall OS system in 2021, resulting in the comparably higher dollar-based net retention ratio in 2021. Our dollar-based net retention rate recorded a decline from 2022 to 2023, though remaining robust at above 100%. This underscores our ability to continuously increase customer spending.

We have also built a diversified and evolving slate of product offerings, which allows us to deepen our relationship with our existing customers. For instance, some of our customers are expected to pay higher take rates over the years of our cooperation as they subscribe to more modules in their business operations. Additionally, we enhance customer engagement with our products by cross-selling additional modular functions that cater to our customers' needs. For instance, we continue to serve existing Dmall OS customers by delivering additional modules that would streamline various aspects of a customer's retail operations and new AIoT solutions that inject greater efficiency to a customer's retail locations. Further, we also included modules in Dmall OS system to support the development and operation of our customers' in-house e-commerce business, where they manage their own day-to-day O2O operations. We plan on enhancing our product and module portfolio to increase our penetration of existing customers to increase the customers' GMV processed through our operating system.

	Year Ended December 31,			Six Months Ended June 30,	
	2021	2022	2023	2023	2024
GMV processed through retail core service cloud (in RMB billions)					
— Retail core service cloud					
— Operating system ⁽¹⁾	95.1	123.3	141.9	69.1	76.1 ⁽³⁾
— Take rate customers ⁽²⁾	58.5	106.3	113.5	56.8	48.8
— AIoT Solutions	14.2	12.6	10.2	5.5	4.9

Notes:

- (1) Refer to the GMV processed through our Dmall OS system.
- (2) Take rate customers for a given year/period refers to customers that contributed revenue under the take rate fee model in the given year/period, excluding customers that subscribe only to the membership and product sales management module under the take rate fee model. GMV from customers that are not take rate customers (i.e. customers that pay fixed subscription fee) accounted for the difference between GMV attributable to the operating system and take rate customers. The membership and product sales management module is specifically designed to help large retailers manage consumer profiles and arrange the sales of certain high-value hot sellers. We charge customers that subscribed to this module a take rate of no less than 1% compared to other modules that have an average take rate ranging from 0.3% to 0.5% during the Track Record Period to account for the system's complexity. We exclude the GMV from subscriptions to our purchase membership and product sales management module that are made on a standalone basis due to (i) the module's higher take rate could distort our operating metrics, and (ii) the GMV from these standalone subscriptions is not material to our overall performance.
- (3) The overall increase in operating system GMV was primarily driven by more customers subscribing to our operating system and our customers subscribing to additional modules and integrating our services into more stores. We experienced a decline in operating system GMV from take-rate customers as some Wumart supermarket transitioned to a subscription-based fee model.

GMV is a core operating metric in terms of revenue recognition for our operations. The GMV processed through our operating system increased from RMB95.1 billion in 2021 to RMB123.3 billion in 2022, RMB141.9 billion in 2023, and further increased from RMB69.1 million in the six months ended June 30, 2023 to RMB76.1 million in the same period in 2024. We plan to grow the GMV processed through our operating system given our strategic focus on international expansion in

SUMMARY

Southeast Asia, our continued expansion into new types of retail and our deepened relationship with existing customers by enhancing our product and module portfolio.

Our ability to increase spending of our customers during the Track Record Period is also illustrated by our average take rate, calculated as revenue generated from the take rate pricing model of a business segment divided by GMV processed through our system. For our operating system under our retail core service cloud solutions, customers can choose to pay a take rate based fee based on a percentage of the customer's GMV processed through our system. As our customers deepen their engagement with our product offerings, such as adopting a greater number of modules in their use of our operating system or broadening the scope of their adoption of our products and services, we are able to increase the take rate we charge such customers and generate greater revenue from these customers. Our operating system's average take rate increased from 0.3% in 2021 to 0.4% in 2022, and remained stable at 0.4% in 2023 and further increased to 0.5% in the six months ended June 30, 2024. The increase in the average take rate of our operating system was primarily driven by charging customers a higher take rate when adopting more operating system modules and expanding customer demand for our digitalization solutions.

Improving our operational efficiency. We have strategically focused on the high gross profit contribution business and generating greater revenue from our retail core service cloud solutions. We expect the adoption of cost control measures throughout our operations to contribute to the improvement to our net profit and help us achieve positive cash flow. We have also adopted a range of strategies to enhance our performance, including retaining key staff who demonstrate exceptional productivity and possess a deep understanding of the entire business cycle, from research and development to implementation. Additionally, we constantly refine and improve the cross-function collaboration among our different business groups—including business development, implementation, and research and development—in a more collaborative and efficient manner, reducing costs and expenses while simultaneously achieving substantial revenue growth.

	Year Ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
Operating expense per customer (in RMB millions)					
—Cost of revenue	2.9	1.9	1.9	1.2	1.3
—Research and development expenses	2.5	1.3	1.0	0.6	0.5
—Selling and marketing expenses	1.9	0.5	0.3	0.2	0.1
—General and administrative expenses	0.9	0.6	0.5	0.3	0.3
Total operating expenses	8.1	4.4	3.7	2.3	2.2
Gross profit per customer (in RMB millions)					
—Retail core service cloud	1.1	1.1	1.0	0.6	0.9
—E-commerce service cloud	(2.2)	0.3	1.1	0.4	*
—Others	0.0	0.1	(4.5)	(0.3)	(0.6)
Total gross profit	0.7	1.2	1.0	0.7	0.8

Note:

* E-commerce service cloud was immaterial in the six months ended June 30, 2024. By the end of 2023, all our customers had transitioned to in-house O2O operation, where they manage their own day-to-day O2O operations. As a result of our customers opting for in-house O2O e-commerce business, we ceased to provide system and delivery services under the e-commerce service cloud solutions for those customers accordingly, but we provide distributed e-commerce system and other services to them if they decide to subscribe to such services. Consequently, the bulk of the services we provided under the e-commerce service clouds during the Track Record Period, such as the operational support for their online stores and delivery services, had been phased out by the end of 2023. The remaining services we provided under the e-commerce service cloud solutions did not generate material gross profit in 2024.

Taken as a whole, our total gross profit per customer increased from RMB0.7 million in 2021 to RMB1.2 million in 2022 and decreased slightly from RMB1.2 million in 2022 to RMB1.0 million in

SUMMARY

2023. Our total gross profit per customer increased from RMB0.7 million in the six months ended June 30, 2023 to RMB0.8 million in the six months ended June 30, 2024.

We expect our net loss to experience a significant increase for the year ending December 31, 2024 primarily due to fair value changes of convertible redeemable preferred shares and fair value change in financial assets measured at FVPL as a result of the decreased valuation of Guoquan, in which we made an equity investment. Guoquan Shihui is a home meal products brand in China owned by Guoquan, offering a variety of ready-to-eat, ready-to-heat, ready-to-cook and prepared ingredients, with a focus on at-home hotpot and barbecue products. See “Financial Information—Discussion of Certain Key Items of Consolidated Statements of Financial Position—Other Financial Assets.” Additionally, we anticipate net cash outflows in 2024. See “Business—Business Sustainability & Path to Profitability” in this document for more information.

Working Capital Sufficiency

As of June 30, 2024, we had cash and cash equivalents of RMB469.5 million, unutilized bank loan facilities of RMB266.5 million and current financial assets measured at fair value through profit or loss of RMB11.2 million. Taking into account the financial resources available to us, including the estimated net proceeds from the Global Offering, cash flow generated from operations, bank facilities available to us, cash and cash equivalents on hand, financial assets at fair value through profit or loss, and after due and careful enquiry, our Directors are of the view that we and our subsidiaries have sufficient working capital to meet our present needs and for the next 12 months from the date of this document. We also proactively review and adjust our cash management policy and working capital needs according to general economic conditions and our short-term business plans. In addition, in view of our net cash outflows and net losses during the Track Record Period, as well as the expected net operating cash outflows after the Listing, we plan to ensure our working capital sufficiency by taking advantage of above-mentioned measures to narrow down our net loss and improve our profitability. Further, as evidenced by our historical equity financing activities, we are able to obtain investment from well-known institutions. This also signifies the confidence of prominent investors in our Company. We believe that potential external financing sources, including those to which we will gain access after the Listing, will provide additional funding to fuel our business operation and expansion until we achieve profitability. Taking into account the above, as well as based on the written confirmation from our Company in respect of working capital sufficiency, the financial due diligence conducted on the financial information of our Group during the Track Record Period and the discussion with our Directors, the Joint Sponsors concur with our Directors’ view that we and our subsidiaries have sufficient working capital to meet our present needs and for the next 12 months from the date of this document.

OUR STRENGTHS

We believe the following strengths contribute to our success: (i) the largest retail digitalization solution provider in China with first-mover advantage; (ii) a leading full-spectrum omni-channel retail digitalization solution provider in China with proven success; (iii) blue-chip retailer customer portfolio; (iv) continuous refinement of retail technology; (v) proprietary credible SaaS products launched in overseas markets; and (vi) sophisticated management team with abundant industry experience, high operational efficiency and strong support from shareholders.

OUR STRATEGIES

We are pursuing the following strategies to achieve our mission: (i) retain and grow with existing customers through service and product innovation; (ii) expand our enterprise customer

SUMMARY

portfolio to cover more retail formats and broaden our sales network; (iii) continued investment in research and technology innovation; (iv) further global expansion; and (v) explore strategic partnerships and acquisition opportunities.

COMPETITION

The retail digitalization solution industry is highly competitive, fast-evolving and fragmented. We compete with other service providers on, and continually strengthen our advantages in, the following principal factors: (i) quality of user experience; (ii) trust and brand recognition; (iii) data analytics capabilities and technology infrastructure; and (iv) ability to attract and retain customers.

We primarily compete with traditional ERP provider and retail SaaS provider. Traditional ERP provider and retail SaaS provider mainly offer retail SaaS services including limited functional module that partially cover the specific scenarios of local retail.

We believe we can outplay the industry peers mainly due to (i) our capability to offer full-spectrum solutions and achieve complete omni-channel coverage. This capability allows us to cater to retailers' ever-evolving needs by providing a single vendor solution that addresses all major aspects of their operations. By doing so, we eliminate the requirement for multiple vendors, along with the associated challenges of data silos, increased costs, and the added complexity of managing technology infrastructure; (ii) our early-mover advantage in the retail digitalization solution industry. This advantage creates significant barriers to entry for our competitors, as they would be required to invest substantial time and capital to reach our level of expertise and market presence; (iii) our collaboration with leading enterprises in the local retail industry deepens our know-hows and facilitates the development of new modules that incorporate new industry practices, which helps with customer retention as well as new customer acquisition.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth a summary of the financial information from our consolidated financial information for the Track Record Period. The summary of consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial information in this document, including the related notes. Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards.

Selected Financial Information from Our Consolidated Statements of Profit or Loss

The following table sets forth our consolidated statements of profit or loss with key line items in absolute amounts and as a percentage of our revenue for the years/periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>									
	<i>(unaudited)</i>									
Continuing Operations										
Revenue	848,192	100.0	1,328,264	100.0	1,585,357	100.0	764,003	100.0	939,162	100.0
Cost of revenue	(675,453)	(79.6)	(823,068)	(62.0)	(1,030,656)	(65.0)	(486,834)	(63.7)	(579,908)	(61.7)
- Logistics costs	(383,125)	(45.2)	(342,834)	(25.8)	(233,454)	(14.7)	(126,213)	(16.5)	—	—
- Employee benefit expenses	(104,458)	(12.3)	(180,300)	(13.6)	(132,288)	(8.3)	(76,475)	(10.0)	(49,150)	(5.2)
- Outsourcing and other labor costs	(5,073)	(0.6)	(49,069)	(3.7)	(465,496)	(29.4)	(190,698)	(25.0)	(439,715)	(46.8)
- Payment processing costs	(67,179)	(7.9)	(67,901)	(5.1)	(41,709)	(2.6)	(21,853)	(2.9)	(11,944)	(1.3)
- Cost of inventories sold	(27,528)	(3.2)	(70,724)	(5.3)	(31,725)	(2.0)	(20,719)	(2.7)	(11,348)	(1.2)

SUMMARY

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>									
	<i>(unaudited)</i>									
- Cloud service, bandwidth and server custody fees	(46,419)	(5.5)	(59,514)	(4.5)	(40,355)	(2.5)	(21,127)	(2.8)	(14,804)	(1.6)
- Customer service fees	(22,535)	(2.7)	(19,128)	(1.4)	(11,696)	(0.7)	(6,060)	(0.8)	—	—
- Others	(19,136)	(2.2)	(33,598)	(2.6)	(73,933)	(4.8)	(23,689)	(3.0)	(52,947)	(5.6)
Gross profit	172,739	20.4	505,196	38.0	554,701	35.0	277,169	36.3	359,254	38.3
Loss before taxation from continuing operations	(1,807,276)	(213.1)	(901,853)	(67.9)	(752,308)	(47.5)	(589,786)	(77.1)	(484,214)	(51.5)
Loss for the year/period from continuing operations	(1,808,021)	(213.2)	(900,024)	(67.8)	(748,987)	(47.3)	(587,908)	(76.9)	(482,206)	(51.3)
Discontinued operations										
(Loss)/profit for the year/period from discontinued operations	(17,027)	(2.0)	59,498	4.5	93,548	5.9	40,032	5.2	233,134	24.8
Loss for the year/period attributable to:	(1,825,048)	(215.2)	(840,526)	(63.3)	(655,439)	(41.4)	(547,876)	(71.7)	(249,072)	(26.5)
Equity shareholders of the Company	(1,750,680)	(206.4)	(807,406)	(60.8)	(592,361)	(37.4)	(512,618)	(67.1)	(234,875)	(25.0)
- Continuing operations	(1,733,653)	(204.4)	(866,904)	(65.3)	(685,909)	(43.3)	(552,650)	(72.3)	(468,009)	(49.8)
- Discontinued operations	(17,027)	(2.0)	59,498	4.5	93,548	5.9	40,032	5.2	233,134	24.8
Non-controlling interests	(74,368)	(8.8)	(33,120)	(2.5)	(63,078)	(4.0)	(35,258)	(4.6)	(14,197)	(1.5)
- Continuing operations	(74,368)	(8.8)	(33,120)	(2.5)	(63,078)	(4.0)	(35,258)	(4.6)	(14,197)	(1.5)

Non-IFRS Measure

To supplement our consolidated financial statements, which are presented in accordance with IFRS Accounting Standards, we also use adjusted loss from continuing operations (non-IFRS measure) and adjusted net margin from continuing operations (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, the IFRS Accounting Standards.

We believe adjusted loss from continuing operations (non-IFRS measure) provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted loss from continuing operations (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of adjusted loss from continuing operations (non-IFRS measure) has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS Accounting Standards.

We define adjusted loss from continuing operations (non-IFRS measure) as loss for the year/period from continuing operations adjusted by adding back equity-settled share-based payment expenses, fair value change of convertible redeemable preferred shares and listing expenses. We exclude equity-settled share-based payment expenses because they are non-cash in nature, and do not result in cash outflow. Fair value change of convertible redeemable preferred shares represents fair value changes of the convertible redeemable preferred shares issued by our Company and relate to the changes in the valuation of our Company.

SUMMARY

The following table reconciles adjusted loss from continuing operations (non-IFRS measure) for the years/periods presented in accordance with IFRS Accounting Standards, which is loss for the years/periods from continuing operations:

	Year Ended December 31,			Six Months ended June 30,	
	2021	2022	2023	2023	2024
	<i>(RMB in thousands)</i>			<i>(unaudited)</i>	
Loss for the year/period from continuing operations	<u>(1,808,021)</u>	<u>(900,024)</u>	<u>(748,987)</u>	<u>(587,908)</u>	<u>(482,206)</u>
Add:					
Equity-settled share-based payment expenses ⁽¹⁾	134,140	12,530	13,620	7,229	8,330
Fair value change of convertible redeemable preferred shares ⁽²⁾	732,280	493,191	476,160	422,261	397,118
Listing expenses ⁽³⁾	—	38,391	25,859	14,537	20,372
Adjusted loss from continuing operations (non-IFRS measure) for the year/period	<u>(941,601)</u>	<u>(355,912)</u>	<u>(233,348)</u>	<u>(143,881)</u>	<u>(56,386)</u>
Adjusted net margin from continuing operations (non-IFRS measure)	<u>(111.0%)</u>	<u>(26.8%)</u>	<u>(14.7%)</u>	<u>(18.8%)</u>	<u>(6.0%)</u>

Notes:

- (1) Equity-settled share-based payment expenses mainly represent share-based compensation expenses incurred in connection with our 2016 Share Incentive Plan and 2020 Share Incentive Plan. Equity-settled share-based payment expenses are not expected to result in future cash payments. The reconciling item is non-cash and does not result in cash outflow, and the adjustment has been consistently made during the Track Record Period. The significant increase in share-based payment expenses in 2021 was mainly due to our Company accelerating the vesting of 75,000,000 RSUs in October 2021. It resulted in unrecognized share-based compensation expenses being recognized for services that our Group would have received over the remainder of the vesting period.
- (2) Fair value change of convertible redeemable preferred shares represents fair value changes of the convertible redeemable preferred shares issued by our Company and relate to changes in the valuation of our Company. We do not expect to record any further changes in fair value of the convertible redeemable preferred shares after the Listing as such convertible redeemable preferred shares will be converted from liabilities to equity as a result of the automatic conversion into ordinary shares upon the Listing. The reconciling item is non-cash and does not result in cash outflow. The convertible redeemable preferred shares will be redesignated from liabilities to equity as a result of automatic conversion into ordinary shares upon the Listing such that the net liabilities position would turn into a net asset position.
- (3) Listing expenses represent expenses related to the Global Offering.

Our adjusted net losses from continuing operations (non-IFRS measure) amounted to RMB941.6 million, RMB355.9 million, RMB233.3 million, RMB143.9 million, and RMB56.4 million in 2021, 2022 and 2023 and the six months ended June 30, 2023, and 2024 respectively. We have historically recorded adjusted net losses from continuing operations (non-IFRS measure) during the Track Record Period, primarily attributable to expenses incurred in line with the growth and development of our business, including significant investment in research and development to support the continued development of our proprietary operating system and marketing resources to grow our customer base for our retail core service cloud solutions as well as logistic costs under our integrated e-commerce service solutions.

In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, we recorded net losses from continuing operations of RMB1,808.0 million, RMB900.0 million, RMB749.0 million, RMB587.9 million and RMB482.2 million, respectively. Our net loss from continuing operations decreased from RMB1,808.0 million in 2021 to RMB900.0 million in 2022, primarily attributable to the decreases in fair value changes of the convertible redeemable preferred shares and share-based payment expenses, together with our continued gross profit improvement in retail core service cloud solutions and e-commerce service cloud solutions as well as our concerted efforts to control costs and optimize our operational efficiency in 2022, including but not limited to, labor structure optimization and decreased promotional incentives to retail consumers as a result of our strategic decision to control cost and limit investment in our O2O

SUMMARY

operations. Our net loss from continuing operations decreased from RMB900.0 million in 2022, to RMB749.0 million in 2023, and from RMB587.9 million in the six months ended June 30, 2023 to RMB482.2 million in the six months ended June 30, 2024 primarily attributable to the decrease in our loss from operations due to our concerted efforts to control costs and optimize our operational efficiency. See “Financial Information—Non-IFRS Measure” in this document for more information.

Summary of the Consolidated Statements of Financial Position

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from the Accountants’ Report set out in Appendix I to this document:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Total non-current assets	632,979	496,240	533,589	516,093
Total current assets	648,123	810,924	844,183	839,292
Total assets	1,281,102	1,307,164	1,377,772	1,355,385
Total non-current liabilities	104,676	272,689	349,295	137,296
Total current liabilities	5,915,674	7,111,842	7,793,601	8,271,650
Total liabilities	6,020,350	7,384,531	8,142,896	8,408,946
Net current liabilities	(5,267,551)	(6,300,918)	(6,949,418)	(7,432,358)
Total assets less current liabilities	(4,634,572)	(5,804,678)	(6,415,829)	(6,916,265)
Share capital	323	323	323	323
Reserves	(4,822,726)	(6,160,824)	(6,865,150)	(7,138,067)
Total deficit attributable to equity shareholders of the				
Company	(4,822,403)	(6,160,501)	(6,864,827)	(7,137,744)
Non-controlling interests	83,155	83,134	99,703	84,183
Total deficit	(4,739,248)	(6,077,367)	(6,765,124)	(7,053,561)

We recorded net current liabilities of RMB6,300.9 million as of December 31, 2022 compared to net current liabilities of RMB5,267.6 million as of December 31, 2021, primarily due to (i) an increase of RMB1,241.6 million in convertible redeemable preferred shares, (ii) a decrease of RMB42.2 million in prepayments, deposits and other receivables and (iii) an increase of RMB14.4 million in our trade payables, partially offset by (i) an increase of RMB164.3 million in our cash and cash equivalents, (ii) a decrease of RMB57.1 million in our accrued expenses and other payables and (iii) an increase of RMB47.4 million in our trade receivables. We recorded net current liabilities of RMB6,300.9 million as of December 31, 2022, compared to net current assets of RMB6,949.4 million as of December 31, 2023, primarily due to (i) an increase of RMB586.8 million in convertible redeemable preferred shares, (ii) an increase of RMB132.0 million in bank loans and other borrowings, (iii) an increase of RMB41.8 million in contract liabilities, (iv) a decrease of RMB35.2 million in restricted bank deposits and (v) an increase of RMB22.8 million in trade payables, partially offset by (i) a decrease of RMB111.0 million in accrued expenses and other payables, (ii) an increase of RMB25.9 million in other financial assets and (iii) an increase of RMB24.5 million in trade receivables. We recorded net current liabilities of RMB6,949.4 million as of December 31, 2023, compared to net current liabilities of RMB7,432.4 million as of June 30, 2024, primarily due to (i) an increase of RMB441.7 million in convertible redeemable preferred shares, (ii) an increase of RMB151.0 million of convertible bond reclassified from non-current liabilities, (iii) an increase of RMB79.2 million in bank loans and other borrowings, and (iv) a decrease of RMB63.6 million in cash

SUMMARY

and cash equivalents, partially offset by (i) a decrease of RMB195.2 million in accrued expenses and other payables, and (ii) an increase of RMB91.3 million in trade receivables.

We recorded net liabilities of RMB4,739.2 million, RMB6,077.4 million, RMB6,765.1 million and RMB7,053.6 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. The net liabilities were primarily attributable to the increase in convertible redeemable preferred shares issued pursuant to the Pre-IPO Investments. The convertible redeemable preferred shares will be redesignated from liabilities to equity as a result of automatic conversion into ordinary shares upon the Listing such that the net liabilities position would turn into a net asset position. Our net liabilities increased from RMB4,739.2 million as of December 31, 2021 to RMB6,077.4 million as of December 31, 2022, primarily due to (i) loss for the year of RMB840.5 million, (ii) other comprehensive loss of RMB500.0 million representing exchange difference on translation of financial statements, (iii) purchase of non-controlling interests of RMB96.0 million, representing share buy-back and cancellation of Retail Technology Asia shares and our purchase of additional 9.93% shares of interests in Shenzhen Enjoy, and (iv) dividends declared by a subsidiary attributable to non-controlling interests of RMB4.3 million, representing the dividends paid to the non-controlling shareholders of Shenzhen Enjoy in May 2022, partially offset by (i) contribution from non-controlling shareholders of subsidiaries of RMB90.2 million, representing the capital injection into Retail Technology Asia from the non-controlling shareholder and capital injection into Dmall Zhilian from Beijing Wumart Supermarket Co., Ltd., and (ii) reserve from equity settled share-based transactions of RMB12.5 million. Our net liabilities increased from RMB6,077.4 million as of December 31, 2022 to RMB6,765.1 million as of December 31, 2023, primarily due to (i) loss for the year of RMB655.4 million and (ii) other comprehensive income of negative RMB107.7 million representing exchange difference on translation of financial statements, partially offset by (i) contribution from a non-controlling shareholder of a subsidiary of RMB59.5 million, representing the capital injection into Retail Technology Asia from the non-controlling shareholder, and (ii) reserve from equity settled share-based transactions of RMB13.6 million. Our net liabilities increased from RMB6,765.1 million as of December 31, 2023 to RMB7,053.6 million as of June 30, 2024, primarily due to (i) loss for the period of RMB249.1 million, and (ii) other comprehensive income of negative RMB45.2 million, representing exchange difference on translation of financial statements.

Selected Consolidated Cash Flows Statements Items

The following table sets forth a summary of our cash flows for the years/periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2021	2022	2023	2023	2024
	<i>(RMB in thousands)</i>				
				<i>(unaudited)</i>	
Net cash used in operating activities	(1,274,677)	(205,501)	(179,248)	(192,666)	(56,743)
Net cash (used in)/generated from investing activities	(321,400)	68,847	(31,031)	(12,150)	(6,049)
Net cash generated from financing activities	833,719	282,425	207,061	132,409	144
Net (decrease)/increase in cash and cash equivalents	<u>(762,358)</u>	<u>145,771</u>	<u>(3,218)</u>	<u>(72,407)</u>	<u>(62,648)</u>
Cash and cash equivalents at the beginning of the year/period	1,134,873	368,716	533,054	533,054	533,171
Effect of foreign currency exchange rate changes	(3,799)	18,567	3,335	3,337	(987)
Cash and cash equivalents at the end of the year/period	<u>368,716</u>	<u>533,054</u>	<u>533,171</u>	<u>463,984</u>	<u>469,536</u>

SUMMARY

Our net cash used in operating activities were RMB1,274.7 million, RMB205.5 million, RMB179.2 million, RMB192.7 million and RMB56.7 million for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively. These were primarily attributable to loss for the year. See “Financial Information—Liquidity and Capital Resources—Net Cash Used in Operating Activities” in this document for more information.

KEY FINANCIAL RATIOS

The table below sets forth our key financial ratios for the years/periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30	
	2021	2022	2023	2023	2024
				<i>(unaudited)</i>	
Growth of revenue	—	56.6%	19.4%	—	22.9%
Gross margin ⁽¹⁾	20.4%	38.0%	35.0%	36.3%	38.3%
Net margin ⁽²⁾	(213.2%)	(67.8%)	(47.3%)	(76.9%)	(51.3%)
Adjusted net margin from continuing operations (non-IFRS measure) ⁽³⁾	(111.0%)	(26.8%)	(14.7%)	(18.8%)	(6.0%)

Notes:

- (1) Equals gross profit for the year/period divided by revenue for the year/period and multiplied by 100%.
- (2) Equals loss for the year from continuing operations divided by revenue for the year/period and multiplied by 100%.
- (3) Equals adjusted loss/profit from continuing operations (non-IFRS measures) for the year/period divided by revenue for the year/period and multiplied by 100%.

RISK FACTORS

There are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorized into: (i) risks relating to our business and industry; (ii) risks relating to doing business in China; and (iii) risks relating to the Global Offering. We believe that the most significant risks we face include:

- Our limited operating history and evolving business model in a developing market make it difficult to evaluate our business and prospects. We cannot guarantee that we will be able to sustain our historical growth, effectively manage our growth, control our costs and expenses, or implement our business strategies.
- We incurred significant net losses and generated net operating cash outflows in the past and we may continue to do so in the future.
- We currently have a relatively concentrated customer base with a limited number of major customers. The loss of one or more of our major customers, a failure to renew our agreements with one or more of our major customers, or a failure to expand our customer base, could negatively affect our results of operations and ability to market our services.
- We heavily rely on the Related Parties and any material changes in our relationships with the Related Parties would have a material adverse impact on our business, financial conditions and operating results.
- If we fail to improve and enhance the functionality, performance, reliability, design, security and scalability of our Dmall OS system, AIoT solutions and other service offerings in a manner that responds to our customers’ evolving needs, our business and results of operations may be adversely affected.
- We operate in a dynamic industry and may need to adjust business strategies substantially based on market development.

SUMMARY

- We are dependent on the performance of our retailer customers as we generate income from their transactions processed through us. Operational and financial failures of our retailer customers may adversely affect our financial condition and results of operation.
- If the market for retail digitalization solutions develops more slowly than we expect or declines, our business could be adversely affected.
- If we fail to adopt new technologies or adapt our applications, services, and systems to changing customer preferences or emerging industry standards, or if our efforts to invest in the development of new technologies are unsuccessful or ineffective, we may need to substantially increase our research and development expenditure, and our business may be materially and adversely affected.
- We may incur impairment losses on our intangible assets and goodwill.

PRE-IPO INVESTMENTS

We received multiple series of equity financing from our Pre-IPO Investors to support our expanding business operations. Our diverse base of Pre-IPO Investors consists of, among others, Tencent, IDG Capital, Industrial Bank, China Structural Reform Fund and Shenzhen Investment Holding Bay Area Equity Investment Fund Partnership. As of the Latest Practicable Date, approximately 99.4% of the proceeds from Pre-IPO Investments had been utilized. On May 27, 2022, we entered into Convertible Bond Investment Agreements with Beijing Heyin, pursuant to which our Company agreed to issue, and Beijing Heyin agreed to subscribe for a convertible bond in the principal amount of RMB190.0 million. Our Company issued such Convertible Bond to Beijing Heyin on June 15, 2022. On March 22, 2024, we entered into an amendment to the Convertible Bond Investment Agreements with Beijing Heyin, pursuant to which we agreed to repay RMB50.0 million of the principal amount early and amend the principal amount of the convertible bond to RMB140.0 million. For further details, please refer to the section headed “History, Reorganization and Corporate Structure—Pre-IPO Investments” in this document.

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no Shares are issued under the Share Incentive Plans), Dr. Zhang, our founder and senior advisor, will be interested in and control in aggregate 502,452,135 Shares through a number of intermediaries wholly-owned or controlled by him, representing approximately 56.67% of our total issued Shares in aggregate. Therefore, Dr. Zhang, together with such intermediaries, will constitute a group of Controlling Shareholders of our Company upon the Listing. For further details of our Controlling Shareholders, please see the section headed “Relationship with the Controlling Shareholders”.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute non-exempt or partially-exempt continuing connected transactions of our Company under the Listing Rules following the Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted, certain waivers from strict compliance with Chapter 14A of the Listing Rules in respect of these transactions. For details, see the section headed “Connected Transactions”.

SUMMARY

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the listing of, and permission to deal in, (i) the Shares in issue and to be issued pursuant to the Global Offering and upon the exercise of the Over-allotment Option, (ii) the Shares which may be issued upon conversion of the Convertible Bond and (iii) any Shares to be issued pursuant to the Share Incentive Plans. We satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue of RMB1,585.4 million for the year ended December 31, 2023, which is significantly over HK\$500 million as required by Rule 8.05(3) of the Listing Rules; and (ii) our expected market capitalization at the time of the Listing, which, based on the Offer Price of HK\$30.21, exceeds HK\$4 billion as required by Rule 8.05(3) of the Listing Rules.

DIVIDEND

We are a holding company incorporated under the laws of the British Virgin Islands. As a result, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year determined according to the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China. PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves until the aggregate amount of such fund reaches 50% of its registered capital, which are not available for distribution as cash dividends. Dividend distribution to our shareholders is recognized as a liability in the period in which the dividends are approved by our shareholders or Directors, where appropriate. During the Track Record Period, no dividends have been paid or declared by our Company.

Any future determination to pay dividends will be made at the discretion of our Directors and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors may deem relevant. As advised by our BVI legal adviser, so long as we satisfy the solvency test, namely, (i) the value of the our assets exceeds our liabilities, and (ii) we are able to pay our debts as they become due immediately after the distribution, our Directors may authorize a distribution by way of dividend at a time and of such an amount as they see fit, subject to our Memorandum and Articles. The declaration, payment and amount of dividends will be subject to our Directors' discretion, if they are satisfied, on reasonable grounds, that immediately after the payment of the dividend, the value of our Company's assets will exceed its liabilities and our Company is able to pay its debts as they fall due. Investors should not purchase our shares with the expectation of receiving cash dividends. We did not declare or pay any dividends on our shares during the Track Record Period. Currently, we do not have a formal dividend policy or a fixed dividend distribution ratio.

GLOBAL OFFERING STATISTICS

Based on Offer Price of HK\$30.21 Per Share

Our Company's market capitalization upon completion of the Global Offering ⁽¹⁾	HK\$26,787 million
Unaudited pro forma adjusted net tangible assets per Share ⁽²⁾	HK\$0.80

Notes:

- (1) The calculation of the market capitalization is based on 886,690,124 Shares expected to be in issue immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no Shares are issued under the Share Incentive Plans).
- (2) The unaudited pro forma adjusted net tangible assets per Share has been arrived at after adjustments referred to in the section headed "Unaudited Pro Forma Financial Information" in Appendix II and on the basis that 886,690,124 Shares were in issue (being the

SUMMARY

outstanding 525,150,000 ordinary shares as at June 30, 2024, 335,766,124 ordinary shares being converted from the outstanding redeemable preferred shares as at June 30, 2024 and 25,774,000 Shares to be issued pursuant to the Global Offering) at the Offer Price of HK\$30.21, assuming that the Global Offering and the conversion of redeemable preferred shares into ordinary shares had been completed on June 30, 2024, and assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no Shares are issued under the Share Incentive Plans.

(3) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to June 30, 2024.

LISTING EXPENSES

Based on the Offer Price of HK\$30.21 per share, the total estimated listing expenses in relation to the Global Offering is approximately RMB143.1 million, assuming the Over-allotment Option is not exercised. The total estimated listing expenses will represent approximately 19.9% of the total gross proceeds from the Global Offering of approximately HK\$778.6 million. Out of the total listing expenses, we estimate approximately RMB116.3 million will be charged to our consolidated statement of profit or loss. The remaining balance of approximately RMB26.8 million, which mainly includes underwriting commission, is expected to be accounted for as a deduction from equity upon the completion of the Global Offering. These listing expenses mainly comprise professional fees paid and payable to the professional parties for their services rendered in relation to the Listing and the Global Offering which are non-underwriting related expenses, including fees for legal advisers, Reporting Accountants and internal control consultant of RMB77.4 million, and other non-underwriting-related fees of RMB42.3 million, as well as the underwriting commission (including SFC transaction levy, AFRC transaction levy, and Stock Exchange trading fee) of RMB23.4 million, payable to the Underwriters in connection with the offering of Offer Shares under the Global Offering.

USE OF PROCEEDS

With an Offer Price of HK\$30.21 per Offer Share, we estimate that we will receive net proceeds of approximately HK\$623.7 million from the Global Offering after deducting the underwriting commissions and fees, and other estimated expenses in connection with the Global Offering and assuming that the Over-allotment Option is not exercised. In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set out below:

- Approximately 42.1%, or HK\$262.6 million, to develop new applications and new service modules;
- Approximately 30.0%, or HK\$187.1 million, for talent acquisition associated with the expansion of our operations;
- Approximately 10.0%, or HK\$62.4 million, to selectively pursue strategic cooperation, investments and acquisitions that are complementary to our organic growth strategies, particularly those that can complement our product offerings, strengthen our technology capabilities, and solidify our market position;
- Approximately 7.9%, or HK\$49.3 million, to expand our sales network and further strengthen our brand reputation; and
- Approximately 10.0%, or HK\$62.4 million, for working capital and general corporate purposes.

For details, please see the section headed “Future Plans and Use of Proceeds” in this document.

SUMMARY

RECENT DEVELOPMENTS

Product Optimization and Restructuring

During the Track Record Period, we provided e-commerce cloud solutions, assisting retailers in developing the necessary systems to establish a virtual presence, managing the daily operations of their online stores, and offering delivery services. By the end of 2023, we completed a series of product optimizations to further align our product and service offerings with our objective of promoting our digitalization solutions, which have always been the primary focus of our business. Our strategic focus also aligns with the business models of our customers as they gradually transitioned their O2O operation in-house, where they manage their own day-to-day O2O operations. As our customers have grown more accustomed to e-commerce operations, they have shown a tendency to bring the operation of their e-commerce business in-house, while still requiring technical support to establish their online presence and manage day-to-day operations. In response to these changes in our customers' business model and to advance our goal of enabling retailers to carry out online and offline omnichannel operation, we have been providing the distributed e-commerce system module under our retail core service cloud solutions to those customers who chose to operate their O2O operation in house. By the end of 2023, all our customers had transitioned to in-house O2O operation. Consequently, the bulk of the services we provided under the e-commerce service clouds during the Track Record Period, such as O2O platform operation services and delivery services, had been phased out by the end of 2023. We believe that these modifications and optimizations of our product offerings enhance our competitiveness amid the evolving industry landscape and contribute to our profitability, ultimately benefiting our shareholders in the long term.

Dmall Fresh (Beijing) was primarily engaged in the operation of the Dmall app before the Restructuring. Prior to 2024, the Dmall app was primarily associated with online advertising services under the marketing and advertising service cloud we previously operated, e-commerce service cloud solutions and payment processing services under the retail core service cloud solutions. In April 2024, we conducted a series of restructuring transactions to divest all of our equity interests in Dmall Fresh (Beijing), our former VIE, to minimize the underlying legal and regulatory risks. The Restructuring led to the divestment of the Dmall app and mini programs. At the time of the Restructuring, due to the product optimizations we completed by the end of 2023, Dmall app was primarily associated with the provision of online advertising services under the marketing and advertising service cloud we previously operated and payment processing services under the retail core service cloud. Revenue from such payment processing services was RMB27.4 million, RMB56.2 million, RMB36.1 million, RMB19.6 million and RMB14.7 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. Gross profit from such payment processing services was negative RMB18.2 million, RMB8.4 million, RMB4.7 million, RMB4.5 million and RMB2.9 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. Payment processing services do not represent a separate major line of business. As a result, the financial results of payment processing services were not categorized as discontinued operations in accordance with IFRS Accounting Standards.

The financial results of our online advertising services were classified as discontinued operations in the historical financial information. Please also refer to the following table which sets forth the results of the discontinued operations.

SUMMARY

	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB	RMB	RMB	RMB	RMB
	<i>(in thousands, except percentages) (unaudited)</i>				
Revenue	196,400	172,695	164,334	76,721	41,781
Cost of revenue	<u>(11,110)</u>	<u>(8,767)</u>	<u>(6,552)</u>	<u>(1,472)</u>	<u>(2,510)</u>
Gross profit	<u>185,290</u>	<u>163,928</u>	<u>157,782</u>	<u>75,249</u>	<u>39,271</u>
(Loss)/profit for the year/period from discontinued operations	<u>(17,027)</u>	<u>59,498</u>	<u>93,548</u>	<u>40,032</u>	<u>233,134</u>

We believe that the discontinued operation did not have a material impact on our business, as it has always been our strategic goal to focus on providing digitalization solutions to our customers. Online advertising services have not been a key service offering but rather a complementary service we offered to round out our service portfolio. We believe that it is in our best interest to divest the online advertising services to focus on our core strategic business development and to minimize the underlying legal and regulatory risks of the contractual arrangements. See “Risk Factors—Risks Relating to Our Corporate Structure—If the PRC government determines that the historical contractual arrangements with the former VIE did not comply with PRC regulation, or if these regulations change or are interpreted differently in the future, we could be subject to severe penalties retroactively” and “History, Reorganization and Corporate Structure—Restructuring.” We believe our business would benefit from the Product Optimization and the Restructuring in the long term as we concentrate our resources on our retail core service cloud solutions and on supporting retailers in digitalizing their operations through our Dmall OS system. After the Restructuring, we do not operate any business under the e-commerce service cloud and the remaining offline advertising services are immaterial to our business and operational results.

Other Business Development

We have been continually enhancing our product offerings and improving synergies among different modules and solutions. For example, we introduced AI-based remote assistance service to assist consumers in navigating and locating items within unmanned stores, thereby enhancing our intelligent loss prevention solutions and improving the overall consumer experience. Many of our customers, such as Luosen (China) Investment Co., Ltd. (“**Luosen**”), have subscribed to additional services from us, demonstrating the strength of our product and service offerings. For example, Pangdonglai originally subscribed to modules including supplier management, merchandise management, and membership management modules in 2022, and in 2024 subscribed to additional modules, including warehouse management, store management, merchandise display management, inventory management and automatic replenishment. Subscribing to additional modules creates synergies that enhance retailers’ overall operational efficiency and effectiveness. By integrating various modules and work processes, we allow customers to gain a more comprehensive view of their operations, leading to better-informed decision-making and streamlined business processes. We also expanded our business to Brunei and Indonesia.

To the best of our knowledge, since June 30, 2024 (being the date on which the latest consolidated financial information of our Group was prepared) and up to the date of this prospectus, there has been no material adverse change in our business operations, the business environment in which we operate, as well as our financial or trading position, indebtedness, mortgage, contingent

SUMMARY

liabilities, or guarantees. We expect our net loss to experience a significant increase for the year ending December 31, 2024 primarily due to fair value changes of convertible redeemable preferred shares.

Recent Regulatory Development on Cybersecurity and Cyber Data Security

On December 28, 2021, thirteen government authorities, including the CAC, jointly released the Cybersecurity Review Measures (《網絡安全審查辦法》) (the “**Cybersecurity Review Measures**”), which took effect on February 15, 2022. After the Restructuring, we still provide digitalization solutions at the request of customers, and the provision of such services necessitates us to process certain consumer information on behalf of our customers. For example, for customers that subscribe to our consumer membership management module, our system records consumer personal information, order data, and loyalty points according to the customers’s requirements. On March 22, 2024, the CAC promulgated the Provisions on Promoting and Regulating Cross-Border Data Flows (《促進和規範跨境數據流動規定》) to regulate the outbound provision of data. We are not involved in any cross-border transfer of consumer or retailer data collected during the operation of our domestic business. In terms of data compliance, please see “Risk Factor—Because we receive, store and process data, some of which contain sensitive personal information, we face concerns over the collection, improper use or disclosure of personal information, which could discourage current and potential users from using our services and technology platforms, damage our reputation, face regulatory scrutiny, and in turn materially and adversely affect our business, financial condition and results of operations.”

On September 24, 2024, the CAC announced the Regulations on the Administration of Cyber Data Security (《網絡數據安全管理條例》) (the “**Cyber Data Security Regulations**”), which will become effective on January 1, 2025. These regulations stipulate that cyber data processors who carry out cyber data processing activities that affect or may affect national security shall undergo national security review in accordance with relevant state regulations. Although our data processing activities have not been determined to affect or potentially affect national security, as a cyber data processor, we are still required to comply with other relevant provisions of the Cyber Data Security Regulations.

IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic has materially and adversely affected China and many parts of the world, leading to widespread lockdowns.

Our Directors are of the view that the overall impact of the COVID-19 pandemic on our business operation and financial performance had been immaterial, on the basis that (i) we achieved significant growth in our revenue from RMB848.2 million in 2021 to RMB1,328.3 million in 2022, during which the COVID-19 pandemic had the most severe impact on our operations, (ii) our customer engagement and business development efforts resulted in the number of our customers growing from 236 in 2021 to 436 in 2022, (iii) our business operations had fully resumed since China began to modify the COVID policy at the end of 2022, and (iv) the negative impact of COVID-19 on our operations and revenue related to offline retail stores was balanced to a certain extent by the increased adoption of our solutions for online retail formats. Based on the information available as at the Latest Practicable Date, we believe that the COVID-19 did not and will not have material adverse impact on our business operations and financial performance. See “Risk Factors—Risks Relating to our Business and Industry—Our business had been affected by the COVID-19 pandemic.” For details, please see the section headed “Financial Information—Impact of the COVID-19 Pandemic.”

SUMMARY

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2024 which would materially affect the information as set out in the Accountants' Report included in Appendix I to this document.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in “Glossary of technical terms.”

“2016 Share Incentive Plan”	the share incentive plan approved and adopted by the shareholders on January 8, 2016, the principal terms of which are set out in “Statutory and General Information—D. Share Incentive Plans” in Appendix IV
“2020 Share Incentive Plan”	the share incentive plan approved and adopted by the Shareholders on April 2, 2021, the principal terms of which are set out in “Statutory and General Information—D. Share Incentive Plans” in Appendix IV
“2024 First Share Incentive Plan”	the post-IPO share incentive plan our Company adopted on November 27, 2024 and will take effect on the Listing Date, as amended from time to time, the principal terms of which are set out in “Statutory and general information—D. Share Incentive Plans” in Appendix IV
“2024 Second Share Incentive Plan”	the post-IPO share incentive plan our Company adopted on November 27, 2024, as amended from time to time, the principal terms of which are set out in “Statutory and general information—D. Share Incentive Plans” in Appendix IV
“Accountants’ Report”	the accountants’ report of our Company, the text of which is set out in Appendix I to this document
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	Accounting and Financial Report Council
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on November 27, 2024 with effect from the Listing Date
“Asia”	a major eastern constituent of the continent of Eurasia including 47 states, such as China, India, Indonesia, Iran, Japan, South Korea, Malaysia, Nepal, Singapore, Thailand and Turkey
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“B&T Entities”	Entities that manage and operate stores bearing the brand of B&T (百安居) in the PRC
“Board” or “Board of Directors”	the board of Directors

DEFINITIONS

“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAC”	the Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室)
“CAGR”	compound annual growth rate
“Capital Market Intermediary(ies)”	the capital market intermediaries participating in the Global Offering and has the meaning ascribed thereto under the Listing Rules
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China” or “the PRC”	the People’s Republic of China, and for the purposes of this document only, except where the context requires otherwise, refers to China or the PRC exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Chongqing Department Store”	Chongqing Department Store Co., Ltd. (重慶百貨大樓股份有限公司), a company established with limited liability in the PRC on August 11, 1992 and listed on the Shanghai Stock Exchange (stock code: 600729)
“Chongqing Department Store Group”	Chongqing Department Store and its subsidiaries
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amend or supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amend or supplemented from time to time
“Company,” “our Company,” or “the Company”	Dmall Inc. (多点数智有限公司), a business company incorporated in the BVI on February 5, 2015
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“former Consolidated Affiliated Entity” or “former VIE”	Dmall Fresh (Beijing), the financial accounts of which have been consolidated and accounted for as if it is a subsidiary of our Company by virtue of the historical contractual arrangements

DEFINITIONS

“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and except where the content requires otherwise, refers to Dr. Zhang and the intermediary companies through which Dr. Zhang holds his interest in the Company, namely, Celestial Limited, Odor Nice Limited, Retail Enterprise Corporation Limited, D&W Inc., Interface Holding Inc., Wumei Southern Technology Company Limited* (物美南方科技有限責任公司), Wumei Technology, Beijing Zhongsheng Huate Technology Company Limited* (北京中勝華特科技有限公司) and Beijing Jingxi Guigu Technology Company Limited* (北京京西硅谷科技有限公司), as further detailed in the section headed “Relationship with the Controlling Shareholders”
“Convertible Bond”	the convertible bond issued by our Company to Beijing Heyin, particulars of which are set out in the section headed “History, Reorganization and Corporate Structure—Pre-IPO Investments” in this prospectus, and collectively the “Convertible Bond”
“COVID-19”	Novel Coronavirus (COVID-19) or Novel Coronavirus Pneumonia, a respiratory illness caused by a new strain of coronavirus and characterized especially by fever, cough, and shortness of breath and may progress to pneumonia and respiratory failure
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“DFI Retail Group”	DFI Retail Group Holdings Limited and its subsidiaries. DFI Retail Group is referred to as “Other Related Party” in this prospectus because it is a substantial shareholder of our non-wholly owned subsidiary Retail Technology Asia, making it our core connected person
“Dingmo Shanghai”	Dingmo (Shanghai) Technology Co., Ltd. (頂摩(上海) 科技有限公司), a company established with limited liability in the PRC on March 10, 2020 and an indirect wholly owned subsidiary of our Company
“Director(s)”	the director(s) of our Company
“Dmall BVI”	DMALL ASIA INC., a business company incorporated in the BVI on April 7, 2015 and an indirect wholly owned subsidiary of our Company
“Dmall Cayman”	DMALL CHINA INC., an exempted company with limited liability incorporated in the Cayman Islands on March 26, 2015 and a direct wholly owned subsidiary of our Company

DEFINITIONS

“Dmall Fresh (Beijing)”	Dmall Fresh (Beijing) E-commerce Co., Ltd. (多點新鮮 (北京) 電子商務有限公司), a company established with limited liability in the PRC on May 15, 2015. It is owned by Mr. Zhang and Ms. LU as to 51% and 49%, respectively
“Dmall Fresh (Shenzhen)”	Dmall Fresh (Shenzhen) E-commerce Co., Ltd. (多點新鮮 (深圳) 電子商務有限公司), a company established with limited liability in the PRC on March 26, 2020 and a former wholly owned subsidiary of Dmall Fresh (Beijing) which was disposed of on August 30, 2023
“Dmall HK”	Dmall Hong Kong Limited, a company with limited liability incorporated in Hong Kong on April 28, 2015 and an indirect wholly owned subsidiary of our Company
“Dmall Life Beijing”	Dmall Life (Beijing) Technology Co., Ltd. (多點生活 (北京) 科技有限公司), a company established with limited liability in the PRC on January 6, 2015 and an indirect wholly owned subsidiary of our Company
“Dmall Life Chengdu”	Dmall Life (Chengdu) Technology Co., Ltd. (多點生活 (成都) 科技有限公司), a company established with limited liability in the PRC on April 2, 2015 and an indirect wholly owned subsidiary of our Company
“Dmall Life Digital”	Dmall Life (China) Digital Technology Co., Ltd. (多點生活 (中國) 數字科技有限公司), a company established with limited liability in the PRC on February 13, 2019 and an indirect wholly owned subsidiary of our Company
“Dmall Life Network” or the “WFOE”	Dmall Life (China) Network Technology Co., Ltd. (多點生活 (中國) 網絡科技有限公司), a company established with limited liability in the PRC on September 7, 2015, an indirect wholly owned subsidiary of our Company and the WFOE of the Company
“Dmall Life Tianjin”	Dmall Life (Tianjin) New Energy Technology Co., Ltd. (多點生活 (天津) 新能源科技有限公司), a company established with limited liability in the PRC on August 11, 2023, and an indirect wholly owned subsidiary of our Company
“Dmall Life Wuhan”	Dmall Life (Wuhan) Technology Co., Ltd. (多點生活 (武漢) 科技有限公司), a company established with limited liability in the PRC on May 6, 2019, and an indirect wholly owned subsidiary of our Company
“Dmall OS system”	a cloud-based operating system software proprietary developed to digitalize retailers’ operations and support intelligent business decision making utilizing omni-channel data

DEFINITIONS

“Dmall (Shenzhen) Digital”	Dmall (Shenzhen) Digital Technology Co., Ltd. (多點 (深圳) 數字科技有限公司), a company established with limited in the PRC on April 2, 2019 and an indirect wholly owned subsidiary of our Company
“Dmall Zhilian”	Dmall Zhilian (Beijing) Technology Co., Ltd. (多點智聯 (北京) 科技有限公司), a company established with limited liability in the PRC on September 19, 2017 with former name as Beijing Weisheng Technology Co., Ltd. (北京微晟 科技有限公司) and changed its name on August 22, 2022, in which we and Beijing Wumart Supermarket Co., Ltd. hold 80% and 20% equity interest each. Beijing Wumart Supermarket Co., Ltd. is beneficially owned by Wumei Technology Group, Inc. which is controlled by Dr. Zhang
“DRGML”	DFI Retail Group Management Limited (formerly known as Dairy Farm Management Limited), a subsidiary of DFI Retail Group Holdings Limited
“DRGMSL”	DFI Retail Group Management Services Limited (formerly known as Dairy Farm Management Services Limited), a member of the DFI Retail Group
“Dr. Zhang”	Dr. ZHANG Wenzhong (張文中), our founder, senior advisor and our Controlling Shareholder
“Dr. Zhang’s PRC Litigation Legal Counsel”	Professor Zuo Jianwei
“EIT”	enterprise income tax
“Extreme Conditions”	the occurrence of “extreme conditions” as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
“FINI”	Fast Interface for New Issuance, which is an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group,” “our Group,” “the Group,” “we,” “us,” or “our”	the Company, its subsidiaries and (where applicable) former consolidated affiliated entities from time to time, and where the context requires, in respect of the period

DEFINITIONS

	prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Guoquan”	Guoquan Food (Shanghai) Co., Ltd. (鍋圈食品 (上海) 股份有限公司) (HKEX: 2517), formerly known as Guoquan Supply Chain (Shanghai) Co., Ltd. (鍋圈供應鏈 (上海) 有限公司), a company established under the laws of the PRC on July 11, 2019 with limited liability
“Guoquan Shihui”	A home meal products brand in China owned by Guoquan, offering a variety of ready-to-eat, ready-to-heat, ready-to-cook and prepared ingredients, with a focus on at-home hotpot and barbecue products
“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“ HK eIPO White Form ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the designated website at www.hkeipo.hk
“ HK eIPO White Form Service Provider ”	the HK eIPO White Form service provider designated by our Company as specified on the designated website at www.hkeipo.hk
“HK\$,” “HK dollars” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is a HKSCC Participant to give electronic application instructions via HKSCC’s FINI system to apply for the Hong Kong Offer Shares on your behalf
“HKSCC Nominees”	HKSCC Nominees Limited
“HKSCC Operational Procedures”	the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC’s services and the operations and functions of CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC, as from time to time in force

DEFINITIONS

“HKSCC Participants”	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
“Hong Kong Offer Shares”	the 2,577,400 Shares being initially offered for subscription in the Hong Kong Public Offering (subject to reallocation and adjustments as described in “Structure of the Global Offering”)
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%) on the terms and subject to the conditions described in this document, as further described in “Structure of the Global Offering—The Hong Kong Public Offering”
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Takeovers Code” or “Takeovers Code”	Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering as listed in “Underwriting—Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement dated November 26, 2024 relating to the Hong Kong Public Offering, entered into by our Company, our Controlling Shareholders, the Joint Sponsors, the Overall Coordinators and the Hong Kong Underwriters, as further described in “Underwriting—Underwriting arrangements and expenses—Hong Kong Public Offering—Hong Kong Underwriting Agreement”
“HNTE”	the High and New Technology Enterprise
“ICP License”	the value-added telecommunications business operating license (《增值電信業務經營許可證》) for internet information service
“IFRS Accounting Standards”	IFRS Accounting Standards as issued by the International Accounting Standards Board
“Independent Customer”	customers other than the Related Parties and Other Related Party
“Independent Third Party(ies)”	any entity or person who is not a connected person of our Company or an associate of such person within the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Industry Consultant” or “Frost & Sullivan”	Frost & Sullivan International Limited
“Industry Report” or “Frost & Sullivan Report”	the report prepared by the Industry Consultant
“International Offer Shares”	the 23,196,600 Shares being initially offered for subscription under the International Offering together, where relevant, with any additional Shares that may be sold pursuant to any exercise of the Over-allotment Option (subject to reallocation and adjustments as described in “Structure of the Global Offering”)
“International Offering”	the conditional placing of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S, as further described in “Structure of the Global Offering”
“International Underwriters”	the underwriters of the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, our Company, the Overall Coordinators and the International Underwriters, as further described in “Underwriting—International Offering”
“Joint Bookrunners,” “Joint Global Coordinators,” “Joint Lead Managers”	the joint bookrunners, the joint global coordinators, and the joint lead managers, respectively, as named in “Directors and parties involved in the Global Offering”
“Joint Sponsors”	the Joint Sponsors of the Listing as named in “Directors and parties involved in the Global Offering”
“Latest Practicable Date”	November 18, 2024, the latest practicable date for ascertaining certain information in this document before its publication
“Laws”	all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, directives, requests, orders, judgments, decrees, or rulings of any Governmental Authority (including the Stock Exchange and the SFC) of all relevant jurisdictions
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Friday, December 6, 2024, on which the Shares are to be listed and on which

DEFINITIONS

	dealings in the Shares are to be first permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“M&A Rules”	the Rules on Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) promulgated by the MOFCOM and other governmental authorities on August 8, 2006, effective on September 8, 2006, and subsequently amended on June 22, 2009
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“MDL Reorganization”	an intra-group reorganization concerning Wumei Group and Maidelong Entities completed in June 2024
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company conditionally adopted on November 27, 2024, with effect from the Listing Date
“Maidelong Entities”	prior to the MDL Reorganization, entities that manage and operate stores bearing the brand of Maidelong (麥德龍) in the PRC and WM Holding (HK) Limited, which is the holding company of these entities. WM Holding (HK) Limited is a wholly owned subsidiary of Wumei Technology. In June 2024, Wumei Group and Maidelong Entities completed an intra-group reorganization. See “Connected Transactions — A1. Wumei Retail Core Service Cloud Framework Agreement — Historical amounts, annual caps and basis of annual caps”
“MDL Wholesale Limited”	an exempted company incorporated under the laws of the Cayman Islands with limited liability on July 24, 2019, formerly known as WM Tech Corporation Limited and WM International Holding Corporation Limited
“MDL Wholesale Group”	MDL Wholesale Limited and its subsidiaries
“Metro Group”	a leading wholesaler headquartered in Germany and for the avoidance of doubt, the Maidelong Entities (or after the MDL Reorganization, MDL Wholesale Group), which is our connected person, do not form part of, nor are they controlled by, the Metro Group. We have been providing online-to-offline integration solution services and AIoT

DEFINITIONS

	solutions to the Maidelong Entities since 2018, and the Dmall OS system to the Maidelong Entities since 2021
“MIIT” or “MII”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (formerly known as the Ministry of Information Industry of the PRC (中華人民共和國信息產業部))
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部) (formerly known as the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部))
“Mr. Zhang”	Mr. ZHANG Feng (張峰), our co-founder, executive Director and president, nephew of Dr. Zhang
“NDRC”	the National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
“Offer Price”	the offer price per Offer Share (exclusive of brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) of HK\$30.21, at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering, to be determined as described in “Structure of the Global Offering—Pricing and allocation”
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option
“Other Related Party”	DFI Retail Group. DFI Retail Group is referred to as “Other Related Party” in this prospectus because it is a substantial shareholder of our non-wholly owned subsidiary, Retail Technology Asia, making it our core connected person
“Overall Coordinators”	the Overall Coordinators of the Global Offering as named in “Directors and parties involved in the Global Offering”
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Overall Coordinators on behalf of the International Underwriters for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an

DEFINITIONS

	aggregate of 3,866,100 additional Shares (representing 15% of the number of the initial Offer Shares) to the International Underwriters to, among other things, cover over-allocations in the International Offering, if any, details of which are described in “Structure of the Global Offering—Over-allotment Option”
“PRC Legal Adviser”	our Company’s legal adviser on PRC laws, as named in “Directors and parties involved in the Global Offering”
“Pre-IPO Investment(s)”	the investment(s) in our Company undertaken by the Pre-IPO Investors prior to this initial public offering, the details of which are set out in “History, Reorganization and Corporate Structure”
“Pre-IPO Investor(s)”	the investors in our Company prior to our Listing, as set out in “History, Reorganization and Corporate Structure”
“Preferred Shares”	the series A preferred shares, the series B preferred shares, the series B+ preferred shares, the series B++ preferred shares, the series C preferred shares and series C+ preferred shares of our Company, with a par value of US\$0.0001 each
“Product Optimization”	a series of product optimization measures we completed by the end of 2023, which included gradually phasing out our O2O platform operation services and delivery services from the e-commerce service cloud. See “Summary—Recent Developments.”
“Qualified IPO”	an initial public offering by the Company with a market capitalization of no less than US\$3.4 billion and a capital raising of no less than US\$100 million
“Regulation S”	Regulation S under the U.S. Securities Act
“Related Parties”	(i) customers who were associates, as of the date of this prospectus, of Dr. Zhang, our Controlling Shareholder, namely, Wumei Group, MDL Wholesale Group (or Maidelong Entities, prior to the MDL Reorganization), Yinchuan Xinhua Group and B&T Entities, (ii) Chongqing Department Store Group, a former associate to Dr. Zhang and (iii) after the Restructuring, Dmall Fresh (Beijing), an associate of Mr. Zhang
“Restructuring”	the series of restructuring transactions in April 2024 as described under “History, Reorganization and Corporate Structure—Restructuring”

DEFINITIONS

“Retail Technology Asia”	Retail Technology Asia Limited, a company with limited liability incorporated in Hong Kong on January 14, 2020, in which Dmall HK holds 69.5% equity interest and DRGML holds 30.5% equity interest, respectively.
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“SAFE”	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAFE Circular 37”	the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE with effect from July 4, 2014
“SAIC”	State Administration of Industry and Commerce of the People’s Republic of China (中華人民共和國國家工商行政管理總局), now known as State Administration of Market Regulation (國家市場監督管理總局)
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SEC”	the Securities and Exchange Commission of the United States
“SFC”	Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)” or “Ordinary Share(s)”	ordinary shares of the Company with a par value of US\$0.0001 each
“Shareholder(s)”	holder(s) of our Share(s)
“Share Incentive Plans”	the 2016 Share Incentive Plan, the 2020 Share Incentive Plan, the 2024 First Share Incentive Plan and the 2024 Second Share Incentive Plan
“Shenzhen Enjoy”	Shenzhen Enjoy Information Technology Co., Ltd. (深圳市昂捷信息技術股份有限公司), a company established with limited liability on August 5, 2002 and listed on the National Equities Exchange and Quotations (stock code: 870111)

DEFINITIONS

“Shenzhen Shuzhi Xunke Retail”	Shenzhen Shuzhi Xunke Retail Technology Development Co., Ltd. (深圳數智訊科零售科技發展有限公司), a company established with limited liability on April 27, 2020 and a wholly-owned subsidiary of Retail Technology Asia
“Shenzhen Xintonglu”	Shenzhen Xintonglu Supply Chain Technology Co., Ltd. (深圳市新通路供應鏈技術有限公司), a company established with limited liability on May 28, 2019 and a wholly-owned subsidiary of Dmall (Shenzhen) Digital
“STA”	State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
“Stabilizing Manager”	UBS AG Hong Kong Branch
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder(s)”	unless otherwise stated, has the meaning ascribed to it in the Listing Rules
“Track Record Period”	the three years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024
“U.S.,” “US” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdictions
“U.S. dollars,” “US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	United States Securities Act of 1933 and the rules and regulations promulgated thereunder
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“VAT”	value-added tax
“WM Holding HK”	WM Holding (HK) Limited, a company with limited liability incorporated in Hong Kong on July 2, 2019 and a wholly owned subsidiary of Wumei Technology

DEFINITIONS

“Wumei Group”	Wumei Technology and its subsidiaries, excluding MDL Wholesale Group (or Maidelong Entities prior to the MDL Reorganization), Yinchuan Xinhua Group and B&T Entities where the context requires otherwise and for the purposes of this document only
“Wumei Technology”	Wumei Technology Group, Inc. (物美科技集團有限公司), a company founded by Dr. Zhang and established with limited liability in the PRC on October 6, 1994
“Yinchuan Xinhua”	Yinchuan Xinhua Commercial (Group) Co., Ltd. (銀川新華百貨商業集團股份有限公司), a company established with limited liability in the PRC on January 3, 1997 and listed on the Shanghai Stock Exchange (stock code: 600785)
“Yinchuan Xinhua Group”	Yinchuan Xinhua and its subsidiaries
“Zhilian Wuhan”	Dmall Zhilian (Wuhan) Technology Co., Ltd. (多點智聯(武漢) 科技有限公司), a company established with limited liability in the PRC on September 28, 2017 with former name as Weisheng (Wuhan) Technology Co., Ltd. (微晟(武漢) 技術有限公司) and changed its name on April 6, 2023, a wholly owned subsidiary of Dmall Zhilian
“%”	per cent

* For identification purposes only

In this document, the terms “associate(s),” “close associate(s),” “connected person(s),” “connected transaction(s),” “core connected person(s),” “controlling shareholder(s),” “subsidiary(ies)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain technical terms used in this document in connection with us and our business. These may not correspond to standard industry definitions, and may not be comparable to similarly terms adopted by other companies.

“AI”	artificial intelligence
“AIoT”	artificial intelligence of things
“API”	application programming interface, a set of clearly defined methods of communication between various software components
“B2C”	business to consumer, a type of commerce transaction in which businesses sell products or services directly to consumers
“cash-free and debt-free basis”	a financial approach used to determine the value of a company by excluding its cash reserves and debt obligations from the valuation
“convenience store”	a small-scale integrated retail format that mainly sells ready-to-eat products and caters to the convenience needs of consumers
“customer”	customer from continuing operations, excluding customer from discontinued operations
“department store”	a retail format that mainly offers branded clothing and apparel, cosmetics, home furnishings, bags, footwear, jewelry, watches, etc., and is uniformly operated to satisfy consumers’ diversified needs for quality goods
“distributed e-commerce retail”	a retail format that builds warehouses that are located near the end consumer and offer on-demand home delivery service to greatly assure the freshness of the products
“dollar-based net retention ratio”	revenues generated in the given period by recurring customers (excluding consumers) with the prior period divided by revenues generated by all customers (excluding consumers) in the prior period
“DTC”	direct-to-consumer
“ERP”	enterprise resource planning, a business process management software that allows an organization to use a system of integrated applications to manage the business and digitalize back-office functions relating to technology, services, and employee management

GLOSSARY OF TECHNICAL TERMS

“forecourt retailers”	a small-scale retail format adjacent to petrol stations, mainly serving drivers and passengers
“GMV”	gross merchandise volume, the total value of merchandise sold in a given period, regardless of whether the goods are settled or returned
“IAM security”	identity and access management (IAM) security, an essential part of overall IT security that manages digital identities and user access to data, systems, and resources within an organization. IAM security includes the policies, programs, and technologies that reduce identity-related access risks within a business. IAM programs enable organizations to mitigate risks, improve compliance, and increase efficiencies across the enterprise
“ISV(s)”	independent software vendors
“IT”	information technology
“IoT”	internet of things, the network of physical devices with information-sensing capabilities such as two-dimensional code reading, radio frequency identification (RFID), infrared sensors and laser scanners to realize intelligent identification, positioning, tracking, monitoring and management
“module”	in the context of describing our technology infrastructure, a module refers to a part of a system or application that can operate to support specific functionality. Each module performs a specific function or set of functions and can be combined with other modules to meet the needs of customers
“on-demand”	to allow customers to purchase products immediately when a need surfaces, anywhere and anytime
“omni-channel”	online and offline channels
“O2O”	online to offline. In the context of retail e-commerce, an O2O business model involves strategies where retailers interact with consumers through digital platforms such as websites, apps, and social media and deliver the purchased goods to the consumer’s physical location or offering services that require an in-person component, such as picking up orders at a store
“revenue”	except as otherwise indicated, our revenue from continuing operations, excluding the revenue from discontinued operations

GLOSSARY OF TECHNICAL TERMS

“SaaS”	software as a service, a cloud-based software licensing and delivery model in which software and associated data are centrally hosted
“specialty retail”	a retail format that offers specific categories or related categories of goods and services, including apparel and footwear specialist retailers, electronics and appliance specialist retailers, health and beauty specialist retailers, home and garden specialist retailers and others
“supermarket”	a retail format that sells food and daily necessities to meet the needs of consumers in their daily lives. It is usually sold on open shelves, and can also be sold online at the same time. Food processing services and on-site dining services are available in the stores
“warehouse clubs”	a retail format that usually occupy a large area, mainly sells daily necessities in large packages and generally adopts membership business

FORWARD-LOOKING STATEMENTS

Certain statements in this document are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will,” “expect,” “anticipate,” “estimate,” “believe,” “going forward,” “ought to,” “may,” “seek,” “should,” “intend,” “plan,” “projection,” “could,” “vision,” “goals,” “aim,” “aspire,” “objective,” “target,” “schedules” and “outlook”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this document), uncertainties and other factors some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our mission, goals, strategies and our ability to implement them;
- our future business development and prospects, financial condition and results of operations;
- the expected growth of the retail digitalization solution industry in Asia and China;
- expected changes in our revenues, costs or expenditures;
- our expectations regarding demand for and market acceptance of our products and services;
- our expectations regarding our relationships with users, customers and third-party business partners;
- competition in our industry;
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate; and
- all other risks and uncertainties described in the section headed “Risk Factors.”

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

RISK FACTORS

An investment in our Shares involves significant risks. You should carefully consider all of the information set out in this document before making an investment in the Shares, including the risks and uncertainties described below in respect of our business and our industry and the Global Offering. You should pay particular attention to the fact that we are a company incorporated and registered in the British Virgin Islands and that our principal operations are conducted in China and are governed by a legal and regulatory environment that in some respects differs from what prevails in other countries. Our business could be affected materially and adversely by any of these risks.

Risks Relating to Our Business and Industry

Our limited operating history and evolving business model in a developing market make it difficult to evaluate our business and prospects. We cannot guarantee that we will be able to sustain our historical growth, effectively manage our growth, control our costs and expenses, or implement our business strategies.

We commenced our operations in 2015 and developed the core modules of the Dmall OS system in 2018. As we only have limited historical financial data, it is difficult to predict our future revenues and appropriate budget for our costs and expenses, and our evaluation of our business and prediction about the future performance may not be as accurate as they would be if we had a longer operating history. In the event that actual results differ from our evaluation or we adjust our estimates in future periods, our results of operations and financial position could be materially affected and the investors' perception of our business and future prospects could differ materially from their expectations.

We have been actively exploring and expanding our services. During the Track Record Period, we conducted a series of product optimizations to further align our product and service offerings with our objective of promoting our digitalization solutions, which have always been the primary focus of our business. As a result of these changes, combined with shifts in our customers' business models, we ceased to provide most of the services under our e-commerce service cloud solutions by the end of 2023. Additionally, in April 2024, we conducted a series of restructuring transactions to divest our online advertising services and ceased the operation of the Dmall app and mini programs. Our evolving business makes it difficult to evaluate the risks and challenges we may encounter. The risks and uncertainties we may face include challenges to our ability to successfully develop new service features and expand our service offerings to enhance the experience of our customers, to attract new retailers in a cost-effective manner, to anticipate and respond to macroeconomic changes and changes in local markets where we operate, to successfully expand our geographic reach and to forecast our revenue and manage capital expenditures for our current and future operations. We cannot be sure that we will be successful in addressing these and other challenges we may face in the future, and our business may be adversely affected if we do not manage these risks successfully. In addition, we may not achieve sufficient revenue or maintain positive cash flows from operations or profitability in any given period, or at all.

We incurred significant net losses and generated net operating cash outflows in the past and we may continue to do so in the future.

We have incurred net losses and negative cash flows in the past. We incurred net losses from continuing operations of RMB1,808.0 million, RMB900.0 million, RMB749.0 million, and RMB482.2

RISK FACTORS

million in 2021, 2022, and 2023 and the six months ended June 30, 2024, respectively. Our net cash used in operating activities were RMB1,274.7 million, RMB205.5 million, RMB179.2 million, RMB192.7 million and RMB56.7 million in 2021, 2022, 2023, and the six months ended June 30, 2023 and 2024, respectively.

Our ability to achieve profitability and generate net operating cash inflows is affected by various factors, many of which are beyond our control, such as the continual development of the industry and markets in which we operate, development in the macroeconomic and regulatory environment or competitive dynamics and our ability to respond to these changes in a timely and effective manner. We also expect our costs and expenses to increase due to our continued investment in services, technology and development. We cannot assure you that we will be able to achieve or maintain profitability or positive cash flow in the future. Among other expected cost increases, we intend to continue to invest for the foreseeable future in our Dmall OS system and other technology applications to offer additional value-added services and to support an even larger service portfolio. If we cannot successfully offset our increased costs and expenses with a significant increase in revenues, our financial condition and results of operations may be materially and adversely affected, and we may not be able to achieve profitability or net operating cash inflows in the future.

We currently have a relatively concentrated customer base with a limited number of major customers. The loss of one or more of our major customers, a failure to renew our agreements with one or more of our major customers, or a failure to expand our customer base, could negatively affect our results of operations and ability to market our services.

We currently derive a substantial portion of our revenue from a limited number of major customers, including Wumei Group, Maidelong Entities, Chongqing Department Store Group, Yinchuan Xinhua Group from China and DFI Retail Group in selected Asia markets. Although we plan to expand and diversify our customer base, we still expect to be reliant on our major customers for the foreseeable future. In particular, we expect Wumei Group to continue to account for a substantial portion of our revenues. In 2021, 2022, 2023, and the six months ended June 30, 2024, 79.4%, 83.3%, 87.2% and 89.6%, respectively, of our revenues were derived from services provided to our top five customers, including Wumei Group. If our business relationships with Wumei Group and other major customers are terminated or curtailed, the revenue we derive from providing services to them may significantly decrease.

The decrease in the amount of business we do with these limited number of major customers, the loss or reduction in magnitude of any commercial arrangements with them, the deterioration of our relationships with any major customers, the failure to renew our agreements with one or more of our major customers, or any material negative trends in markets in which these customers operate, could materially disrupt our operations and our revenue and cash flows from operating activities could be significantly reduced. If we cannot find other potential customers with similar scopes and scales of demand and commercial terms on a timely basis, or at all, the loss of business from any one of such customers could have a material adverse effect on our business and results of operations, as well as our ability to attract and retain other customers. In addition, any of the foregoing risks may strain our managerial, financial, operational and other resources. If we fail to manage such reduction in revenue or deterioration of our relationships with our major customers, our brand and reputation could also be materially harmed.

RISK FACTORS

We heavily rely on the Related Parties and any material changes in our relationships with the Related Parties would have a material adverse impact on our business, financial conditions and operating results.

We have a close business relationship and have engaged in substantial business transactions with the Related Parties for the Track Record Period and expect to continue our business relationship with them in the future. During the Track Record Period, a substantial portion of our net revenue was derived from the Related Parties and Wumei Group was also the largest customers of our Group. For the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024, (i) our revenue from Wumei Group amounted to RMB384.1 million, RMB561.6 million, RMB821.0 million and RMB484.5 million, respectively, representing 45.3%, 42.3%, 51.8% and 51.6% of our revenues for the same years/period, (ii) our revenue from Maidelong Entities (or MDL Wholesale Group, after the MDL Reorganization) amounted to RMB86.6 million, RMB258.2 million, RMB259.5 million and RMB183.8 million, respectively, representing 10.2%, 19.4%, 16.4% and 19.6% of our revenues for the same years/period, (iii) our revenue from Yinchuan Xinhua Group amounted to RMB38.1 million, RMB30.7 million, RMB54.9 million and RMB32.5 million, respectively, representing 4.5%, 2.3%, 3.5% and 3.5% of our revenues for the same years/period, (iv) our revenue from Chongqing Department Store Group amounted to RMB90.2 million, RMB115.1 million, RMB62.8 million and RMB27.7 million, respectively, representing 10.6%, 8.7%, 4.0% and 2.9% of our revenues for the same years/period, (v) our revenue from B&T Entities amounted to nil, nil, RMB3.7 million and RMB6.0 million, respectively, representing nil, nil, 0.2% and 0.6% of our revenues for the same years/period, and (vi) our revenue from Dmall Fresh (Beijing) amounted to nil, nil, nil and RMB0.1 million, respectively, representing nil, nil, nil and less than 0.1% of our revenues for the same years/period. We expect to increase business transactions with the Related Parties going forward. For further details, please refer to the sections headed “Business—Our Relationship with the Related Parties—Cooperation with the Related Parties” and “Business—Customers” of this document.

During the course of our operations, we have also received loans from Wumei Group. Please refer to “Financial Information—Indebtedness” in this document for the historical amounts of the loans from Wumei Group. As of the Latest Practicable Date, the Group has fully repaid the loans borrowed from Wumei Group. In addition, we expect the business transactions with the Related Parties to continue. We have entered into various framework agreements with the Related Parties, which govern the connected transactions between us and the Related Parties. For details, please refer to the section headed “Connected Transactions” in this document. Although our cooperative relationships with the Related Parties remain stable, there is no assurance that we will be able to maintain such relationships and that these Related Parties will continue to purchase services from us on the same level going forward. In addition, any deterioration in our cooperative relationship with any Related Parties in the future may require us to build new relationships with other retailers, which is subject to uncertainties and could be time-consuming. As a result, our business, financial condition and results of operations could be adversely affected.

If we fail to improve and enhance the functionality, performance, reliability, design, security and scalability of our Dmall OS system, AIoT solutions, and other service offerings in a manner that responds to our customers’ evolving needs, our business and results of operations may be adversely affected.

The markets in which we compete are characterized by constant changes and innovation and we expect them to continue to evolve rapidly. Our success has been based on our ability to identify and

RISK FACTORS

anticipate the needs of retailers and design and upgrade our Dmall OS system, AIoT solutions, and other service offerings that provide them with the tools they need to manage their businesses. Our ability to attract new business customers, retain existing business customers and increase revenue from our customers will depend in large part on our ability to continue to improve and enhance the functionality, performance, reliability, design, security and scalability of our Dmall OS system, AIoT solutions, and other service offerings.

We may experience difficulties with software development that could delay or prevent the development, introduction or implementation of new solutions and enhancements. Software development involves a significant amount of time for our research and development team, as it can take our developers months to develop, code and test new products and integrate them into our technology systems. We must also continually update, test and enhance our technology systems. The continual improvement and enhancement of our technology systems requires significant investment and we may not have the resources to make such investment. To the extent we are not able to improve and enhance the functionality, performance, reliability, design, security and scalability of our Dmall OS system, AIoT solutions, and other service offerings in a manner that responds to our customers' evolving needs, our business, operating results and financial condition may be adversely affected.

We operate in a dynamic industry and may need to adjust business strategies substantially based on market development.

We may need to make significant adjustments to our business strategies in response to market developments or to further our long term goals. For example, we have conducted a series of product optimizations to further align our product and service offerings with our objective of promoting our retail digitalization solutions, in response to shifts in our customers' business operations as they transitioned their O2O operations in-house, where they manage their own day-to-day O2O operations. As a result of our customers opting for in-house O2O e-commerce business, we ceased to provide system and delivery services under the e-commerce service cloud solutions for those customers accordingly, but we provide distributed e-commerce system and other services to them if they decide to subscribe to such services. See "Summary—Recent Development," "Business—Business Sustainability & Path to Profitability" and "Financial Information—Description of Major Components of Our Results of Continuing Operations." In April 2024, we commenced and completed the Restructuring, which resulted in the divestment of the online marketing and advertising related services. Furthermore, in our pursuit of growth and the exploration of new market opportunities, we have expanded and plan to continue to expand into new territories and introduce innovative solutions. However, these strategic decisions could result in substantial costs and a diversion of our management's attention and resources. In addition, our existing business may not continue due to our strategy adjustments, and as a result, we will not receive revenue for ceased business. There is no guarantee that our new business initiatives or strategic transformations could lead to an improvement in our financial performance.

We are dependent on the performance of our retailer customers as we generate income from their transactions processed through us. Operational and financial failures of our retailer customers may adversely affect our financial condition and results of operation.

The rapidly changing market trends require our retailer customers to optimize their product offerings to meet the constantly evolving consumer preferences and demand, thereby maximizing their sales volume. Our success is dependent on the ability of our retailer customers to anticipate, identify

RISK FACTORS

and respond to the latest market trends and consumer preferences and to adjust their merchandise and service offerings in a timely manner to stay competitive. The failure of our customers to anticipate, identify or react swiftly and appropriately to new and changing consumer demands or market trends, and to translate such trends and demands into product and service offerings may lead to lower demand for the customers' merchandise, which could cause, among other things, declines in the volume of transactions conducted through our platform. Consequently, these operational failures of our customers could harm our financial condition and results of operations as we generate revenue from take rates we charge our customers on transactions conducted through our platform. In addition, if our retailer customers are not able to effectively implement and utilize the services that we provide to improve their operational efficiency and decision-making capabilities as intended, the unsatisfactory performance of these customers may also negatively and materially affect our results of operations. For new customers, it would also take time to implement and train all relevant staff to operate the SaaS system to reach a desirable level of stability.

If the market for retail digitalization solutions develops more slowly than we expect or declines, our business could be adversely affected.

The market for retail digitalization solutions in and outside China is in a relatively early, fast-evolving and competitive stage. This makes it difficult to evaluate our current business and future prospects. In addition, we have limited insight into emerging trends that may adversely affect our business, financial condition, results of operations and prospects. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly changing industries, including unpredictable and volatile revenues and increased expenses as we continue to grow our business. The viability and demand for our products and services may be affected by many factors outside of our control, such as market acceptance, cost competitiveness, and reliability and performance of our products and services. If the market for retail digitalization solutions develops more slowly than we expect or declines, our business and results of operations could be adversely affected.

If we fail to adopt new technologies or adapt our applications, services, and systems to changing customer preferences or emerging industry standards, or if our efforts to invest in the development of new technologies are unsuccessful or ineffective, we may need to substantially increase our research and development expenditure, and our business may be materially and adversely affected.

To remain competitive, we must continue to enhance and improve the responsiveness, functionality and features of our applications, systems and technologies. The retail digitalization solution industry is characterized by rapid technological evolution, changes in client and consumer requirements and preferences, frequent introductions of new products and services embodying new technologies and the emergence of new industry standards and practices, any of which could render our existing technologies and systems obsolete. Our success will depend, in part, on our ability to identify, develop, acquire or license leading technologies useful to our business, and respond to technological advances and emerging industry standards and practices, such as mobile internet, in a cost-effective and timely way. The development of systems, applications and other proprietary technology entails significant technical and business risks. We cannot assure you that we will be able to use new technologies effectively or adapt our applications, proprietary technologies and systems to meet customer requirements or emerging industry standards. If we are unable to adapt in a cost-effective and timely manner in response to changing market conditions or customer requirements,

RISK FACTORS

whether for technical, legal, financial or other reasons, our business, prospects, financial condition and results of operations may be materially and adversely affected.

We may incur impairment losses on our intangible assets and goodwill.

Our intangible assets consist of customer relationship, technological know-how and software, that were primarily acquired through (i) the disposal of Dmall Fresh (Beijing) in April 2024 and (ii) acquisition of Shenzhen Enjoy in November 2021, both recognized at fair value at the date of its disposal or acquisition and are subsequently amortized on a straight-line basis. We recorded intangible assets of RMB105.3 million, RMB93.2 million, RMB83.7 million and RMB158.0 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. Goodwill arising from acquisitions represents the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previous held equity interest in the acquiree, if any, over the net amount of the identifiable assets acquired and the liabilities assumed as of the acquisition date. As of December 31, 2021, 2022 and 2023 and June 30, 2024, we had goodwill of RMB151.9 million, RMB151.9 million, RMB152.0 million and RMB152.0 million, respectively. Intangible assets and goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. No impairment was recognized in respect of the intangible assets and goodwill as of June 30, 2024. The assessment of impairment losses involves a significant degree of management judgments as well as estimates in determining the key assumptions, and unpredictable adverse changes in the future may also result in decreases in the value of our intangible assets and goodwill. Therefore, we cannot assure you that these assumptions and estimates would not result in outcomes that require a material adjustment to the carrying amounts of these intangible assets and goodwill in the future, which may in turn result in impairment losses. Significant impairment losses on intangible assets and goodwill may have a material adverse effect on our financial condition and results of operations, and may in turn limit our ability to obtain financing in the future.

Any harm to our brand or reputation may materially and adversely affect our business and results of operations.

We believe that the recognition and reputation of the Dmall (“多点”) brand among our retailer customers, consumers, suppliers and third-party service providers have contributed significantly to the growth and success of our business. Maintaining and enhancing the recognition and reputation of our brand are critical to our business and competitiveness. Many factors, some of which are beyond our control, are important to maintaining and enhancing our brand and may negatively impact our brand if not properly managed. These factors include our ability to:

- maintain and enhance our technology systems as the needs of retailers are constantly evolving;
- maintain and provide stable and reliable technology support to our users;
- provide a superior shopping experience to consumers and ensure their data security;
- maintain and grow our business customers and consumer base and keep them highly engaged;
- maintain the popularity, attractiveness, diversity, quality and authenticity of our product and service offerings;
- maintain the efficiency, reliability and quality of services we provide to our customers;

RISK FACTORS

- maintain or improve consumers' satisfaction with our after-sale services;
- increase brand awareness through marketing and brand promotion activities; and
- preserve our reputation and goodwill in the event of any negative publicity on service offerings, product quality, price or authenticity, data privacy and security, our industry and other players within the industry or other issues affecting us or our peers.

On April 1, 2024, we entered into a trademark licensing agreement with Dmall Fresh (Beijing) pursuant to which we granted a non-transferable license to Dmall Fresh (Beijing) for the use of a number of trademarks relating to our Dmall brand for an indefinite term. See “Connected Transactions—F2. Trademark Licensing Agreement.” Although we monitor and restrict the activities of Dmall Fresh (Beijing) through the trademark licensing agreement, Dmall Fresh (Beijing) may misuse our trademarks, improperly modify our trademarks, make critical statements about our brand, or present our brand in a context that may tarnish our reputation. This may result in dilution or tarnishment of our intellectual property. Dmall Fresh (Beijing)'s noncompliance with the terms and conditions of the trademark licensing agreement may reduce the reputation of our brand.

Public perception that non-authentic, counterfeit or defective goods are sold in connection with our brand or that we or our third-party service providers do not provide satisfactory customer service, even if factually incorrect or based on isolated incidents, could damage our reputation, diminish the value of our brand, undermine the trust and credibility we have established and have a negative impact on our ability to attract new business customers and consumers or retain our current business customers and consumers. If we are unable to maintain our reputation, enhance our brand recognition or increase positive awareness of our operating system, platform, products and services, it may be difficult to maintain and grow our business customers and consumer base, and our business and growth prospects may be materially and adversely affected.

We recorded net liabilities and net current liabilities during the Track Record Period.

As of December 31, 2021, 2022 and 2023, and June 30, 2024, we had net liabilities of RMB4,739.2 million, RMB6,077.4 million, RMB6,765.1 million and RMB7,053.6 million, respectively. We also recorded net current liabilities of RMB5,267.6 million, RMB6,300.9 million, RMB6,949.4 million and RMB7,432.4 million as of December 31, 2021, 2022 and 2023 and June 30, 2024. Our net liabilities and net current liabilities as of December 31, 2021, 2022 and 2023, and June 30, 2024, was primarily in relation to the convertible redeemable preferred shares of RMB5,137.2 million, RMB6,378.7 million, RMB6,965.5 million and RMB7,407.2 million as of the same dates, respectively. Although the convertible redeemable preferred shares will automatically convert into ordinary shares upon the Listing, and no further loss or gain on fair value change of convertible redeemable preferred shares is expected to be recognized afterwards, we cannot assure you that we will not record net liabilities or net current liabilities in the future. If we are unable to maintain adequate working capital or obtain sufficient financings, we may not have sufficient cash flows to fund our business, operations and capital expenditure and our business and financial position may be adversely affected.

In addition, net current liabilities may expose us to certain liquidity risks and may constrain our operational flexibility, as well as adversely affect our ability to expand our business. If we do not have sufficient working capital to meet future financial needs, we may need to resort to external funding. Our inability to obtain additional external borrowings on a timely basis and on acceptable terms, or at

RISK FACTORS

all, may force us to abandon our development and expansion plans, and our businesses, financial positions and results of operations may be materially and adversely affected.

We face increasingly intense competition, and if we fail to compete effectively against current and future competitors, our business and results of operations may be adversely affected.

The markets for retail digitalization solutions are competitive and characterized by rapid market changes and technology evolution, giving rise to new market entrants and well-funded competitors and the introduction of new business models disruptive to our business. Market players compete to attract, engage and retain retailers. They may be well-established and be able to devote greater resources to the development, promotion and sale of offerings and offer lower prices than we do, which could adversely affect our results of operations. If we cannot equip us with necessary resources and skills, we may lose market share as competition increases.

Our current and potential competitors may also establish cooperative or strategic relationships among themselves or with third parties that may further enhance their resources and offerings. If we are unable to anticipate or react to these competitive challenges, our competitive position could weaken, or fail to improve, and we could experience a decline in growth that could adversely affect our business, financial condition and results of operations.

Our business is subject to the complex and evolving laws and regulations in China. Many of these laws and regulations are subject to amendment, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in customer engagement, or otherwise harm our business.

We are subject to a variety of laws and regulations that involve matters important to or may otherwise impact our business, including, among others, provision of value-added telecommunications services, user privacy protection, foreign exchange, taxation, anti-corruption, anti-bribery, sanctions and similar matters. Many of these laws and regulations are subject to amendment. These laws continue to develop, and the PRC government may adopt other rules and regulations in the future. See “Regulations.” The introduction of new services, expansion of our activities in certain jurisdictions, or other actions that we may take may subject us to additional laws, regulations, or other government scrutiny. In addition, foreign laws and regulations can impose different obligations or be more restrictive than those in the PRC.

The promulgation of new laws or regulations, in each case that restrict or otherwise unfavorably impact the ability or manner in which we provide our products and services could require us to change certain aspects of our business to ensure compliance, which could decrease demand for our products and services, reduce revenues, increase costs, require us to obtain more licenses, permits, approvals or certificates, or subject us to additional liabilities. To the extent any new or more stringent measures are required to be implemented, our business, financial condition and results of operations could be adversely affected.

Due to the developments in the regulatory environment of the industry in which we operate, there can be no assurance that we would be able to maintain our existing approvals, permits and licenses or obtain any new approvals, permits and licenses if required by any future laws or regulations. If we fail to obtain and maintain approvals, licenses or permits required for our business, we could be subject to liabilities, fines, penalties and operational disruptions, or we could be required

RISK FACTORS

to modify our business model, which could materially and adversely affect our business, financial condition and results of operations. See “—Any lack of requisite approvals, licenses or permits applicable to our business may materially and adversely affect our daily operations and hinder our growth.”

Because we receive, store and process data, some of which contain sensitive personal information, we face concerns over the collection, improper use or disclosure of personal information, which could discourage current and potential users from using our services and technology platforms, damage our reputation, face regulatory scrutiny, and in turn materially and adversely affect our business, financial condition and results of operations.

We are subject to laws, regulations, guidelines and industry recommendations relating to personal information protection in various countries and regions where we operate, namely the Chinese mainland, Hong Kong SAR, Cambodia, Singapore, Malaysia, Poland, Macau SAR, Indonesia, the Philippines and Brunei. Concerns or claims about our practices with regard to the collection, storage, processing or use of personal information or other privacy-related matters, even if unfounded, could damage our reputation and results of operations.

As a part of our services under the retail core service cloud solutions, we receive, store and process personal information and other data at the request and on behalf of our Dmall OS system customers. For instance, we generate and maintain credentials to access Dmall OS front-end applications with employee personal information provided by our customers. Additionally, we may have access to consumer personal information if customers use our consumer membership management service or distributed e-commerce system service. Our internal control procedure aims to ensure compliance with all applicable laws and regulations at all times in relation to the proper collection, use and storage of the personal data we collected. We expect to continue expending significant resources to protect against security breaches. The risk that these types of events could seriously harm our business is likely to increase as we expand the scope of services we offer and as we increase the size of our customer base.

The regulatory requirements regarding the protection of personal information are constantly evolving and can be subject to new rules or interpretations from time to time, the extent of our responsibilities in that regard will then be subject to the new rules or interpretations. The important PRC laws and regulations on data protection, data privacy, and/or information security currently in effect that we are subject to include, among others, the Cyber Security Law (《中華人民共和國網絡安全法》), which took effect on June 1, 2017; Personal Information Protection Law (《中華人民共和國個人信息保護法》), or the PIPL, which took effect on November 1, 2021; and Data Security Law (《中華人民共和國數據安全法》), which took effect on September 1, 2021. These laws impose on the owners and administrators of networks, network service providers, and personal information processors various personal information protection obligations, restrictions on the collection and use of personal information, and requirements to take steps to prevent personal data from being divulged, stolen, or tampered with. In particular, PIPL also put forth the requirement of obtaining separate consent from individuals before sharing their personal information with other third parties.

We may also be subject to more stringent personal data protection laws, regulations, and requirements in the near future given the recent legislative developments in this field. With the promulgation of the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》) on July 6, 2021 by the General Office of the CPC

RISK FACTORS

Central Committee and the General Office of the State Council of the PRC, or the July 6 Opinion, offshore-listed China-based companies (中概股公司) have been experiencing a heightened scrutiny over their compliance with laws and regulations regarding data security, cross-border data transfer and management of confidential information from PRC regulatory authorities. Such laws and regulations are expected to undergo further amendment, which may require increased information responsibilities and stronger cross-border information management mechanism and process from us. The Cybersecurity Review Measures (《網絡安全審查辦法》) that took effect from February 15, 2022 stipulates that an internet platform operator who possesses more than one million users' personal information must report to the cyber security review office for a cyber security review if it intends to be listed abroad (國外上市). The Cybersecurity Review Measures further stipulate that critical information infrastructure operators that procure internet products and services, and network platform operators engaging in data processing activities, shall be subject to the cybersecurity review if their activities affect or may affect national security. In addition, the relevant government authorities may initiate the cybersecurity review against the relevant operators if the authorities believe that the network products or services or data processing activities of such operators affect or may affect national security. As of the Latest Practicable Date, we had not been notified by any authorities of being classified as a critical information infrastructure operator. Furthermore, we only collect personal information and operational data that is unrelated to activities affecting national security, and we do not process any core or important data as defined by the Data Security Law. While the Cybersecurity Review Measures do not apply to listings in Hong Kong such as the Listing, we cannot guarantee that we will not be subject to cybersecurity review for our future capital raising activities or if new rules or regulations promulgated in the future will impose additional compliance requirements on us.

Pursuant to the Security Assessment Measures for Cross-border Data Transfers (《數據出境安全評估辦法》), which were promulgated on July 7, 2022, and came into effect on September 1, 2022 by the CAC, to provide data abroad, a data processor falling under any of the following circumstances shall, through the local cyberspace administration at the provincial level, apply to the CAC for security assessment of outbound data: (i) where a data processor provides critical data abroad, (ii) where a critical information infrastructure operator or a data processor processing the personal information of more than one million individuals provides personal information abroad, (iii) where a data processor has provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals in total abroad since January 1 of the previous year, and (iv) other circumstances prescribed by the CAC for which declaration for security assessment for outbound data transfers is required. The CAC issued the Measures on the Standard Contract for Cross-border Transfer of Personal Information (《個人信息出境標準合同辦法》) on February 24, 2023, which became effective on June 1, 2023 and applies to the provision of personal information by personal information processors to overseas recipients by concluding a standard contract for outbound transfer of personal information (hereinafter referred to as "Standard Contracts"). Personal information processor shall apply for filing with the cyberspace administration at the provincial level within 10 working days of the effective date of the standard contract. The following materials shall be submitted for filing: (1) the standard contract, and (2) the personal information protection impact assessment report.

According to the Provisions on Promoting and Regulating Cross-Border Data Flows (《促進和規範數據跨境流動規定》) (Decree No. 16 of the Cyberspace Administration of China) promulgated by the CAC and came into effect on March 22, 2024, data processors shall declare security assessment for the outbound provision of data if any of the following conditions is met unless the circumstance falls under Article 3, 4, 5, or 6 of the Provisions: (i) where a critical information infrastructure operator (hereinafter referred to as a "CIIO") provides personal information or important data abroad; (ii) where

RISK FACTORS

a data processor other than an operator of critical information infrastructure provide important data abroad, or, since January 1 of the current year, such a non-CIIO data processor has provided personal information (excluding sensitive personal information) of not less than one million people or sensitive personal information of not less than 10,000 people to overseas recipients.

Where a non-CIIO data processor provides personal information (excluding sensitive personal information) overseas of not less than 100,000 but less than 1 million persons, or provide sensitive personal information overseas of less than 10,000 persons, cumulatively since January 1 of the current year, such a data processor shall conclude a standard contract with the overseas recipients or obtain a certification on protection of personal information in accordance with the law. However, where the circumstance falls under Article 3, 4, 5 or 6 of the Provisions, such provisions shall apply. In addition, On September 24, 2024, the CAC announced the Cyber Data Security Regulations, which will become effective on January 1, 2025. These regulations stipulate that cyber data processors who carry out cyber data processing activities that affect or may affect national security shall undergo national security review in accordance with relevant state regulations. After the Restructuring, we still provide digitalization solutions at the request of customers, and the provision of such services necessitates us to process certain consumer information on behalf of our customers. For example, for customers that subscribe to our consumer membership management module, our system records consumer personal information, order data, and loyalty points according to the customers's requirements. Consequently, we process certain personal information of the consumers. We currently possess the personal information of over one million users. However, the Cyber Data Security Regulations provides no further explanation or interpretation as to how to determine what constitutes "affecting national security". As of the Latest Practicable Date, the Cyber Data Security Regulations had just been formally adopted. Substantial uncertainties exist with respect to its interpretation and implementation. We cannot assure you that the formally adopted Cyber Data Security Regulations will not negatively affect us. At this stage, we are unable to predict the possible impact of these laws and regulations, if any, and we are monitoring and assessing the rulemaking process closely.

The interpretation and application of the aforementioned data privacy and information security laws and regulations and any new related laws and regulations in the future are generally complex and evolving, and our practice may become inconsistent with them. For detailed information on these new laws and regulations, see "Regulations—Regulations on Cybersecurity, Information Security, Privacy and Data Protection." In the case of legal or regulatory noncompliance in this regard, in addition to the possibility of fines, we could face an order or rectification guidance requiring that we change our practices, which could have an adverse effect on our business and results of operations. Complying with data protection laws and regulations could also cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business. We may need to make adjustments to our product and service offerings to comply with data security requirements and other laws and regulations from time to time.

In addition, as laws and regulations in China on the protection of privacy and data are constantly evolving, complying with new laws and regulations could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

Moreover, we could be required to disclose certain personal information to PRC governmental authorities for the purpose of, among others, safeguarding the national security, investigating crimes, investigating infringement of information network communication rights, and cooperating with the supervision and inspection of telecommunication regulatory authorities.

RISK FACTORS

If our expansion into new geographical areas, new product or service categories is not successful, our business and prospects may be materially and adversely affected.

Our expansion into new geographical areas involves new risks and challenges associated with such new markets, such as our business model may not be acceptable to residents in lower-tier cities and towns in China, there may be a lack of demand for local on-demand retail and delivery, the order density in those smaller, less developed areas may not be sufficient to allow us to operate in a cost-efficient manner, and we may need to adjust our pricing methodologies to adapt to local economic conditions. We cannot assure you that we will be able to execute our business strategy or that our service offerings will be successful in such markets. In addition, our lack of relevant customers or familiarity with retailers and the market dynamics of these areas may make it more difficult for us to keep pace with local demands and preferences. Any failure in our expansion into new geographical areas could materially and adversely affect our business and prospects.

Our international expansion strategy and ability to conduct business in international markets may be adversely affected by legal, regulatory, political and economic risks.

International expansion is a significant component of our growth strategy and may require significant capital investment, which could strain our resources and adversely impact current performance, while adding complexity to our current operations. Leveraging our successful experience in the Chinese mainland, we have expanded into markets outside the Chinese mainland comprising Hong Kong SAR, Cambodia, Singapore, Malaysia, Poland, Macau SAR, Indonesia, the Philippines and Brunei. We are also in the initial stage of expansion into the European market through our collaboration with the Metro Group, a leading wholesaler headquartered in Germany. We are therefore subject to the laws and regulations of the foreign countries in which we operate in addition to PRC laws and regulations. We have limited experience operating in overseas markets and may face competition from major, established competitors in these markets. These competitors usually have more experience and resources for their business operations in those markets. In addition, the real estate, employment and labor, transportation and logistics, regulatory, and other operating requirements in these markets differ significantly from those in the Chinese mainland. In particular, we face regulatory uncertainties and may incur substantial compliance costs when we enter into a new overseas market. Regulations in different overseas markets could vary significantly. We have to closely monitor changes in local laws and complete all necessary procedures and filings accordingly. Furthermore, we may also from time to time encounter legal disputes with various parties in overseas markets in our ordinary course of business operations. If any of our overseas operations, or our associates or agents, violate such local laws and regulations, we could become subject to sanctions or other penalties, which could negatively affect our reputation, business and operating results.

In addition, we may face operational issues that could have a material adverse effect on our reputation, business and results of operations, if we fail to address certain factors including, but not limited to, the following:

- difficulties in developing, staffing and simultaneously managing a foreign operation as a result of distance, language and cultural differences;
- challenges in formulating effective local sales and marketing strategies targeting users from various jurisdictions and cultures, who have a diverse range of preferences and demands;
- challenges in identifying appropriate local business partners and establishing and maintaining good working relationships with them;

RISK FACTORS

- dependence on local platforms in marketing our international products and services overseas;
- challenges in selecting suitable geographical regions for international business;
- longer customer payment cycles;
- compliance with applicable data privacy laws and regulations and unexpected changes or interpretations in such laws and regulations;
- currency exchange rate fluctuations;
- political or social unrest or economic instability;
- uncertain tax liabilities;
- protectionist or national security policies that restrict our ability to (i) invest in or acquire companies; (ii) develop, import or export certain technologies; or (iii) utilize technologies that are deemed by local governmental regulators to pose a threat to their national security;
- compliance with applicable foreign laws and regulations and unexpected changes in laws or regulations, including compliance with privacy laws and data security laws, including the European Union General Data Protection Regulation, or GDPR, and compliance costs across different legal systems;
- differing, complex and potentially adverse customs, import/export laws, tax rules and regulations or other trade barriers or restrictions which may be applicable to transactions conducted through our international and cross-border platforms, related compliance obligations and consequences of non-compliance, and any new developments in these areas; and
- increased costs associated with doing business in foreign jurisdictions.

One or more of these factors could harm our overseas operations and, consequently, could harm our overall results of operations.

If we are unable to continue to improve customer experience and maintain a consistently high level of customer satisfaction and a well-functioning customer service team, our brand, business and results of operations may be materially and adversely affected.

Our success depends upon our ability to continue to improve customer experience. Our ability to constantly improve customer experience depends on our ability to maintain a consistently high level of customer satisfaction and a well-functioning customer service team.

An important way to improve customer experience and attract more customers is to introduce innovative services and features that are useful for our business customers and improve their customer acquisition capabilities and achieve higher sales. To develop, support and maintain such services and features often requires implementation of new technologies, and we intend to continue to devote resources to the development of additional technologies and services. However, implementation of new technologies in our service portfolios may take a long time and may involve technical challenges and large amounts of capital and personnel resources. We may not be able to effectively integrate new technologies on a timely basis, or at all, which may decrease customer satisfaction with our services. Such technologies, even if integrated, may not function as expected or may be unable to attract and retain a substantial number of customers to use our products and services.

RISK FACTORS

In addition, we must also continue to respond promptly to evolving customer preferences, enhance the customer friendliness of our Dmall OS system and otherwise continue to improve our technology systems, all of which may require us to incur substantial costs and expenses.

We cannot assure you that our efforts to improve customer experience and increase customer base will always be successful. We also cannot predict whether our new products, services and features will be well received by customers consistently, or whether we will be successful in cost-effectively implementing new technologies, enhancing customer friendliness of our technology systems, and otherwise improving our technology systems. If we cannot continue to improve customer experience and maintain a consistently high level of customer satisfaction and a well-functioning customer service team, we may not be able to retain or attract customers, and our brand, business, financial condition and results of operations may be materially and adversely affected.

We may fail to successfully roll out, upgrade, and expand our service offerings to retailers, which may materially and adversely affect our business and results of operations.

We have been constantly introducing new services to retailers to solidify our relationship with them. For example, we have utilized our big data technology to help retailers establish omnichannel membership programs across channels. Together with our advanced Internet of Things capabilities, we help retailers to target and communicate with consumers for devising effective marketing initiatives. We have experienced rapid growth in this new business offering. However, our expansion of new service offerings may result in unseen risks, challenges and uncertainties along with our expansion into relatively new business areas.

We may incur additional capital expenditure to support the expansion of our new value-added services to retailers. In addition, due to the limited operating history of these new business offerings, it is difficult to predict future revenues, which could be subject to seasonality. Any failure in managing expenditures and evaluating demands could materially and adversely affect the prospects of achieving profitability of and recouping our investments in these value-added services and our overall financial condition.

In addition, the expansion of service offerings may strain our managerial, financial, operational and other resources. If we fail to manage such expansion successfully, our growth potential, business and results of operations may be materially and adversely affected.

Failures or mishaps in store and product management, supply chain management, marketing, quality control and other activities or any regulatory or other non-compliance of our retailer customers while using our services could harm our brand and reputation, adversely affect our business and prospects, and subject us to potential liability.

Our solutions are designed to help retailers in a number of key aspects of their operations, such as store and product management, supply chain management, marketing and other activities. If any retailers fail to correctly and effectively implement our solutions as intended, or, even if they are correctly and effectively implemented, any retailer customers or their employees commit any operational mistakes, have any mishaps or engage in non-compliant conduct while using our solutions, we may be subject to reputational harm and potential liability. For example, concerns or claims regarding the quality or safety of the merchandise offered by our retailer customers through our platform, even if factually incorrect or based on isolated incidents, could reduce consumer confidence

RISK FACTORS

in our platform and subject us to reputational harm. Failures or mishaps in store and product management, supply chain management, marketing, quality control and other activities or any regulatory or other non-compliance of our retailer customers while using our services could harm our brand and reputation, adversely affect our business and prospects and subject us to potential liability.

Our business had been affected by the COVID-19 pandemic.

COVID-19 had a severe and negative impact on the global economy, including China, in the first half of 2020. New COVID-19 variants have also emerged across the globe, potentially extending the period where COVID-19 will negatively impact the global economy. We took a series of measures to protect our employees, including temporarily closing our offices, facilitating remote working arrangements for our employees, and reducing business meetings and travels. The population in most of the major cities was locked down to a greater or lesser extent at various times and opportunities for discretionary consumption were extremely limited. Our operations have, to a certain extent, been impacted by delays in business activities, commercial transactions and general uncertainties surrounding the duration of the governments' extended business and travel restrictions. For example, with reduced retail consumer foot traffic in offline retail stores as a result of COVID-19 containment measures in stores or the closure of retail stores, our revenue generated from take rate customers suffered as a result of a general reduction of GMV processed through our system. In addition, the COVID-19 pandemic disrupted our ability to work on-site for system implementation and launch. It also hampered our customer outreach and follow-up initiatives to a certain extent. The travel restrictions also resulted in the reduction in size or even cancelation of our offline events, which temporarily adversely affected our marketing activities.

China began to modify its COVID-19 policy at the end of 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022. The extent to which the pandemic impacts our results of operations going forward will depend on future developments which are highly uncertain and unpredictable, including the frequency, duration and extent of outbreaks of COVID-19, the appearance of new variants with different characteristics, the effectiveness of efforts to contain or treat cases, and future actions that may be taken in response to these developments. Our business may be impacted in a materially negative way as consumers curtail their retail consumption behavior in response to potential economic hardship.

Our business is sensitive to economic conditions. A severe or prolonged downturn in the global economy could materially and adversely affect our business, financial condition and results of operations.

COVID-19 had a severe and negative impact on the global economy. Even before the outbreak of COVID-19, the global macroeconomic environment was facing numerous challenges. There is considerable uncertainty over the long-term effects of the monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies. The conflict in Ukraine and the imposition of broad economic sanctions on Russia could raise energy prices and disrupt global markets. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between China and the United States with respect to trade policies, treaties, government regulations and tariffs. Any further escalation in trade tensions between China and the U.S. or a trade

RISK FACTORS

war, or the perception that such escalation or trade war could occur, may have negative impact on the economies of not only the two countries concerned, but the global economy as a whole. There have been further uncertainties related to the U.S. Federal Reserve's monetary policies in response to market conditions under the impact of COVID-19. It is unclear whether these challenges and uncertainties will be contained or resolved and what effects they may have on the global political and economic conditions in the long term. Economic conditions in China are sensitive to global economic conditions, as well as the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition. In addition, continued turbulence in the international markets may adversely affect our ability to access capital markets to meet liquidity needs.

If we fail to create, expand, and take advantage of cross-selling opportunities by introducing and selling other services to existing customers using our retail digitalization solutions, our business and financial prospects may be adversely affected.

We generate customer leads and promote our brand awareness primarily through word-of-mouth referrals by existing customers, as well as online and offline marketing activities. We also have a dedicated sales team, customer success team, and a business development team that leverage existing customer relationship and industry reputation to convert sales leads into paying customers and to create cross-selling opportunities, which allow us to attract new customers and maintain a high customer retention rate in a cost-efficient manner. For example, we started to provide online-to-offline solutions and AIoT solutions services to Zhongbai Holdings Group Co., Ltd. (“**Zhongbai**”), a leading retailer in China, in 2017 and further expanded the services to provide Dmall OS system to Zhongbai in 2021. We have established a long-term and stable cooperative relationship with Zhongbai as of the Latest Practicable Date. If we are unable to create, expand, and take advantage of cross-selling opportunities by introducing and selling more services to existing customers, our revenue growth from existing customers may stagnate, and our business, financial performance and prospects may be adversely affected as a result.

Any lack of requisite approvals, licenses or permits applicable to our business may materially and adversely affect our daily operations and hinder our growth.

Our business is subject to governmental supervision and regulation by the relevant PRC governmental authorities, including the Ministry of Commerce, or MOFCOM, the Ministry of Industry and Information Technology, or the MIIT, the Cyberspace Administration of China, or the CAC, the SAMR, and other governmental authorities in charge of the relevant categories of products sold by us. Together, these government authorities promulgate and enforce regulations that cover many aspects of the operation of online retail, including entry into the online retail industry, the scope of permissible business activities, licenses and permits for various business activities, and foreign investment. We are required to hold a number of licenses and permits in connection with our business operation. According to the Measures for the Administration of Payment Services of Non-Financial Institutions, non-financial institutions are required to obtain the Payment Business Permit to provide payment services.

As of the Latest Practicable Date, we have obtained approvals, licenses and permits that are required for our business operations. In addition, according to the Administrative Regulation of the PRC on the Registration of Market Entities (中華人民共和國市場主體登記管理條例) and Measures on Penalties for Business Operations without Necessary License/Permit (無證無照經營查處辦法), any

RISK FACTORS

operation site established in addition to our domicile shall be registered with SAMR as a branch office. Any perceived or actual failure to complete such registration may subject us to fines and penalties, which may adversely affect our business operations. As the industry in which we operate is still evolving in China, new laws and regulations may be adopted from time to time to require additional licenses and permits other than those we currently have, and to address new issues that arise from time to time. If the competent authority (i) considers us to be in violation of any PRC laws or regulations due to the insufficient scope of our license, (ii) deems that we are operating without the proper approvals, licenses or permits according to the laws and regulations, or (iii) promulgates new laws and regulations that require additional approvals or licenses or imposes additional restrictions on the operation of any part of our business, it has the power, among other things, to levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these and other regulatory actions, including issuance of official notices, change of policies, promulgation of regulations and imposition of sanctions, may adversely affect our business and have a material and adverse effect on our results of operations. In addition, if we are to use new or additional domain names to conduct our business, we would have to apply for the same set of government authorizations or amend the current ones.

We are dependent on the continued services and performance of our senior management and other key employees, the loss of any of whom could adversely affect our business, operating results and financial condition.

Our future performance depends on the continued services and contributions of our senior management and other key employees to execute on our business plan and to identify and pursue new opportunities and product innovations. The loss of services of senior management or other key employees could significantly delay or prevent the achievement of our strategic objectives. In addition, some of the members of our current senior management team have only been working together for a short period of time, which could adversely impact our ability to achieve our goals. From time to time, there may be changes in our senior management team resulting from the hiring or departure of executives, which could disrupt our business. We do not maintain key person life insurance policies on our employees. The loss of the services of one or more members of our senior management or other key employees for any reason could adversely affect our business, financial condition and operating results and require significant amounts of time, training and resources to find suitable replacements and integrate them within our business, and could affect our corporate culture.

In addition, we will continue to recruit qualified personnel to support our business operations and planned business growth. If we are unable to recruit, train and retain sufficient qualified personnel while controlling our labor costs, our business may be materially and adversely affected.

We recorded other net income/(loss) from gain on disposal of subsidiaries during the Track Record Period, which was non-recurring in nature.

In 2022, we recorded a gain of RMB100.1 million as a result of the disposal of our equity interest in DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited. For details, see “History, Reorganization and Corporate Structure—Acquisitions and Disposals—(4) DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited.” We did not record any gain on disposal of subsidiaries in 2021 and recorded a loss on disposal of a subsidiary of RMB1 thousand in 2023, and we cannot assure you that we will record such gains in the future. Additionally, in April 2024, we commenced and completed the Restructuring, which resulted in the divestment of our online

RISK FACTORS

marketing business, and the financial results of our online advertising services were classified as discontinued operations in the historical financial information. In 2022, 2023 and the six months ended June 30, 2024, we recorded net profit for the year/period from discontinued operations of RMB59.5 million, RMB93.5 million and RMB233.1 million, respectively. We recorded net loss for the year from discontinued operations of RMB17.0 million in 2021. As such items contributed to loss for the year/period during the Track Record Period, the non-recurring nature of such items may affect our profitability. Hence, our business, financial condition and results of operations could be affected as a result of the non-recurring nature of gain on disposal of subsidiaries.

We operate business in Asia market through joint venture structure, and our operational and financial results will be affected by how the arrangements are managed.

A significant portion of our Asia market business is operated through Retail Technology Asia, one of our subsidiaries whose financial statements has been consolidated into our financial statements since its establishment. Pursuant to the joint venture agreement entered into between Dmall HK and DRGML dated December 3, 2019, Retail Technology Asia was incorporated in Hong Kong on January 14, 2020 to provide retailers outside China with a cloud-based retail platform relating to the digital transformation of customer experiences. The board of Retail Technology Asia is responsible for the overall management of the joint venture, which shall consist of seven directors, of which Dmall HK may appoint four directors and DRGML may appoint three directors. In respect of Dmall HK, Dmall HK may appoint the chief executive officer, chief financial officer and the chief technology officer of Retail Technology Asia. As of the date of this prospectus, it was held by Dmall HK as to 69.5% and DRGML as to 30.5%, respectively. The success of our joint venture depends on a number of factors, including both parties' willingness and ability to contribute their knowledge and expertise with respect to operations, marketing and brand building, willingness to honor their commitments under the JV Agreement, and the extent to which the parties cooperate in operational and strategic decisions with respect to the target markets. If we become engaged in material disagreements with DFI Retail Group, the operational and financial results of the underlying business may be adversely affected.

We may engage in acquisitions, investments or strategic alliances in the future, which could require significant management attention and materially and adversely affect our business and results of operations.

We may identify strategic partners to form strategic alliances, and invest in or acquire additional assets, technologies or businesses that are complementary to our existing business. These transactions may involve minority investments in other companies, acquisitions of controlling stakes in other companies or acquisitions of selected assets.

Any future strategic alliances, investments or acquisitions and the subsequent integration of the new assets and businesses obtained or developed from such transactions into our own business may divert management from its primary responsibilities and subject us to additional liabilities. In addition, the costs of identifying and consummating investments and acquisitions may be significant. We may also incur costs and experience uncertainties in completing necessary registrations and obtaining necessary approvals from relevant government authorities in China and elsewhere in the world. The costs and duration of integrating newly acquired assets and businesses could also materially exceed our expectations. Any such negative developments could have a material adverse effect on our business, financial condition, results of operations and cash flow.

RISK FACTORS

We are subject to credit risk with respect to trade receivables and prepayments, deposits and other receivables.

During the Track Record Period, our trade receivables primarily represent outstanding receivables associated with our retail core service cloud solutions and marketing and advertising service and our prepayments, deposits and other receivables primarily consist of receivable from a supplier, deductible input value-added tax, receivable from third party payment platform, receivables from retailers and advertisers, lease and security deposits and others. As of December 31, 2021, 2022 and 2023 and June 30, 2024, we recorded trade receivables of RMB93.2 million, RMB140.6 million, RMB165.1 million and RMB256.5 million, respectively, and the current and non-current prepayments, deposits and other receivables of RMB117.4 million, RMB86.0 million, RMB95.6 million and RMB94.6 million, respectively. Although we have initiated proactive and periodic communication with our customers for payments, there can be no assurance that all such amounts due to us would be settled on time, or that such amounts will not continue to increase in the future. Our performance, liquidity and profitability would be adversely affected if significant amounts due to us are not settled on time, substantial impairment is incurred or if any of these customers goes bankruptcy or undergoes credit deterioration.

Fair value changes in our Convertible Bond issued to the Convertible Bond investor and related valuation uncertainty due to unobservable inputs of our Convertible Bond may affect our financial condition and results of operations.

In June 2022, our Company issued Convertible Bond to the Convertible Bond Investor pursuant to an convertible bond investment agreement and in March 2024, we entered into an amendment to the convertible bond investment agreement with the Convertible Bond Investor. For more details, please see the section headed “History, Reorganization and Corporate Structure—Pre-IPO Investments—Issuance of Convertible Bond” of this document.

The Convertible Bond was initially bifurcated into liabilities and derivative components upon issuance. At initial recognition the derivative component of the Convertible Bond is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognized as the derivative component is recognized as the liability component. The derivative component is subsequently remeasured at fair value in profit or loss. The liability component is subsequently carried at amortized cost. The Group applied the discounted cash flow valuation approach to determine the underlying equity value of the Group while the binomial pricing model was adopted to determine the fair value of the derivative components of the Convertible Bond, and the key valuation assumptions used included exercise price, expected volatility, dividend yield, maturity period and bond yield. Any change in the assumptions may lead to different valuation results and, in turn, changes in the fair value of these financial instruments issued to investor. The risk factors that influence bond yield include, but are not limited to, parameters such as the yield from comparable bonds, as well as premiums such as liquidity premium, country premium and specific premium. Due to the use of unobservable inputs to determine the discount rate in the valuation of our Convertible Bond, there is inherent uncertainty in the valuation. Upon conversion the Convertible Bond will be reclassified and re-designated to ordinary shares of the Company and the conversion is a non-cash transaction. On or after 180 days upon the completion of the Qualified IPO, the holder of the Convertible Bond shall have the right to convert the outstanding principal amount of the Convertible Bond into such number of Shares at any time before the maturity date pursuant to the terms of the Convertible Bond. For details about our Shares expected to be allotted and issued upon conversion of

RISK FACTORS

the Convertible Bond, please see “History, Reorganization and Corporate Structure—Pre-IPO Investments—Issuance of Convertible Bond.” To the extent we need to revalue the Convertible Bond prior to their conversion, any change in fair value of Convertible Bond and related valuation uncertainty could materially affect our financial position and performance.

Further, before the maturity date of the Convertible Bond, the holder of the Convertible Bond may require the early redemption of the Convertible Bond by depositing a notice of redemption at its principal amount plus accrued interest on June 14, 2025 or June 14, 2026. If the Convertible Bond is to be redeemed, the redemption amount shall be the principal amounting to RMB140,000,000 plus total accrued and unpaid interest calculated at 5.8% per annum on the principal. The redemption of the Convertible Bond, if triggered, would reduce the Group’s cash position.

In addition, during the Track Record Period, we issued convertible redeemable preferred shares, all of which are designated as financial liabilities at fair value through profit or loss. During the Track Record Period, our fair value change of convertible redeemable preferred shares were negative RMB732.3 million, negative RMB493.2 million, negative RMB476.2 million, negative RMB422.3 million and negative RMB397.1 million in 2021, 2022, 2023, and the six months ended June 30, 2023 and 2024, respectively. After the automatic conversion of the convertible redeemable preferred shares into Shares upon the Listing, which will result in a net asset position, we do not expect to recognize any further loss or gain on fair value changes from the convertible redeemable preferred shares in the future.

Our results of operations, financial condition and prospects may be adversely affected by fair value changes of our financial assets and valuation uncertainty due to the use of unobservable inputs.

We made investments in certain financial assets during the Track Record Period and recorded current financial assets at fair value measured through profit or loss of RMB15.1 million, RMB9.0 million, RMB34.9 million and RMB11.2 million as of December 31, 2021, 2022 and 2023, and June 30, 2024 respectively, and non-current financial assets at fair value through profit or loss of RMB140.7 million, RMB153.2 million, RMB196.6 million and RMB109.7 million, respectively. Our financial assets at fair value through profit or loss mainly consist of (i) wealth management products purchased from banks in the PRC and (ii) equity investment in Guoquan Food (Shanghai) Co., Ltd., formerly known as Guoquan Supply Chain (Shanghai) Co., Ltd. (“**Guoquan**”). The fair value of wealth management products is calculated by discounting the expected future cash flows. The key input used by the Group for wealth management products is the expected rate of return. As of December 31, 2021 and 2022, the Group determines the fair value of investment in Guoquan by reference to its recent transaction prices or using a backsolve method based on assumptions that are not supported by observable market prices or rates. As of December 31, 2023 and June 30, 2024, the fair value of the investment in Guoquan is determined based on the closing market price of its shares. Going forward, we may continue to invest in financial assets. We plan to make investment decisions related to the purchase of financial assets on a case-by-case basis. We cannot assure you that market conditions and regulatory environment will result in fair value gains on the financial assets we invest in or we will not incur any fair value losses on our investments in the financial assets in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

RISK FACTORS

We may not be able to fulfil our obligation in respect of the contract liabilities, which may impact our cash position.

We recognize a contract liability when we receive or have an unconditional right to receive non-refundable consideration from a customer prior to us rendering related products and services to them. Contract liabilities are then reclassified as revenue when we perform our services under the contracts, which means transferring control of the related products or services to the customer. We recorded contract liabilities of RMB44.5 million, RMB49.5 million, RMB91.3 million and RMB78.6 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. If we fail to fulfill our obligations or if our customers dispute the services we provided, we may not be able to reclassify the full amount of contract liabilities as revenue, and we will have to refund all or a portion of the payments made by our customers, which will adversely affect our results of operations, liquidity and financial position.

The proper functioning of our technologies and operation systems is essential to our business. Any failure to maintain the satisfactory performance of our applications and operation systems could materially and adversely affect our business and reputation.

The proper functioning of our information technology (IT) systems is essential to our business. The satisfactory performance, reliability and availability of our IT systems are critical to our success, ability to attract and retain retailers and consumers and ability to maintain and deliver consistent services on our technology systems. However, our technology infrastructure may fail to keep pace with increased operations on our operating system and frequent transactions on our platform, in particular with respect to our new service offerings or in association with traffic and order surges during promotional events and holiday seasons, and therefore our users may experience delays as we seek to source additional capacity, which would adversely affect our results of operations as well as our reputation.

We may be unable to monitor and ensure high-quality maintenance and upgrade of our IT systems and infrastructure on a real-time basis, and users may experience service outages and delays in accessing and using our technology systems. In addition, we may experience surges in online traffic and orders associated with promotional activities and generally as the platform grows, which can put additional demand on our e-commerce platform at specific times. Our technology or infrastructure may not function properly at all times. Any system interruptions caused by telecommunications failures, computer viruses, physical or electronic break-ins or other attempts to harm our systems could result in the unavailability or slowdown of our technology systems or reduced order fulfillment performance, which in turn could reduce the volume of products sold and the attractiveness of product offerings on our platform. Any of such occurrences could cause severe disruption to our daily operations. As a result, our reputation may be materially and adversely affected, market share could decline and we could be subject to liability claims. In addition, in order to ensure that our technology infrastructure can be comprehensively and rapidly upgraded, we need to constantly enhance our technology. Otherwise, we face the risk of our technology infrastructure becoming unstable and susceptible to security breaches, which we may be unable to identify or rectify rapidly and effectively. Such instability or susceptibility could create serious challenges to the security and uninterrupted operation of our operating system, platform and other services, which could materially and adversely affect our business and reputation.

RISK FACTORS

If the software used in our Dmall OS system and other internal technology systems contains undetected programming errors or vulnerabilities, we may lose revenue and market acceptance and may incur costs to defend or settle claims with our retailer customers.

The software used in our Dmall OS system and other internal technology systems may contain errors, defects, security vulnerabilities or software bugs that are difficult to detect and correct, particularly when new versions or enhancements are released. Despite internal testing, our Dmall OS system and other internal technology systems may still contain serious errors or defects, security vulnerabilities or software bugs that we may be unable to successfully correct in a timely manner or at all, which could result in lost revenue, significant expenditures of capital, a delay or loss in market acceptance and damage to our reputation and brand, any of which could have an adverse effect on our business, financial condition and results of operations. Furthermore, our Dmall OS system is a multi-tenant cloud based system that allows us to deploy new versions and enhancements to all of our retailer customers simultaneously. To the extent we deploy new versions or enhancements that contain errors, defects, security vulnerabilities or software bugs to all of our business customers simultaneously, the consequences would be more severe than if such versions or enhancements were only deployed to a smaller number of our business customers.

Since retailers use our services for processes that are critical to their businesses, errors, defects, security vulnerabilities, service interruptions or software bugs in our operating system or platform could result in losses to our business customers. They may seek significant compensation from us for any losses they suffer or cease conducting business with us altogether. Any errors, defects, security vulnerabilities or software bugs contained in our Dmall OS system may also deteriorate user experience, which may discourage consumers from using our services. Further, business customers and consumers using our Dmall OS system could share information about bad experiences on social media, which could result in damage to our reputation and loss of future sales. A claim brought against us by any of our users would likely be time-consuming and costly to defend and could seriously damage our reputation and brand, making it harder for us to sell our products and services.

We rely on computer hardware, purchased or leased, and software licensed from and services rendered by third parties in order to provide our solutions and run our business, sometimes by a single-source supplier.

We rely on computer hardware, purchased or leased, and software licensed from and services rendered by third-parties in order to provide our solutions and run our business, sometimes by a single-source supplier. Third-party hardware, software and services may not continue to be available on commercially reasonable terms, or at all. Any loss of the right to use or any failures of third-party hardware, software or services could result in delays in our ability to provide our solutions or run our business until equivalent hardware, software or services are developed by us or, if available, identified, obtained and integrated, which could be costly and time-consuming and may not result in an equivalent solution, any of which could cause an adverse effect on our business and operating results. Further, retailers could assert claims against us in connection with such service disruption or cease conducting business with us altogether. Even if not successful, a claim brought against us by any of our business customers would likely be time-consuming and costly to defend and could seriously damage our reputation and brand, making it harder for us to sell our solutions.

RISK FACTORS

We depend on data centers and cloud computing services provided by third parties and any disruption in the operation of these facilities could adversely affect our business.

We currently manage our services and serves our business customers leveraging data centers and cloud computing facilities rented from third-party vendors. We may experience failures at the third-party data centers where our hardware is deployed from time to time. Data centers are vulnerable to damage or interruption from human error, intentional bad acts, earthquakes, hurricanes, floods, fires, war, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures and similar events. Any of these events could result in lengthy interruptions in our services. Changes in law or regulations applicable to data centers in various jurisdictions could also cause a disruption in service. We also collaborate with or receive open source software services from online map providers, social media access portal providers and payment processing providers.

Any interruption or delay, most of which are beyond our control, in the functionality of these third-party services may lead to system interruptions, website slowdown or unavailability, delays or errors in transaction processing, loss of data or the inability to accept and fulfill orders. Interruptions in our services would reduce our revenue, subject us to potential liability and adversely affect our ability to retain our business customers and consumers or attract new business customers and consumers. The performance, reliability and availability of our platform is critical to our reputation and ability to attract and retain business customers and consumers. Retailers and consumers could share information about bad experiences on social media, which could result in damage to our reputation and loss of future sales. If we are unable to maintain our arrangements with third-party service providers and vendors on commercially reasonable terms, we may be required to transfer to new data centers and cloud-computing facilities and we may incur costs and possible service interruption in connection with doing so.

Computer and mobile malware, viruses, hacking and phishing attacks, spamming and improper or illegal use of our Dmall OS system and other technology systems may affect customer experience, which could reduce our ability to attract customers and materially and adversely affect our business, financial condition and results of operations.

Computer and mobile malware, viruses, hacking and phishing attacks have become more prevalent in our industry. Although there have been no such incidents in the past, it is difficult to determine what, if any, harm may result from a future interruption or attack, any failure to maintain performance, reliability, security and availability of our Dmall OS system and other technology systems to the satisfaction of our business customers and consumers may affect customer experience, which could reduce our ability to attract business customers and advertisers and materially and adversely affect our business, financial condition and results of operations.

The performance of our technology systems depends on a variety of third-party service providers. Service interruptions, failures, or constraints of these service providers could severely harm our business and prospects.

The stability, reliability and competitiveness of our technology systems depend on a variety of third-party service providers, such as IT service providers, AIoT device vendors, and logistics service providers in connection with online-to-offline e-commerce services. If we are to experience failures, breakdowns, substandard performance or other adverse events affecting third-party service providers, it could incur significant losses due to disruptions in our technology systems and business. These risks may be further exacerbated by the deployment and continued refinement of cloud-based retail

RISK FACTORS

solutions. In a cloud computing environment, we may be subject to outages by third-party IT and cloud service providers and security breaches to our technology systems. Unauthorized parties may obtain access to our technology systems by circumventing the systems used by our third-party service providers. The merchandise on our e-commerce platform are supplied and shipped directly from retailers to our buyers. We and our retail partners may use third-party logistics service providers to fulfill and deliver orders placed with us. Interruptions to or failures in third-party logistics services could prevent timely and successful delivery of the ordered products to our buyers. As we do not directly control or manage the operations of these third-party logistics service providers, we may not be able to guarantee their performance. Any failure to provide satisfactory services to our buyers, such as delays in delivery, product damage or product loss during transit, may damage our reputation and cause us to lose buyers, and may ultimately adversely affect our results of operations and market acceptance of our services.

Our Dmall OS system and other internal technology systems contain open source software, which may pose particular risk to our proprietary software features and functionalities in a manner that negatively affects our business.

We use open source software in our Dmall OS system and other internal technology systems and will continue to use open source software in the future. The licenses applicable to our use of open source software may require the source code that is developed using open source software be made available to the public and that any modifications or derivative works to certain open source software continue to be licensed under open source licenses. From time to time, we may face claims from external parties claiming infringement of their intellectual property rights, or demanding the release or license of the open source software or derivative works that we developed using such software (which could include our proprietary source code) or otherwise seeking to enforce the terms of the applicable open source license. Our use of open source software may also present additional security risks because the source code for open source software is publicly available, which may make it easier for hackers and other parties to determine how to breach our website and technology systems that rely on open source software. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a material adverse effect on our business, results of operations, financial condition and prospects.

We may be obligated to disclose our proprietary software to our business partner.

Pursuant to our joint venture agreement with DRGML and the technology framework and license agreement for retail spine technology, as amended, DRGML became a third-party beneficiary of a security token escrow agreement under which we may place the security token which may be used to gain access to our proprietary software and control the operating environment of such software for certain of our solutions used by Retail Technology Asia in escrow with a third party and the security token may be released to DRGML upon the occurrence of specified events, such as in situations of our bankruptcy or insolvency or our failure to support or maintain our solutions. We delivered the security token to the escrow agent. Disclosing the content of our software may limit the intellectual property protection we can obtain or maintain for our source code or our solutions containing that source code and may facilitate intellectual property infringement, misappropriation or other violation claims against us. Each of these could have a material adverse effect on our business, financial condition and results of operations. See “Business—Joint venture agreement of Retail Technology Asia.”

RISK FACTORS

We have been and may again, from time to time, be subject to legal proceedings during the course of our business operations. Our directors, management, shareholders and employees may also again from time to time be subject to legal proceedings, which could adversely affect our reputation and results of operations.

We have been and may continue to be, subject to litigations, regulatory actions, disputes or claims of various types brought by relevant regulatory authorities or our competitors, business customers, consumers, suppliers, content creators, employees, or other third parties against us during our business operations. During the Track Record Period, a subsidiary of our Company were involved in a contractual dispute lawsuit with a mobile phone supplier of our Company's legacy commodity business, and certain disputed assets of RMB55.7 million were frozen by the court from the subsidiary's bank account. In September 2022, the court dismissed the case based on the findings of a court-commissioned forensic appraisal that the seal used in the evidentiary documents presented in the lawsuit did not match with our subsidiary's authentic company seal, and disputed assets were unfrozen in October 2022. None of our shareholders, directors or senior management or any of their associates were involved in the seal's forgery leading up to the lawsuit. We incurred approximately RMB1.4 million in legal fees and RMB0.1 million in forensic appraisal fees as a result of this lawsuit. There is no assurance whether or not we will be subject to further legal proceedings in the future. Subsequently, we have adopted rectification measures and established standardized supplies procurement management policies, including but not limited to background and authorization verification for our suppliers, inspections for goods delivered, and adoption of policies for employees to safeguard company information. See "Financial Information—Liquidity and Capital Resources."

Our directors, management, shareholders and employees may also again from time to time be subject to legal proceedings. Such regulatory actions, disputes, allegations, complaints, or legal proceedings may divert our management team's attention, and may damage our reputation, evolve into litigation or otherwise have a material adverse impact on our reputation and business. Litigation is expensive, may subject us to the risk of significant damages, requires significant managerial resources and attention, and could materially and adversely affect our business, financial condition and results of operations. The outcomes of actions we institutes may not be successful or favorable to us. Lawsuits against us may also generate negative publicity that significantly harms our reputation, which may adversely affect our customer base.

We may increasingly become a target for public scrutiny, including complaints to regulatory agencies, negative media coverage, and malicious reports, all of which could severely damage our reputation and materially and adversely affect our business and prospects.

The rapid growth of our service platform as well as increased publicity about our business create the possibility of heightened attention from the public, regulators and the media. Heightened regulatory and public concerns over consumer protection, consumer safety and data privacy and security issues may subject us to additional legal and social responsibilities and increased scrutiny and negative publicity over these issues, due to the large number of transactions that take place on our platform and the increasing scope of our overall business operations. We may become the target of detrimental conduct by third parties, which include complaints, anonymous or otherwise, to regulatory agencies. We may be subject to government or regulatory investigation as a result of such third-party conduct and may be required to expend significant time and incur substantial costs to address such third-party conduct, and there is no assurance that we will be able to conclusively refute each of the allegations within a reasonable period of time, or at all. Moreover, as our business expands and grows,

RISK FACTORS

we may be exposed to heightened public scrutiny in jurisdictions where we already operate as well as in new jurisdictions where we may operate. There is no assurance that we would not become a target for regulatory or public scrutiny in the future or that scrutiny and public exposure would not severely damage our reputation as well as our business and prospects. Any illegal or immoral conduct by our management or employees could also result in negative publicity and thus harm our public image and reputation.

In addition, allegations made, directly or indirectly, against us, may be posted in social media or on blogs or websites by anyone, whether or not related to us, on an anonymous basis. Consumers value readily available information concerning retailers and their goods and services and often act on such information without further investigation or authentication and without regard to its accuracy. The availability of information on social media platforms and devices is virtually immediate, as is its impact. Social media platforms and devices immediately publish the content their subscribers and participants post, often without filters or checks on the accuracy of the content posted. Information posted may be inaccurate and adverse to us, and may harm our financial performance, prospects or business. The harm may be immediate without affording us an opportunity for redress or correction. Our reputation may be negatively affected as a result of the public dissemination of anonymous allegations or malicious statements about our business, which in turn may cause us to lose market share, customers and revenues.

Our operating results are subject to seasonality, which may affect our business and operating results.

We have historically experienced mild seasonality in our business, mainly correlating to the seasonality patterns associated with the retail industry in China. The seasonality may become less predictable and more volatile as we enter into additional international markets. Seasonality makes it challenging to accurately and timely estimate customer demands and manage our capacity accordingly. We make planning and spending decisions, including capacity management and other resource requirements, based on our estimates of customer demand. Failure to meet demand associated with seasonality in a timely manner may adversely affect our financial condition and results of operations. Our financial condition and results of operations for future periods may continue to fluctuate. As a result, our results of operations may fluctuate from time to time due to seasonality.

Our operating metrics are subject to inherent challenges in different methods of measurement, and real or perceived inaccuracies in those metrics may materially and adversely affect our business and operating results.

We rely on certain key operating metrics, such as GMV and number of customers, among others, to evaluate the performance of our business. Our operating metrics may differ from estimates published by third parties or from similarly titled metrics used by other companies due to differences in methodology and assumptions. We calculate these operating metrics using internal company data. There are inherent challenges in measuring such key metrics and company data, and measurement of such metrics and data may be susceptible to delays and technical errors. If we discover material inaccuracies in the operating metrics we use, or if they are perceived to be inaccurate, our reputation may be harmed and our evaluation methods and results may be impaired, which could negatively affect our business. If investors make investment decisions based on operating metrics we disclose that are inaccurate, we may also face potential lawsuits or disputes.

RISK FACTORS

We may need to raise additional funds to pursue our growth strategy or continue our operations, and we may be unable to raise capital when needed or on acceptable terms.

From time to time, we may seek additional equity or debt financing to fund our growth, enhance our platform, respond to competitive pressures or make acquisitions or other investments. Our business plans may change, general economic, financial or political conditions in our markets may change or other circumstances may arise, in each case that has a material adverse effect on our cash flows and the anticipated cash needs of our business. Any of these events or circumstances could result in significant additional funding needs, requiring us to raise additional capital. We cannot predict the timing or amount of any such capital requirements at this time. If financing is not available on satisfactory terms, or at all, we may be unable to expand our business at the rate desired and our results of operations may suffer. Financing through issuances of equity securities would be dilutive to holders of our shares.

We may be unable to obtain, maintain and protect our intellectual property rights and proprietary information or prevent third-parties from making unauthorized use of our technology.

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality and invention assignment with our employees and others, to protect our proprietary rights. Any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. In addition, there can be no assurance that (i) our application for registration of trademarks, patents, and other intellectual property rights will be approved, (ii) any intellectual property rights will be adequately protected, or (iii) such intellectual property rights will not be challenged by third parties or found by a judicial authority to be invalid or unenforceable. Further, because of the rapid pace of technological change in the relevant industry, parts of our business rely on technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties at all or on reasonable terms.

According to the applicable administrative laws relating to intellectual property, it may take months or even years to register, maintain and enforce intellectual property rights in China. Confidentiality, invention assignment and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Policing any unauthorized use of intellectual property is difficult and costly and the steps we may take may be inadequate to prevent the infringement or misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our management and financial resources, and could put our intellectual property at risk of being invalidated or narrowed in scope. We can provide no assurance that we will prevail in such litigation, and even if we do prevail, we may not obtain a meaningful recovery. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in maintaining, protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

RISK FACTORS

We may be subject to intellectual property infringement claims or other allegations by third parties, which may materially and adversely affect our business, financial condition and prospects.

There is no assurance that our operations or any aspects of our business do not or will not infringe upon or otherwise violate patents, copyrights or other intellectual property rights held by third parties. Although we have not been subject to legal proceedings or claims relating to the intellectual property rights of others in the past, there is no assurance that we will not be subject to such legal disputes in the future. In addition, there may be other third-party intellectual property that is infringed by products offered by our retailer customers and their services or other aspects of their business. There could also be existing patents of which we are not aware that our products may inadvertently infringe. We cannot assure you that holders of patents purportedly relating to some aspect of our technology platform or business, if any such holders exist, would not seek to enforce such patents against us. Further, the application and interpretation of China's patent laws and the procedures and standards for granting patents in China are still evolving, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and may incur licensing fees or be forced to develop alternatives of our own. In addition, we may incur significant expenses, and may be forced to divert management's time and other resources from our business and operations to defend against these infringement claims, regardless of their merits. Successful infringement or licensing claims made against us may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question.

Our employees, third-party service providers, and customers may engage in intentional or negligent misconduct or other improper activities on our platform, or violate laws, our internal policies or policies of our customers, which could impair the quality of our service, cause us to lose customers or subject us to liability.

We have limited control over the behavior of our employees, third-party service providers and our customers. To the extent any improper behavior is associated with our services, platform, technology systems, or programs embedded in third-party websites or online channels, our ability to protect our brand image and reputation may be limited. In addition, if any consumers suffer or allege to have suffered physical, financial or emotional harm following contact initiated through our platform by intentional or negligent misconduct or other improper activities conducted by our employees, third-party service providers or business customers, we may face civil lawsuits or other liabilities initiated by the affected individual or governmental or regulatory actions against us. In response to allegations of illegal or inappropriate activities conducted on our websites or any negative media coverage about us, the governmental authorities may supervise and hold us liable for non-compliance with laws and regulations concerning the dissemination of information on the internet and subject us to administrative penalties or other sanctions, such as fines and penalties on our operations, requiring us to restrict or discontinue some of the content, features and services provided through our platforms or websites. As a result, our business may suffer and our brand image, business customer base, consumer base, results of operations and financial condition may be materially and adversely affected.

We are exposed to the risk of other types of fraud or other misconduct by employees, third-party service providers, and our business customers. Other types of misconduct include, but are not limited to, intentionally failing to comply with government regulations, engaging in unauthorized activities, such as mishandling consumer records and data, and making misrepresentations on our

RISK FACTORS

service platform, all of which could harm our business and reputation. It is not always possible to deter misconduct by employees, third-party service providers, and our business customers, and such risks are greater with respect to misconduct, improper activities and misuse of our services and data by our third-party service providers and business customers, over whom we have less control as they are not our own employees. Although we set out confidentiality and conduct requirements for third-party service providers and our business customers in our agreements with third-party service providers and our service agreements with business customers, such efforts may not be effective in controlling and deterring misconduct and improper activities. The precautions we take to prevent and detect misconduct by employees, third-party service providers, and our business customers may not be effective in controlling unknown or unmanaged risks or losses, which could harm our business, financial condition and results of operations.

We received government grants during the Track Record Period, and we may not receive such grants in the future.

In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, we recognized government grants and tax preference of RMB15.9 million, RMB52.8 million, RMB71.7 million, RMB22.6 million and RMB26.5 million, respectively, primarily representing unconditional cash awards granted by the local authorities in the PRC and utilization of additional deductible input value-added tax. During the years ended December 31, 2021, 2022 and 2023, and the six months ended June 30, 2024, government grants mainly represented subsidies received from government for encouraging foreign investment and technology research activities. Our eligibility for government grants is dependent on a variety of factors, including relevant government policies and availability of funding at different granting authorities. In addition, the policies according to which we received government grants may be halted by the relevant government authorities according to laws and regulations. We cannot assure you that we will continue to receive such government grants or receive similar level of government grants, or at all, in the future. Any loss of or reduction in government grants may have an adverse effect on our results of operations and financial condition.

We have granted, and may continue to grant options and other types of awards under our share incentive plan, which may result in increased share-based compensation expenses and dilute shareholdings.

In order to attract and retain qualified employees, provide incentives to our directors, officers, employees and consultants, and promote the success of our business, we adopted our 2016 Share Incentive Plan and the 2020 Share Incentive Plan. As of the Latest Practicable Date, 60,942,000 Shares underlying the outstanding options to purchase our ordinary shares and 18,065,309 Shares underlying outstanding restricted shares units have been granted and outstanding, excluding options that were forfeited or canceled after the relevant grant dates. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, we recorded RMB134.1 million, RMB12.5 million, RMB11.3 million, RMB6.9 million and RMB6.6 million in share-based payment expenses, respectively.

We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based awards to employees in the future. As a result, our expenses associated with share-based payment expenses may increase, which may have an adverse effect on our results of operations and potential dilution effect on the Shareholders' interest in our Company.

RISK FACTORS

While we endeavor to maintain an effective system of internal control, our efforts to improve it may not entirely eliminate all associated risks.

Our success depends on our ability to effectively utilize our standardized management system, information systems, resources and internal controls. As we continue to expand, we will need to modify and improve our financial and managerial controls, reporting systems and procedures and other internal controls and compliance procedures to meet our evolving business needs. Our efforts in improving our internal control system may not result in elimination of all risks. For example, we received a contractual dispute lawsuit in March 2021 against one of our subsidiaries claiming for alleged promised payments under a purchase order with a maximum claim amount of RMB56.7 million based on the pleading claim. We believe the plaintiff was deceived by imposters with forged seals without verifying the authenticity and validity of the purchase order, and we reported the incident to the local police authority. The lawsuit has been dismissed in September 2022 and we incurred approximately RMB1.4 million in legal fees and RMB0.1 million in forensic appraisal fees as a result of this lawsuit. While we successfully defended ourselves in this case, we cannot guarantee that similar incidents would not happen again in the future.

Increasing focus with respect to environmental, social and governance matters may impose additional costs on us or expose us to additional risks.

The PRC government and public advocacy groups have been increasingly focused on environment, social and governance, or ESG, issues in recent years, making our business more sensitive to ESG issues and changes in governmental policies and laws and regulations associated with environment protection and other ESG-related matters. Investor advocacy groups, certain institutional investors, investment funds, and other influential investors are also increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. Regardless of the industry, increased focus from investors and the PRC government on ESG and similar matters may hinder access to capital, as investors may decide to reallocate capital or to not commit capital as a result of their assessment of a company's ESG practices. Any ESG concern or issue could increase our regulatory compliance costs.

Our use of some leased properties could be challenged by third parties or government authorities, which may cause interruptions to our business operations.

Certain lessors of our leased properties have not provided us with their property ownership certificates or any other documentation proving their right to lease those properties to us. If our lessors are not the owners of the properties and they have not obtained consents from the owners or their lessors or permits from the relevant government authorities, our leases could be invalidated. If this occurs, we may have to renegotiate the leases with the owners or the parties who have the right to lease the properties, and the terms of the new leases may be less favorable to us. We may not be able to find alternative properties to lease in a timely and reliable manner, or at all. As of the Latest Practicable Date, one of our leased properties in the Chinese mainland with an aggregate gross floor area of approximately 392.93 square meters were subject to potential title defects, representing approximately 3.9% of the total gross floor area of our leased properties in the Chinese mainland. The lessors of such leased properties had not provided us with the relevant real estate registration certificates for the leased properties or proof of authorizations from the property owners to sublease the properties to us. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any safety issues or disputes with respect to these defective leased properties. In addition, some of our leased

RISK FACTORS

properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose us to potential fines if we fail to remediate after receiving any notice from the relevant PRC government authorities. As of the Latest Practicable Date, 7 out of our 12 leased properties in the PRC have not been registered or filed with the relevant land and real estate administration bureaus in the PRC. These properties are used for office space and have an aggregate gross floor area of approximately 5,130.7 square meters, accounting for approximately 50.3% of the total gross floor area of our leased properties in the PRC. While the lack of registration will not affect the validity of the lease agreements or result in us being required to vacate the leased properties, we may be ordered by the relevant government authorities to register the relevant leases within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease. The aggregate amount of maximum potential fine will be approximately RMB70,000.

As of the Latest Practicable Date, we were not aware of any claims or actions being contemplated or initiated by government authorities, property owners or any other third parties with respect to our leasehold interests in or use of such properties. However, we cannot assure you that our use of such leased properties will not be challenged. In the event that our use of properties is successfully challenged, we may be subject to fines and forced to relocate the affected operations. In addition, we may become involved in disputes with the property owners or third parties who otherwise have rights to or interests in our leased properties. We can provide no assurance that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis, or at all, or that we will not be subject to liability resulting from third parties' challenges on our use of such properties. As a result, our business, financial condition and results of operations may be adversely affected.

We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations.

In addition to the impact of COVID-19, our business could be materially and adversely affected by natural disasters, other health epidemics or other public safety concerns affecting China and other parts of the world. Natural disasters may give rise to server interruptions, breakdowns, system failures, technology platform failures, internet failures or other operation interruptions for us and our service providers, which could cause the loss or corruption of data or malfunction of software or hardware as well as adversely affect our ability and the ability of our service providers to conduct daily operations and to deliver our products and service offerings. Our business could also be adversely affected if our employees or the employees of our service providers are affected by health epidemics. In addition, our results of operations could be adversely affected to the extent that any health epidemic harms the Chinese or global economy in general.

Most of our system hardware and the back-up systems supplied by third-party cloud service providers are hosted in facilities located in China. Consequently, if any natural disasters, health epidemics or other public safety concerns were to affect China and Beijing in particular, our operation may experience material disruptions, which may materially and adversely affect our business, financial condition and results of operations.

We have limited insurance coverage, which could expose us to significant costs and business disruption.

We provide social insurance for our employees as required by PRC law, and we also provide supplemental commercial medical insurance for our employees. We do not maintain business

RISK FACTORS

interruption insurance or key-man insurance. We consider this practice to be reasonable in light of the nature of our business, which is in line with the practices of other companies of similar size in the same industry in China. In addition, insurance companies in China currently offer limited business-related insurance products. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could disrupt our business operations, requiring us to incur substantial costs and divert our resources, which could have an adverse effect on our business, financial condition and results of operations.

Risks Relating to Our Corporate Structure

If the PRC government determines that the historical contractual arrangements with the former VIE did not comply with PRC regulation, or if these regulations change or are interpreted differently in the future, we could be subject to severe penalties retroactively.

We are a holding company incorporated under the laws of the British Virgin Islands with operations primarily conducted by our subsidiaries and, historically, through contractual arrangements with our former VIE based in the Chinese mainland. As a result, investors face unique risks associated with our holding company structure. The PRC regulatory authorities could disallow our holding company structure, which could have an adverse effect on our business, financial condition and results of operations. PRC laws and regulations restrict and impose conditions on foreign investment in value added telecommunication services, such as the provision of advertising services and online transaction processing businesses (i.e., operating an e-commerce platform). In order to comply with PRC regulatory requirements, we primarily operated these businesses in the Chinese mainland through the former VIE.

In order to streamline our corporate structure, focus our corporate resources on the development of our retail core service cloud solutions, and reduce risks associated with our former VIE and the contractual arrangements, we completed the Restructuring to terminate the contractual arrangements with the former VIE. In April 2024, Shenzhen Xintonglu, our former VIE and Mr. ZHANG Feng and Ms. LU Yuxin entered into a termination agreement for the contractual arrangements, pursuant to which we will no longer have effective control over our former VIE. Subsequently, Shenzhen Xintonglu transferred 50% equity interests in our former VIE to Mr. ZHANG Feng and Ms. LU Yuxin at a consideration based on the valuation by an independent third-party valuation firm. Immediately following this transfer, we no longer hold, directly or indirectly, any interest in our former VIE.

We, through the former VIE, had been historically subject to a series of contractual arrangements with the former VIE and Mr. ZHANG Feng and Ms. LU Yuxin until April 2024. Because of these contractual arrangements, we were considered as the primary beneficiary of the former VIE and the financial statements of the former VIE were consolidated as part of our financial statements during the Track Record Period. See “History, Reorganization and Corporate Structure—Restructuring.”

Although we have completed the Restructuring in April 2024, the interpretation and application of current and future PRC laws and regulations relating to the arrangements that established the former VIE for our operations in the Chinese mainland remain evolving, including potential future actions by the PRC government, which may retroactively affect the enforceability and legality of our historical contractual arrangements with the former VIE. If the PRC government finds such agreements non-compliant with PRC laws and regulations, or if these law and regulations develop in the future, and

RISK FACTORS

such development is retroactively applied to our historical contractual arrangements, we could be subject to severe penalties and our control over the former VIE may be rendered ineffective.

Risks Relating to Doing Business in China

Changes in China's economic, political or social conditions, or government policies could materially and adversely affect our business and results of operations.

We expect that our revenues will be primarily derived in China and most of our operations will continue to be conducted in China. Accordingly, our results of operations, financial condition and prospects are influenced by economic, political and legal developments in China. The Chinese economy may differ from the economies of other countries in terms of the government's implementation of macroeconomic measures, including but not limited to the regulation of foreign exchange. A portion of productive assets in China is owned by the government, and the Chinese government plays a role in China's industrial development and economic growth through the implementation of industrial policies that allocate resources and set monetary and fiscal policies. Changes in economic conditions in China, in the policies of the Chinese government or in the laws and regulations in China could have a material effect on the overall economic growth of China. Such developments may adversely affect our business and operating results, leading to reduction in demand for our services and solutions and adversely affect our competitive position.

The Chinese government has implemented various measures, such as interest rate adjustment, to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. Decreased global economic activity, including in China, or decreased economic activity in the jurisdictions where we operate may have an adverse impact on our business and results of operations.

The legal system in any jurisdiction we operate in may affect the legal protections available to us or impose additional requirements and obligations on our business, which may materially and adversely affect our business, financial condition, and results of operations.

The legal protections available to us and the operations of our business may be affected by the legal system in the local jurisdiction we operate in. We conduct our business primarily through our PRC subsidiaries and, historically, the VIE in China. Our operations in China are governed by PRC laws and regulations. The legal system in China is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases may be cited for reference but have limited precedential value. The legal system in China is developing, and the interpretations of laws, regulations, and rules are evolving. However, these laws, regulations, and legal requirements are subject to amendment from time to time and their interpretation and enforcement are evolving, which may limit the legal protections available to us. In addition, we cannot predict the effect of future developments in the PRC legal system, particularly with regard to internet-related industries, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. Such unpredictability towards our contractual, property (including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations. Furthermore, the litigation may result in substantial costs and diversion of resources and management attention.

In addition, new laws and regulations may be enacted from time to time. In particular, the government authorities may continue to promulgate new laws, regulations, rules and guidelines

RISK FACTORS

governing internet companies with respect to a wide range of issues, such as intellectual property, competition and antitrust, privacy and data protection, and other matters, which may result in additional obligations imposed on it. Compliance with these laws, regulations, rules, guidelines, and implementations may be costly, and any incompliance or associated inquiries, investigations, and other governmental actions may divert significant management time and attention and our financial resources, bring negative publicity, subject us to liabilities or administrative penalties, or materially and adversely affect our business, financial condition, and results of operations.

The approval of the China Securities Regulatory Commission or other PRC government authorities may be required in connection with this offering and our future capital raising activities under PRC law, and, if required, we cannot predict whether or for how long we will be able to obtain such approval.

The M&A Rules require the offshore special purpose vehicle that is controlled by PRC companies or individuals formed for the purpose of seeking a public listing on an overseas stock exchange through acquisitions of PRC domestic companies of the aforementioned PRC companies or individuals using shares of such special purpose vehicle or shares held by its shareholders as a consideration to obtain CSRC approval prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. The interpretation and application of the regulations remain evolving, and this offering may ultimately require approval of the CSRC. If the CSRC approval is required, it is uncertain whether we can or how long it will take us to obtain the approval. Any failure to obtain or delay in obtaining the CSRC approval for this offering if such approval is required, would subject us to sanctions imposed by the CSRC or other PRC regulatory authorities, which could include fines and penalties on our operations in the PRC, restrictions or limitations on our ability to pay dividends outside of the PRC, and other forms of sanctions that may materially and adversely affect our business, financial condition, and results of operations.

Our PRC Legal Adviser has advised us that, based on its understanding of the PRC laws and regulations currently in effect, such CSRC approval under the M&A Rules will not be required for this offering given that (i) our wholly foreign owned enterprises were not established through a merger or acquisition of equity interests or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules using equities or shares as consideration, and (ii) no provision in the M&A Rules clearly classifies contractual arrangements as a type of transaction subject to its regulation. However, our PRC Legal Adviser further advised that the interpretation and implementation of the M&A Rules and other PRC laws and regulations are still evolving, and new rules or regulations promulgated in the future may impose additional requirement on us. If it is determined that the CSRC approval under the M&A Rules is required for this offering, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory authorities.

In addition, some of our future financing activities may also need to be filed with and/or reported to CSRC according to the Overseas Listing Filing Rules. Since the Overseas Listing Filing Rules have recently been released, we cannot assure you that we will not be required to complete the filing procedures with and report relevant information to the CSRC to maintain the listing status of our other securities, or to conduct any overseas securities offerings in the future.

Moreover, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for this offering or future financing activities, we may be unable to fulfill such requirements in a timely manner or at all.

RISK FACTORS

We may be classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment.

Under the People’s Republic of China Enterprise Income Tax Law, or the EIT Law, promulgated on March 16, 2007, and came into effect on January 1, 2008, and was most recently amended on December 29, 2018, which became effective on the same date, an enterprise established outside China whose “de facto management body” is located in China is considered a “PRC resident enterprise” and will generally be subject to the uniform 25% enterprise income tax rate, or the EIT rate, on its global income. Under the implementation rules of the EIT Law, “de facto management body” is defined as the organization body that effectively exercises full and overall management and substantial control over such aspects as the business operations, personnel, accounting and properties of the enterprise.

On April 22, 2009, State Administration of Taxation, or STA, released the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as People’s Republic of China Tax Resident Enterprises on the Basis of De Facto Management Bodies, or STA Circular 82, that sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of China and controlled by PRC enterprises or PRC enterprise groups is located within China. Further to STA Circular 82, on July 27, 2011, STA issued the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or STA Bulletin 45, to provide more guidance on the implementation of STA Circular 82; the bulletin became effective on September 1, 2011 and revised on June 15, 2018. STA Bulletin 45 clarified certain issues in the areas of resident status determination, post-determination administration and competent tax authorities’ procedures.

Under STA Circular 82, a foreign enterprise controlled by a PRC enterprise or PRC enterprise group is considered a PRC resident enterprise if all of the following apply: (i) the senior management and core management departments in charge of daily operations are located mainly within China, (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China, (iii) major assets, accounting books, company seals, and minutes and files of board and shareholders’ meetings are located or kept within China, and (iv) at least half of the enterprise’s directors with voting rights or senior management reside within China. STA Bulletin 45 specifies that when provided with a copy of Chinese tax resident determination certificate from a resident Chinese controlled offshore incorporated enterprise, the payer should not withhold 10% income tax when paying the Chinese-sourced dividends, interest, royalties, etc. to the PRC controlled offshore incorporated enterprise.

Although Circular 82 and STA Bulletin 45 explicitly provide that the above standards only apply to enterprises which are registered outside of China and controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreign individuals, Circular 82 and STA Bulletin 45 may reflect STA’s criteria for how the “de facto management body” test should be applied in determining the tax residence of foreign enterprises in general, regardless of whether they are controlled by PRC enterprises or PRC enterprise groups or by PRC or foreign individuals.

We believe that we are not a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and the interpretation of the term “de facto management body” is evolving. If the PRC tax authorities

RISK FACTORS

determine that we were treated as a PRC resident enterprise for PRC enterprise income tax purposes, the 25% PRC enterprise income tax on our global taxable income could materially and adversely affect our ability to satisfy any cash requirements we may have.

PRC laws and regulations establish relevant procedures for some acquisitions of PRC companies by foreign investors, which could affect us in our pursuit for growth through acquisitions in China to a certain extent.

A number of PRC laws and regulations, including Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, adopted by six agencies in 2006 and amended in 2009, the Anti-monopoly Law promulgated by the SCNPC in August 2007 and effective in August 2008, the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated by the MOFCOM in August 2011 and effective in September 2011, and the Measures for the Security Review of Foreign Investment promulgated by the NDRC and the MOFCOM in December 2020 and effective in January 2021 have established procedures and requirements that any merger and acquisition activities in China by foreign investors shall comply with. These include requirements in some instances that the approval from the MOFCOM be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions involving an industry that implicates national security to be subject to merger control review or security review.

We have grown and may continue to grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the Ministry of Commerce or its local counterparts may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises “national defense and security” or “national security” concerns. However, relevant government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in China, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

The scrutiny over acquisition transactions by the tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.

On February 3, 2015, STA issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises, or STA Bulletin 7, which provided comprehensive guidelines relating to, and also heightened the PRC tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of PRC taxable assets. Under STA Bulletin 7, the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC taxable assets, when a non-resident enterprise transfers PRC taxable assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC taxable assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC taxable assets and without any other reasonable commercial purpose. However, STA Bulletin 7 contains certain exemptions, including (i) where a non-resident enterprise derives income from the

RISK FACTORS

indirect transfer of PRC taxable assets by acquiring and selling shares of an overseas listed company which holds such PRC taxable assets on a public market, and (ii) where there is an indirect transfer of PRC taxable assets, but if the non-resident enterprise had directly held and disposed of such PRC taxable assets, the income from the transfer would have been exempted from PRC enterprise income tax under an applicable tax treaty or arrangement.

On October 17, 2017, STA issued the Announcement on Issues Concerning the Withholding of Enterprise Income Tax at Source on Non-PRC Resident Enterprises, or STA Circular 37, which became effective on December 1, 2017 and abolish certain provisions in STA Bulletin 7. STA Circular 37 further clarifies the practice and procedure of withholding non-resident enterprise income tax. Pursuant to STA Circular 37, where the party responsible to deduct such income tax did not or was unable to make such deduction, or the non-resident enterprise receiving such income failed to declare and pay the taxes that should have been deducted to the relevant tax authority, both parties may be subject to penalties. The taxable gain is calculated as balance of the total income from such transfer net of the net book value of equity interest.

Discontinuation of preferential tax treatments we currently enjoy or other unfavorable changes in tax law could result in additional compliance obligations and costs.

A number of our PRC operating entities enjoy various types of preferential tax treatment pursuant to the prevailing PRC tax laws. Our PRC subsidiaries may, if they meet the relevant requirements, qualify for certain preferential tax treatment.

According to PRC laws and regulations, enterprises engage in research and development activities are currently entitled to claim 100% or 200% of the research and development expenses incurred in a year as tax deductible expenses in determining the taxable income for that year (“**Super Deduction**”). Certain of our PRC operating entities have claimed such Super Deduction in ascertaining their tax assessable profits. Certain of our PRC operating entities are certified as a “high and new technology enterprise,” and therefore are entitled to a preferential income tax rate of 15%. Certain subsidiaries are qualified as “Small Low-profit Enterprise” and are subject to preferential income tax rate. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, the effect of preferential tax rate were negative RMB76.5 million, negative RMB21.5 million, RMB5.7 million, RMB2.8 million and RMB48.1 million, respectively. If these entities fail to maintain their respective qualifications under the relevant PRC laws and regulations, their applicable enterprise income tax rates may increase to up to 25%, which could have a material adverse effect on our financial condition.

If we cannot fully comply with the PRC regulations of loans and direct investment by offshore holding companies to PRC entities, we may be delayed or prevented from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC operating entities, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We may transfer funds to our PRC operating entities or finance our PRC operating entities by means of shareholders’ loans or capital contributions after completion of the Global Offering. Any loans to our PRC operating entities, which are foreign-invested enterprises, cannot exceed a statutory limit, and shall be filed with the local counterparts of the State Administration of Foreign Exchange, or SAFE, or filed with SAFE in our information system. Furthermore, any capital contributions we make to our PRC subsidiaries shall be registered with the local administration for market regulation, or reported to the local ministry of commerce department.

RISK FACTORS

On March 30, 2015, SAFE promulgated the Circular on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises, or SAFE Circular 19. SAFE Circular 19, however, allows foreign invested enterprises in China to use their registered capital settled in RMB converted from foreign currencies to make domestic equity investments, but the registered capital of a foreign invested company settled in RMB converted from foreign currencies remains not allowed to be used, among other things, for investment in the security markets, or offering entrustment loans, unless otherwise regulated by other laws and regulations. On June 9, 2016, SAFE further issued the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular 16, which, among other things, amended certain provisions of Circular 19. According to SAFE Circular 19 and SAFE Circular 16, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign invested company is regulated such that Renminbi capital may not be used for purposes beyond our business scope or to provide loans to non-affiliates unless otherwise permitted under our business scope. On October 23, 2019, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-Border Trade and Investment, or SAFE Circular 28, which removes the restrictions on domestic equity investments by non-investment foreign-invested enterprises with their capital funds, provided that certain conditions are met. If we cannot comply with the applicable foreign exchange circulars and rules that may affect our ability to transfer the net proceeds from the Global Offering to our PRC subsidiaries and convert the net proceeds into Renminbi, which may adversely affect our business, financial condition, and results of operations.

We may be subject to penalties, including restriction on our ability to inject capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute profits to us, if our resident shareholders or beneficial owners in China fail to comply with relevant PRC foreign exchange regulations.

SAFE issued the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Investment, Financing and Round-Trip Investment via Special Purpose Vehicles, or SAFE Circular 37, effective on July 4, 2014. The SAFE Circular 37 requires PRC residents, including PRC individuals and institutions, to register with SAFE or our local branches in connection with their direct establishment or indirect control of an offshore special purpose vehicle, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, and also requires the foreign-invested enterprise that is established through round trip investment to truthfully disclose our controller(s). In addition, such PRC residents must update their foreign exchange registrations with SAFE or our local branches when the offshore special purpose vehicle in which such residents directly hold the equity interests undergoes material events relating to any change of basic information (including change of such PRC individual shareholder, name and operation term), increases or decreases in investment amount, share transfers or exchanges, or mergers or divisions.

If any shareholder holding interest in an offshore special purpose vehicle, who is a PRC resident as determined by Circular 37, fails to fulfill the required foreign exchange registration with the local SAFE branches, or fails to disclose or misrepresentation of the controller(s) of the foreign-invested enterprise that is established through round-trip investment, the PRC subsidiaries of that offshore special purpose vehicle may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the offshore special purpose vehicle may be restricted in our ability to contribute

RISK FACTORS

additional capital to our PRC subsidiaries. Moreover, failure to comply with SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

On February 28, 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, effective from June 1, 2015. In accordance with SAFE Notice 13, entities and individuals are required to apply for foreign exchange registration of foreign direct investment and overseas direct investment, including those required under Circular 37, with qualified banks, instead of SAFE or its local branches. The qualified banks, under the supervision of SAFE, directly examine the applications and conduct the registration.

Pursuant to the Measures for Administration of Outbound Investment published by the MOFCOM in August 2014, and the Administrative Measures for Outbound Investment of Enterprises published by the NDRC in December 2017, any outbound investment of PRC enterprises must be approved by or filed with MOFCOM, NDRC or their local branches.

We may not be fully informed of the identities of all our shareholders or beneficial owners who are PRC residents, and therefore, we may not be able to identify all our shareholders or beneficial owners who are PRC residents to ensure their compliance with Circular 37 or other outbound investment related rules. In addition, we cannot provide any assurance that all of our shareholders and beneficial owners who are PRC residents will comply with our request to make, obtain or update any applicable registrations or comply with other requirements required by the Circular 37 or other outbound investment related rules in a timely manner. Even if our shareholders and beneficial owners who are PRC residents comply with such request, it cannot provide any assurance that they will successfully obtain or update any registration required by the Circular 37 or other outbound investment related rules in a timely manner due to many factors, including those beyond our and their control. If any of our shareholders who are a PRC resident fails to fulfill the requirements of such regulations, they could be subject to fines or legal sanctions, the investments of such beneficial owners in us could be subject to suspension or termination, our PRC subsidiaries may be prohibited from distributing their profits and dividends to it or from carrying out other cross-border investment activities, and it may be restricted in our ability to contribute additional capital to our PRC subsidiaries, which may adversely affect our business.

We principally rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have. Any limitation on the ability of our PRC subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business or financial condition.

We are a holding company, and we principally rely on dividends and other distributions on equity that may be paid by our PRC subsidiaries and, historically, remittances from our former VIE for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to the holders of our ordinary shares and service any debt we may incur. If any of our PRC subsidiaries or our subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to it.

Under PRC laws and regulations, wholly foreign-owned enterprises in China, may pay dividends only out of their accumulated after-tax profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set

RISK FACTORS

aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of its registered capital. At the discretion of the wholly foreign-owned enterprise, it may allocate a portion of its after-tax profits based on the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China to enterprise expansion funds, and staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends. Any limitation on the ability of our wholly-owned PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

The currency conversion system may affect our operation and financial results.

The PRC government imposes regulations on the convertibility of Renminbi into foreign currencies and the remittance of currency out of China. We receive substantially all of our revenue in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments of dividends declared in respect of our shares, if any. If we cannot comply with the regulations on the foreign currency, it may affect the ability of our PRC subsidiaries to remit foreign currency to pay dividends or other payments, or otherwise satisfy their foreign currency denominated obligations.

Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments, and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration or filings with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. Pursuant to SAFE Circular 19, a foreign-invested enterprise may convert up to 100% of the foreign currency in its capital account into Renminbi on a discretionary basis according to the actual needs. The SAFE Circular 16 provides for an integrated standard for conversion of foreign exchange under capital account items on a discretionary basis, which applies to all enterprises registered in China. In addition, SAFE Circular 16 has narrowed the scope of purposes for which an enterprise must not use the Renminbi funds so converted, which include, among others, (i) payment for expenditure beyond its business scope or otherwise as prohibited by the applicable laws and regulations, (ii) investment in securities or other financial products other than banks' principal-secured products, (iii) provision of loans to non-affiliated enterprises, except where it is expressly permitted in the business scope of the enterprise, and (iv) construction or purchase of non-self-used real properties, except for real estate developers. If any new foreign exchange rules or regulations circulated by competent authorities in future affect us from obtaining sufficient foreign currencies to satisfy our foreign currency needs, we may not be able to pay dividends in foreign currencies to our shareholders.

Fluctuations in exchange rates could affect our results of operations and the value of your investment.

The conversion of Renminbi into foreign currencies, including Hong Kong dollars, is based on rates set by the People's Bank of China. The Renminbi is subject to fluctuation against the Hong Kong dollar, at times significantly and unpredictably. The value of Renminbi against the Hong Kong dollar

RISK FACTORS

and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. We cannot assure you that the exchange rate of Renminbi will not fluctuate significantly in value against the Hong Kong dollar in the future. It is difficult to predict how market forces or foreign exchange policy may impact the exchange rate between Renminbi and Hong Kong dollar in the future.

Any fluctuation in the exchange rate of Renminbi may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our Shares in Hong Kong dollars. For example, to the extent that we need to convert the Hong Kong dollars we receive into Renminbi to pay our operating expenses, appreciation of Renminbi against the Hong Kong dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, a significant depreciation of Renminbi against the Hong Kong dollar may significantly reduce the Hong Kong dollar equivalent of our earnings, which in turn could adversely affect the price of our Shares.

Very limited hedging options are available to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC foreign exchange regulations that affect our ability to convert Renminbi into foreign currency. As a result, fluctuations in exchange rates may affect your investment.

During the Track Record Period, a substantial part of our revenues and expenditures were denominated in Renminbi, while the net proceeds from the Global Offering will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar will affect the relative purchasing power in Renminbi terms of the proceeds from the Global Offering. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our subsidiaries. In addition, fluctuation in the exchange rate of Renminbi relative to Hong Kong dollars would affect our financial results in Hong Kong dollar terms without giving effect to any underlying change in our business or results of operations. We recorded exchange difference on translation of financial statements of RMB100.6 million, negative RMB500.0 million, negative RMB107.7 million and negative RMB45.2 million in 2021, 2022, 2023, and the six months ended June 30, 2024 respectively, as other comprehensive income in our consolidated statements of comprehensive income which is primarily a result of translation of financial statements of the companies within the Group into the presentation currency of the Group, which is Renminbi.

Failure to fully comply with PRC laws and regulations on various employee benefit plans as required by PRC regulations may subject us to penalties.

Pursuant to the relevant rules in the PRC Social Insurance Law and Regulations on the Administration of Housing Provident Fund and other applicable laws and regulations, companies operating in China are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where the businesses are operated. The requirement of employee benefit plans has

RISK FACTORS

not been implemented consistently by the local governments in China given the different levels of economic development in different locations. In addition, companies should contribute to the employee benefit plans for their employees on their own.

During the Track Record Period, certain of our PRC operating entities failed to make contributions to the social insurance and housing provident funds in full amount as required by the relevant PRC laws and regulations. For the years ended December 31, 2021, 2022 and 2023, we recorded provisions of RMB0.4 million, RMB3.9 million and RMB0.5 million for social insurance and housing provident fund shortfall. We may be subject to late fees, pecuniary penalties or other administrative actions for such noncompliance. The aggregate maximum penalty for social insurance shortfall was RMB0.9 million, RMB9.3 million and RMB1.1 million for the years ended December 31, 2021, 2022 and 2023, respectively. We have completed the rectification of such non-compliance in July 2023. See “Business—Employees—Social Insurance and Housing Provident Fund” for further details. In addition, certain of our PRC subsidiaries and consolidated variable interest entities have engaged several our other PRC operating entities and/or third-party human resources agencies to make social insurance and housing fund contributions for some of their employees in the past. As of the Latest Practicable Date, we have discontinued such practice. However, if the relevant PRC authorities determine that such practice fail to make full employee benefit plans contributions as required by relevant laws and regulations, we may be ordered by the relevant authorities to make up for employee benefit plans contributions and we may be subject to fines and legal sanctions in relation to our noncompliance. Nevertheless, we cannot predict whether and/or how such Third-Party Arrangement would be penalized or fined under the PRC laws and regulations in practice. The application and implementation of laws and regulations in this regard are still evolving and thus it may not be practical for us to estimate the maximum potential fine or penalty quantitatively. As a result, our business, financial condition and results of operations may be adversely affected.

Evolving PRC laws and regulations on labor dispatch may expose us to potential penalties.

The use of employees of third-party labor dispatch agencies, who are known in China as “dispatched workers,” is mainly regulated by the Interim Provisions on Labor Dispatch which was promulgated by the Ministry of Human Resources and Social Security on January 27, 2014. It provides that an employer may use dispatched workers for temporary, auxiliary or substitute positions. It further provides that the number of dispatched workers an employer may use shall not exceed 10% of its total labor force. See “Regulations—Regulations on Employment and Social Welfare—The Labor Contract Law.” During the Track Record Period, the number of dispatched workers engaged by us had exceeded the 10% regulatory threshold from time to time. We have formulated and implemented a plan to contain the number of dispatched workers and stay compliant. As of the Latest Practicable Date, our subsidiary had reduced the number of dispatched workers to below the 10% legal limit and none of our subsidiaries had received any notice or been subject to any administrative penalties or other disciplinary actions in relation to labor and social security from government authorities. As the application and interpretation of the PRC Labor Contract Law and the Interim Provisions on Labor Dispatch are evolving, we cannot assure you that the government authorities will not find us to be in violation of the relevant regulations. If we are found to be in violation of any relevant laws or regulations, we could be ordered to rectify within a specified period of time, and could be subject to fines if we fail to do so, which could have a material adverse effect to our business, financial condition and results of operations.

RISK FACTORS

Increases in labor costs and enforcement of stricter labor laws and regulations may adversely affect our business and our profitability.

China's overall economy and the average wage have increased in recent years and are expected to continue to grow. The average wage level for our employees has also increased in recent years. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to our customers who pay for our services, our profitability and results of operations may be materially and adversely affected. Further, pursuant to the PRC Labor Contract Law, as amended, or the Labor Contract law, and its implementation rules, employers are subject to various requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to affect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

It may be difficult for overseas regulators to conduct investigation or collect evidence within China.

Shareholder claims or regulatory investigations that are common in common law jurisdictions, including securities law class actions and fraud claims, may be difficult to pursue in China due to the absence of reciprocal arrangements between overseas regulators and PRC authorities. It may be difficult for overseas regulators to conduct investigations or collect evidence within China. According to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigations or evidence collection activities within the territory of the PRC and no entities or individuals may provide documents or materials in connection with securities activities without proper authorization as stipulated under Article 177. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability of an overseas securities regulator to directly conduct investigations or collect evidence within China may further increase difficulties faced by you in protecting your interests.

We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

On February 3, 2015, the STA issued the Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises, or STA Bulletin 7. STA Bulletin 7 extends its tax jurisdiction to transactions involving the transfer of taxable assets through offshore transfer of a foreign intermediate holding company. In addition, STA Bulletin 7 provides certain criteria on how to assess reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. STA Bulletin 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets. On October 17, 2017, the STA issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or STA Bulletin 37, which came into effect on December 1, 2017. STA Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax.

Where a non-resident enterprise transfers taxable asset indirectly by disposing of the equity interests of an overseas holding company, which is an Indirect Transfer, the non-resident enterprise as

RISK FACTORS

either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such Indirect Transfer to the relevant tax authority. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise.

We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries and investments. For transfer of shares in our company by investors who are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under STA Bulletin 7 and/or STA Bulletin 37. As a result, we may be required to expend valuable resources to comply with STA Bulletin 7 and/or STA Bulletin 37, or to establish that we and our non-PRC resident investors should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

If the custodians or authorized users of controlling non-tangible assets of our Company, including our corporate chops and seals, fail to fulfill their responsibilities, or misappropriate or misuse these assets, our business and operations could be materially and adversely affected.

Under PRC laws, legal documents for corporate transactions are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with the relevant branch of the SAMR. In order to secure the use of our chops and seals, we have established internal control procedures and rules for using these chops and seals. In any event that the chops and seals are intended to be used, the responsible personnel will submit the application which will then be verified and approved by authorized employees in accordance with our internal control procedures and rules. In addition, in order to maintain the physical security of our chops, we generally have them stored in secure locations accessible only to authorized employees. Although we monitor such authorized employees, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our employees could abuse their authority, for example, by entering into a contract not approved by us, seeking to gain control of any of our subsidiaries, or forging our chops and seals for illegal purposes. If any employee obtains, misuses or misappropriates our chops and seals or other controlling non-tangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve and divert management from our operations. In addition, the affected entity may not be able to recover corporate assets that are sold or transferred out of our control in the event of such a misappropriation if a transferee relies on the apparent authority of the representative and acts in good faith.

Risks Relating to the Global Offering

There has been no prior public market for our Shares prior to the Global Offering, and you may not be able to resell our Shares at or above the price you pay, or at all.

Prior to the completion of the Global Offering, there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the Global Offering. The Offer Price is the result of negotiations between our

RISK FACTORS

company and Joint Global Coordinators (for themselves and on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following the completion of the Global Offering. The market price of our Shares may drop below the Offer Price at any time after completion of the Global Offering.

The trading price of the Shares may be volatile, which could result in substantial losses to you.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong SAR, the Chinese mainland, the United States and elsewhere in the world. In particular, the performances of and fluctuations in the market prices of other companies with business operations located mainly in the Chinese mainland that have listed their securities in Hong Kong may affect the volatilities in the price and trading volumes of our Shares. A number of the Chinese mainland-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards the Chinese mainland-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our directors, executive officers and substantial shareholders, could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares, especially by our directors, executive officers and substantial shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our substantial shareholders are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. In addition, certain existing shareholders of our Shares are not subject to lock-up agreements. Market sale of Shares by such shareholders and the availability of these Shares for future sale may have negative impact on the market price of our Shares. See “History, Reorganization and Corporate Structure—Pre-IPO Investments” for more details of the existing shareholders not subject to lock-up agreements.

You will incur immediate and substantial dilution and may experience further dilution in the future.

As the Offer Price of our Shares is higher than the net tangible book value per share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the Global Offering may experience further dilution in their shareholding percentage.

RISK FACTORS

If securities or industry analysts cease to publish research or reports about our business, or if they adversely change their recommendations regarding our Shares, the market price for our Shares and trading volume could decline.

The trading market for our Shares will depend in part on the research and reports that securities or industry analysts publish about us or our business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who covers us downgrades our Shares or publishes inaccurate or unfavorable research about our business, the market price for our Shares would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our Shares to decline.

We cannot assure you that we will declare and distribute any amount of dividends in the future and you may have to rely on price appreciation of our Shares for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we have not yet adopted a dividend policy with respect to future dividends. Therefore, you should not rely on an investment in our Shares as a source for any future dividend income.

Our board of directors has discretion as to whether to distribute dividends, subject to the provisions of the memorandum and articles of association of our Company and certain restrictions under the British Virgin Islands law, namely that our Company may only pay dividends if it satisfies the solvency test under the British Virgin Islands law, meaning that (i) the value of our Company's assets exceeds its liabilities, and (ii) our Company is able to pay its debts as they fall due immediately after the distribution of dividends. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value or even maintain the price at which you purchased the Shares. You may not realize a return on your investment in our Shares and you may even lose your entire investment in our Shares.

We have no experience operating as a public company, and we may incur increased costs as a result of becoming a public company.

We have no experience conducting our operations as a public company. As a result of the Listing on the Hong Kong Stock Exchange, we may face enhanced administrative and compliance requirements, which may make us incur substantial related costs and expenses that we did not incur as a private company. We expect rules and regulations applicable to public companies to increase our accounting, legal and financial compliance costs and to make certain corporate activities more time-consuming and costly. Our management may be required to devote substantial time and attention to our public company reporting obligations and other compliance matters. We will evaluate and monitor developments with respect to these rules and regulations, but we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. Our reporting and other compliance

RISK FACTORS

obligations as a public company may place a significant strain on our management, operational and financial resources and systems for the foreseeable future.

We may be subject to securities litigation, which is expensive and could divert management attention.

Companies that have experienced volatility in the volume and market price of their shares have been subject to an increased incidence of securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, and, if adversely determined, could have a material adverse effect on our business, financial condition and results of operations.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from official government sources contained in this document.

This document, particularly the section headed "Industry Overview," contains information and statistics relating to the retail cloud solution and retail digitalization solution industry. Such information and statistics have been derived from third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of the information from official government sources. Such information has not been independently verified by us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners and the Underwriters or any other party involved in the Global Offering, and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on information from official government sources. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

You may face difficulties in protecting your interests, and your ability to protect your rights through Hong Kong courts may be limited, because we are incorporated under British Virgin Islands.

We are a BVI business company incorporated under the laws of the British Virgin Islands with limited liability. Our corporate affairs are governed by, among others, our Memorandum and Articles of Association as well as the BVI Business Companies Act and the common laws applicable in the BVI. The laws of the BVI relating to the protection of the interests of minority shareholders may differ from those of Hong Kong or other jurisdictions where investors may be located. As such, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. For a discussion of significant differences between the provisions of the Companies Act and the laws applicable to companies incorporated in Hong Kong, see "Summary of the Constitution of our Company and BVI Company Law" in Appendix III to this document.

RISK FACTORS

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the Global Offering.

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this document, there has been press and media coverage regarding us and the Global Offering. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

WAIVERS AND EXEMPTIONS

In preparation for the Listing, we have sought the following waivers from strict compliance with the Listing Rules and exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

Our Group's management headquarters, senior management, business operations and assets are primarily based outside Hong Kong SAR, in the Chinese mainland. The Directors consider that the appointment of executive director(s) who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company or the Shareholders as a whole.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange in accordance with paragraph 10 of Chapter 3.10 of the Guide for New Listing Applications issued by the Stock Exchange by way of the following arrangements:

- (a) pursuant to Rule 3.05 of the Listing Rules, our Company has appointed and will continue to maintain two authorized representatives who shall act at all times as the principal channel of communication with the Stock Exchange. Each of our authorized representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorized representatives are authorized to communicate on our behalf with the Stock Exchange. At present, our two authorized representatives are Mr. ZHANG Feng, our executive Director and President, and Ms. WANG Yi, one of our joint company secretaries;
- (b) pursuant to Rule 3.20 of the Listing Rules, each Director will provide their contact information to the Stock Exchange and to the authorized representatives. This will ensure that the Stock Exchange and the authorized representatives should have means for contacting all Directors promptly at all times as and when required;
- (c) we will ensure that each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period;
- (d) pursuant to Rule 3A.19 of the Listing Rules, our Company has retained the services of Somerley Capital Limited as compliance adviser (the “**Compliance Adviser**”), who will act as an additional channel of communication with the Stock Exchange. The Compliance Adviser will provide our Company with professional advice on ongoing compliance with the Listing Rules. We will ensure that the Compliance Adviser has prompt access to our Company's authorized representatives and Directors. We will provide the Compliance Adviser with such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's

WAIVERS AND EXEMPTIONS

duties. The Compliance Adviser will also provide advice to our Company when consulted by our Company in compliance with Rule 3A.23 of the Listing Rules; and

- (e) meetings between the Stock Exchange and the Directors can be arranged through the authorized representatives or the Compliance Adviser, or directly with the Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives and/or the Compliance Adviser in accordance with the Listing Rules.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of their academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (a) length of employment with the issuer and other issuers and the roles they played;
- (b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

Our Company appointed Ms. Wang Yi, our vice president and board secretary, and Ms. Au Wing Sze as joint company secretaries of our Company with effect from December 5, 2022 and the Listing Date, respectively. Please refer to the section headed “Directors and senior management—Senior Management” for Ms. Wang’s biography, and the section “Directors and senior management—Joint company secretaries” for Ms. Au’s biography.

Ms. Au is an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Au therefore meets the qualification requirements under Rule 3.28 Note 1 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Accordingly, while Ms. Wang does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the

WAIVERS AND EXEMPTIONS

Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Wang may be appointed as a joint company secretary of our Company.

The waiver was granted for a three-year period from the Listing Date on the conditions that: (i) Ms. Au is appointed as a joint company secretary to assist Ms. Wang in discharging her functions as a company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules; the waiver will be revoked immediately if Ms. Au, during the three-year period, ceases to provide assistance to Ms. Wang as the joint company secretary; and (ii) the waiver will be revoked if there are material breaches of the Listing Rules by our Company. In addition, Ms. Wang will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the Listing Date. Our Company will further ensure that Ms. Wang has access to the relevant training and support that would enhance her understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. Before the end of the three-year period, the qualifications and experience of Ms. Wang and the need for on-going assistance of Ms. Au will be further evaluated by our Company. We will demonstrate Ms. Wang, having benefited from the assistance of Ms. Au for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions of our Company under the Listing Rules following the completion of the Global Offering. We have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from strict compliance with Chapter 14A of the Listing Rules, the details and conditions of which are set out in the sub-section “—Waivers” in the “Connected Transactions” section of this document. For further details in this respect, see the section headed “Connected Transactions”.

WAIVER AND EXEMPTION IN RELATION TO THE SHARE INCENTIVE PLANS

The Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance prescribes certain disclosure requirements in relation to the share options granted by the Company:

- (a) Rule 17.02(1)(b) of the Listing Rules stipulates that all the terms of a scheme must be clearly set out in this document. The Company is also required to disclose in this document full details of all outstanding options and awards and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the exercise of such outstanding options or awards.
- (b) Paragraph 27 of Appendix D1A to the Listing Rules requires the Company to set out in this document particulars of any capital of any member of the Group that is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee.
- (c) Paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires the Company to set out in this document, among other things, details of the number, description and amount of any shares in or

WAIVERS AND EXEMPTIONS

debentures of the Company which any person has, or is entitled to be given, an option to subscribe for, together with the certain particulars of the option, namely the period during which it is exercisable, the price to be paid for shares and debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given.

As of the Latest Practicable Date, our Company had granted options under the 2016 Share Incentive Plan and the 2020 Share Incentive Plan (together, the “**Relevant Plans**”) to 1,108 grantees, including two Director and/or members of the senior management of the Company, 1,105 other employees and one consultant of our Group. The aggregate number of Shares underlying the outstanding options as of the Latest Practicable Date was 60,942,000 Shares, and none of such options have been exercised. The Shares underlying the outstanding options represent 6.87% of the total number of Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no further Shares are issued under the Share Incentive Plans). For further details of our Share Incentive Plans, see the section headed “Statutory and General Information—D. Share Incentive Plans” in Appendix IV.

Our Company has applied to the Stock Exchange and the SFC, respectively for, (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules in relation to the options granted under the Relevant Plans (the “**ESOP Waiver**”); and (ii) a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the options granted under the Relevant Plans (the “**ESOP Exemption**”), on the ground that strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons:

- (a) given that over one thousand grantees are involved, strict compliance with the disclosure requirements to set out full details of all the grantees under the Relevant Plans in this document on an individual basis would be costly and unduly burdensome for the Company in light of a significant increase in cost and timing for information compilation, and prospectus preparation and printing;
- (b) as of the Latest Practicable Date among all the grantees, two grantees were Director and/or members of the senior management of our Company and the remaining 1,106 grantees were current or former employees or consultant of our Group or other eligible persons and are not connected persons of our Company. As such, strict compliance with Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies Ordinance to disclose names, addresses, and entitlements on an individual basis in the prospectus will require substantial number of pages of additional disclosure while such disclosure does not provide any material information to the investing public;
- (c) the grant and exercise in full of the options granted under the Relevant Plans would not cause any material adverse impact on the financial position of our Company;
- (d) non-compliance with the above disclosure requirements would not prevent us from providing the potential investors with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company; and

WAIVERS AND EXEMPTIONS

- (e) material information relating to the options under the Relevant Plans will be disclosed in this document, including the total number of Shares that may be issued pursuant to the Relevant Plans, the exercise price per Share, the potential dilution effect on the shareholding and impact on the earnings per Share upon the full exercise of the options granted under the Relevant Plans. The Directors consider that the information that is reasonably necessary for the potential investors to make an informed assessment of our Company in their investment decision making process has been included in this document.

In light of the above, our Directors are of the view that the grant of the ESOP Waiver and the ESOP Exemption will not prejudice the interests of the investing public.

The Stock Exchange has granted to our Company the ESOP Waiver on the condition that:

- (a) on an individual basis, full details of the options granted under the Relevant Plans to (1) each of our Directors, senior management and other connected persons of our Company, (2) consultant(s) of the Group and (3) grantees who have been granted options to subscribe for one million Shares or more will be disclosed in the section headed “Statutory and General Information—D. Share Incentive Plans” in Appendix IV as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) in respect of the options granted under the Relevant Plans to the remaining grantees (other than those set out in (a) above), disclosure will be made on an aggregate basis, and categorized into lots based on number of Shares underlying each individual grantee, being (i) up to 200,000 Shares, (ii) 200,001 to 400,000 Shares and (iii) 400,001 to 999,999 Shares, and for each lot of Shares, the following details are disclosed in this prospectus, including (1) the aggregate number of such grantees and the number of Shares subject to the options granted to them under the Relevant Plans, (2) the consideration (if any) paid for the grant of the options under the Relevant Plans, and (3) the exercise period and the exercise price for the options granted under the Relevant Plans;
- (c) the aggregate number of Shares underlying the outstanding options granted under the Relevant Plans and the percentage of the Company’s total issued Shares as of the Latest Practicable Date will be disclosed in this document;
- (d) the dilutive effect and impact on earnings per Share upon the full exercise of the options under the Relevant Plans will be disclosed in the section headed “Statutory and General Information—D. Share Incentive Plans” in Appendix IV;
- (e) a summary of the major terms of the Relevant Plans will be disclosed in the section headed “Statutory and General Information—D. Share Incentive Plans” in Appendix IV;
- (f) the particulars of this waiver will be disclosed in this document;
- (g) a list of all the grantees (including those persons whose details have already been disclosed) containing all the particulars as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance will be made available for physical public inspection in accordance with “Documents delivered to the Registrar of Companies and on Display—Document available for inspection” in Appendix V of this document; and

WAIVERS AND EXEMPTIONS

- (h) the grant of certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC exempting the Company from the disclosure requirements provided in paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

The SFC has granted the ESOP Exemption on condition that:

- (a) on an individual basis, full details of the options under the Relevant Plans granted to (1) each of our Directors, senior management and other connected persons of our Company, (2) consultant(s) of the Group and (3) grantees who have been granted options to subscribe for one million Shares or more will be disclosed in the section headed “Statutory and General Information—D. Share Incentive Plans” in Appendix IV as required by paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and
- (b) in respect of the options granted under the Relevant Plans to the remaining grantees (other than those set out in (a) above), disclosure will be made on an aggregate basis, and categorized into lots based on number of Shares underlying each individual grantee, being (i) up to 200,000 Shares, (ii) 200,001 to 400,000 Shares and (iii) 400,001 to 999,999 Shares, and for each lot of Shares, the following details are disclosed in this prospectus, including (1) the aggregate number of such grantees and the number of Shares subject to the options granted to them under the Relevant Plans, (2) the consideration (if any) paid for the grant of the options under the Relevant Plans, and (3) the exercise period and the exercise price for the options granted under the Relevant Plans;
- (c) a list of all the grantees (including those persons whose details have already been disclosed) containing all the particulars as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance will be made available for physical public inspection in accordance with “Documents delivered to the Registrar of Companies and on Display—Document available for inspection” in Appendix V of this document; and
- (d) the particulars of this exemption will be disclosed in this document and this document will be issued on or before November 28, 2024.

CORNERSTONE SUBSCRIPTION BY A CLOSE ASSOCIATE OF A SUBSTANTIAL SHAREHOLDER OF OUR SUBSIDIARY

Rule 9.09 of the Listing Rules provides that there must be no dealing in the securities for which listing is sought by any core connected person of an issuer (except as permitted by Rule 7.11 of the Listing Rules) from 4 clear business days before the expected hearing date until listing is granted.

Paragraph 27 of Chapter 4.15 of the Guide provides that placings to cornerstone investors are generally permitted provided that, among others, each investor will not have any board representation in the listing applicant, and is independent of the listing applicant, its connected persons and their respective associates.

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 9.09(b) of the Listing Rules in relation to the subscription of the Shares in the Global Offering through the Cornerstone Investment by the Cornerstone Investor (being a close associate of DRGML, a

WAIVERS AND EXEMPTIONS

substantial shareholder of Retail Technology Asia, our subsidiary) on, among other things, the following bases:

- (i) The terms of the Cornerstone Investment by the Cornerstone Investor will be made at the Offer Price and will be subject to a lock-up period of six months. Our Company confirms that no preferential treatment or special benefit has been or will be, directly or indirectly, given to DFI Retail Group during our Company's bookbuilding and Shares allocation processes, other than the assured entitlement under a cornerstone investment following the principles set out in Chapter 4.15 of the Guide For New Listing Applicants issued by the Stock Exchange (the "**Guide**");
- (ii) DFI Retail Group does not currently hold any shares in our Company (at the issuer level), and does not appoint, and will not be entitled to any right to appoint, any Director or other senior management members of our Company, and has not been and will not be granted any special shareholder rights in respect of our Company. DFI Retail Group also does not have any relationship with any Director or other senior management members of our Company. DFI Retail Group has no control over, nor is it involved in, (i) the management and operation of our Company (other than the management and operation of Retail Technology Asia) and (ii) the preparation for Listing, and cannot exert any influence during our Company's bookbuilding and Shares allocation processes;
- (iii) Although DFI Retail Group is a core connected person of our Company under the Listing Rules and hence still falls within the requirements of Rule 9.09 of the Listing Rules, it is in fact not a connected person under Chapter 14A of the Listing Rules as a minority shareholder of an insignificant subsidiary in recognition of the fact that as a minority shareholder of an insignificant subsidiary it does not have the ability to unduly influence our Company. DFI Retail Group takes a more passive investment position in Retail Technology Asia. Other than being a minority shareholder of Retail Technology Asia, DFI Retail Group is an independent third party;
- (iv) DFI Retail Group maintains a generic business relationship, similar to other independent customers, with our Group. DFI Retail Group, as a minority shareholder of Retail Technology Asia and one of the business partners of our Company, only has access to business information relating to the operation of RTA and other business collaboration with our Company. DFI Retail Group does not, and will not have, access to any material non-public information regarding the Global Offering;
- (v) The Cornerstone Investment would not give DFI Retail Group the ability to exert influence on our Company's overall bookbuilding and allocation processes by virtue of its investment. Our Company confirms that the Cornerstone Investment does not impact our Group's plan on the Listing, including the listing timetable, the pricing of the Offer Shares and the offer size;
- (vi) Notwithstanding the Cornerstone Investment, DFI Retail Group will not become a substantial shareholder of our Company (at the issuer level) and will remain as a core connected person of our Company by virtue of its minority interests in an insignificant subsidiary upon the Listing. While the Shares to be held by DFI Retail Group will not be counted as part of the public float of our Company for the purpose of Rule 8.24 of the Listing Rules, there will be sufficient public float of our Company upon the Listing for the purpose of Rule 8.08(1) of the Listing Rules;

WAIVERS AND EXEMPTIONS

(vii) DFI Retail Group will not apply for additional Shares under the International Offering tranche of the Global Offering;

(viii) our Company will duly disclose in this prospectus the Cornerstone Investment and the reasons for applying this waiver and the conditions attached to it.

For further information about the cornerstone investment by the Cornerstone Investor, see “Cornerstone Investor” in this prospectus.

INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT

This document, for which our Directors (including any proposed directors who are named as such in this document) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this document misleading.

CSRC FILING

We have filed the required documents with the CSRC, and we have received a filing notice from the CSRC dated July 5, 2024, confirming our completion of the filing procedures for the Global Offering and the application for listing of the Shares on the Stock Exchange.

THE HONG KONG PUBLIC OFFERING AND THIS DOCUMENT

This document is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this document set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this document and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this document, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries and any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around Wednesday, December 4, 2024. For full information about the Underwriters and the underwriting arrangement, please see the section headed "Underwriting" in this document.

Neither the delivery of this document nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this document or imply that the information contained in this document is correct as of any date subsequent to the date of this document.

Procedures for application for Hong Kong Offer Shares

The procedures for applying for Hong Kong Offer Shares are set forth in the section headed in "How to Apply for Hong Kong Offer Shares" in this document.

INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

Structure and conditions of the Global Offering

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed “Structure of the Global Offering” in this document.

Over-allotment Option and Stabilization

Details of the arrangements relating to the Over-allotment Option and stabilization are set forth in the section headed “Structure of the Global Offering” in this document. Assuming that the Over-allotment Option is exercised in full, our Company may be required to allot and issue up to an aggregate of 3,866,100 additional Shares.

Restrictions on offers and sales of Shares

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers of the Offer Shares described in this document.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this document in any jurisdiction other than in Hong Kong. Accordingly, this document may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this document and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

Application for Listing of the Shares on the Stock Exchange

We have applied to the Stock Exchange for the granting of the listing of, and permission to deal in, (i) the Shares in issue and to be issued pursuant to the Global Offering and upon the exercise of the Over-allotment Option, (ii) the Shares which may be issued upon conversion of the Convertible Bond and (iii) any Shares to be issued pursuant to the Share Incentive Plans.

No part of our equity or debt securities is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Commencement of dealings in the Shares

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, December 6, 2024. The Shares will be traded in board lots of 100 Shares each. The stock code of the Shares will be 2586.

Shares will be eligible for admission into CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities

INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

Professional tax advice recommended

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasize that none of our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

Register of members and stamp duty

Our principal register of members will be maintained by our principal share registrar, Harneys Fiduciary (Cayman) Limited and our Hong Kong register of members will be maintained by the Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the BVI. Dealings in our Shares registered in our Hong Kong register of members will be subject to Hong Kong stamp duty.

EXCHANGE RATE CONVERSION

Unless otherwise specified, this document contains certain translations for the convenience purposes at the following rates:

RMB7.1907: US\$1.00

RMB0.9237: HK\$1.00

No representation is made that any amounts in HK\$, RMB and US\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

TRANSLATION

If there is any inconsistency between the English version of this document and the Chinese translation of this document, the English version of this document shall prevail unless otherwise stated. However, the English names of any laws and regulations, Governmental Authorities, institutions, natural persons or other entities for which no official English translation exists are unofficial translations for your reference only and their names in the original language shall prevail. In particular, the English names of PRC entities, PRC laws and regulations, and PRC governmental authorities referred to in this document are translations from their Chinese names and are for identification purposes; if there is any inconsistency, the Chinese names shall prevail.

INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

ROUNDING

Certain amounts and percentage figures included in this document have been subject to rounding adjustments, or have been rounded to a set number of decimal places. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart in this document between total and sum of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
Executive Director		
Mr. ZHANG Feng (張峰)	No. 101, Gate 2, Building 5, Yard 65 Jingyang East Street Shijingshan District Beijing, China	Chinese
Non-executive Directors		
Mr. Curtis Alan FERGUSON	718 Yuyuan Road, House No. 5 Changning District Shanghai, China	American
Mr. CHEN Zhiyu (陳志宇)	Room 403, No. 100-1, Huacui Street, Jianye Road, Tianhe District, Guangzhou, Guangdong, China	Chinese
Ms. SUN Yuhan (孫宇含)	No. 424, Gate 4 3rd Floor, No. 120 Yangrouhutong, Xicheng District Beijing, China	Chinese
Mr. WANG Zhenghao (王正浩)	Room 1605, Unit 1 Building 3, Yard 2 Lianhuahe Hutong Xicheng District Beijing, China	Chinese
Independent Non-executive Directors		
Dr. HOU Yang (侯陽)	1-3-2, No. 26-12, Wu'ai Street Shenhe District, Shenyang Liaoning, China	Chinese
Ms. CAI Lin (蔡琳)	Flat 5A, Tower 11, Avignon 1 Kwun Chui Road, Tuen Mun New Territories, Hong Kong	Chinese
Dr. MAO Jiye (毛基業)	No. 6-2-1701 The First Skyview West Mountain Fengxiu East Road Haidian District Beijing, China	Canadian
Mr. LI Wei (李維)	Room 3301, No. 6, Lane 500 Zhongshan South 1st Road Huangpu District Shanghai, China	Chinese

See “Directors and Senior Management” for further details.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

UBS Securities Hong Kong Limited
52/F Two International Finance Centre
8 Finance Street
Central, Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central, Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Overall Coordinators

UBS AG Hong Kong Branch
52/F Two International Finance Centre
8 Finance Street
Central, Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central, Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Global Coordinators

UBS AG Hong Kong Branch

52/F Two International Finance Centre
8 Finance Street
Central, Hong Kong

CMB International Capital Limited

45/F, Champion Tower
3 Garden Road
Central, Hong Kong

China Merchants Securities (HK) Co., Limited

48/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

CLSA Limited

18/F, One Pacific Place
88 Queensway
Hong Kong

China International Capital Corporation Hong Kong Securities Limited

29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

CCB International Capital Limited

12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

CMBC Securities Company Limited

45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Haitong International Securities Company Limited

22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Joint Bookrunners, Joint Lead Managers and Capital Market Intermediaries

UBS AG Hong Kong Branch

52/F Two International Finance Centre
8 Finance Street
Central, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

CMB International Capital Limited

45/F, Champion Tower
3 Garden Road
Central, Hong Kong

China Merchants Securities (HK) Co., Limited

48/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

CLSA Limited

18/F, One Pacific Place
88 Queensway
Hong Kong

China International Capital Corporation Hong Kong Securities Limited

29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

CCB International Capital Limited

12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

CMBC Securities Company Limited

45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Haitong International Securities Company Limited

22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

ABCI Capital Limited

(Only as a Joint Bookrunner)

11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

ABCI Securities Company Limited

(Only as a Joint Lead Manager)

10/F, Agricultural Bank of China Tower

50 Connaught Road Central

Hong Kong

BOCI Asia Limited

26/F, Bank of China Tower

1 Garden Road

Central

Hong Kong

BOCOM International Securities Limited

9/F, Man Yee Building

68 Des Voeux Road Central

Hong Kong

Central China International Securities Co., Limited

Room 1304, 13/F, Admiralty Centre Tower 1

18 Harcourt Road

Admiralty

Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited

20/F, Wing On Centre

111 Connaught Road Central

Hong Kong

Futu Securities International (Hong Kong) Limited

34/F, United Centre

No. 95 Queensway

Admiralty

Hong Kong

GF Securities (Hong Kong) Brokerage Limited

27/F, GF Tower

81 Lockhart Road

Wan Chai

Hong Kong

ICBC International Securities Limited

37/F, ICBC Tower

3 Garden Road

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Orient Securities (Hong Kong) Limited

28/F-29/F
100 Queen's Road Central
Central
Hong Kong

Patrons Securities Limited

Unit 3214, 32/F., Cosco Tower
183 Queen's Road Central
Sheung Wan
Hong Kong

Ruibang Securities Limited

9/F, Sang Woo Building
227-228 Gloucester Road
Wan Chai
Hong Kong

Shenwan Hongyuan Securities (H.K.) Limited

Level 6, Three Pacific Place
1 Queen's Road East
Hong Kong

SPDB International Capital Limited

33/F, SPD Bank Tower, One Hennessy
1 Hennessy Road
Hong Kong

Tiger Brokers (HK) Global Limited

1/F, No. 308 Des Voeux Road Central
Sheung Wan
Hong Kong

UOB Kay Hian (Hong Kong) Limited

6/F, Harcourt House
39 Gloucester Road
Hong Kong

Legal Advisers to our Company

As to Hong Kong and U.S. laws

Skadden, Arps, Slate, Meagher & Flom and affiliates

42/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong

As to PRC law

Haiwen & Partners

20/F, Fortune Financial Center
5 Dong San Huan Central Road
Chaoyang District
Beijing, China

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to PRC law in respect of data compliance

Grandall Law Firm (Beijing)

9/F, Taikang Financial Tower
No.38 North Dongsanhuan Road
Beijing, China

As to the BVI law

Harney Westwood & Riegels

3501 The Center
99 Queen's Road Central
Hong Kong

**Legal Advisers to the Joint Sponsors
and the Underwriters**

As to Hong Kong and U.S. laws

Slaughter and May

47/F Jardine House
One Connaught Place
Central, Hong Kong

As to PRC law

Jingtian & Gongcheng

34/F, Tower 3
China Central Place
77 Jianguo Road
Beijing, China

**Reporting Accountants and
independent auditor**

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road, Central
Hong Kong

Industry Consultant

Frost & Sullivan International Limited

Suite 3006, Two Exchange Square
8 Connaught Place
Central, Hong Kong

Receiving bank

CMB Wing Lung Bank Limited

45 Des Voeux Road
Central
Hong Kong

CORPORATE INFORMATION

Headquarters	Floor 8, Block B Haidian Culture and Art Building No. 28, Zhongguancun Street, Haidian District Beijing, China
Principal place of business in Hong Kong	Unit 717-718, Level 7, Core F Cyberport 3, 100 Cyberport Road Hong Kong
Registered office in the BVI	Craigmuir Chambers P.O. Box 71 Road Town, Tortola VG 1110, British Virgin Islands
Company website	https://www.dmall.com/ <i>(the information contained on this website does not form part of this document)</i>
Joint company secretaries	Ms. WANG Yi Floor 8, Block B Haidian Culture and Art Building No. 28, Zhongguancun Street, Haidian District Beijing, China Ms. AU Wing Sze 31/F, Tower Two Times Square 1 Matheson Street Causeway Bay, Hong Kong
Authorized representatives	Mr. ZHANG Feng Floor 8, Block B Haidian Culture and Art Building No. 28, Zhongguancun Street, Haidian District Beijing, China Ms. WANG Yi Floor 8, Block B Haidian Culture and Art Building No. 28, Zhongguancun Street, Haidian District Beijing, China
Audit committee	Ms. CAI Lin (<i>Chairperson</i>) Dr. HOU Yang Mr. LI Wei
Remuneration committee	Dr. MAO Jiye (<i>Chairperson</i>) Dr. HOU Yang Mr. ZHANG Feng

CORPORATE INFORMATION

Nomination committee	Mr. Curtis Alan FERGUSON (<i>Chairperson</i>) Dr. MAO Jiye Ms. CAI Lin
Principal Share Registrar	Harneys Fiduciary (Cayman) Limited 4th Floor, Harbour Place 103 South Church Street P.O. Box 10240 Grand Cayman, KY1-1002 Cayman Islands
Hong Kong Share Registrar	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Compliance adviser	Somerley Capital Limited 20/F, China Building 29 Queen's Road Central Hong Kong
Principal banks	Industrial Bank Co., Ltd., Beijing Haidian Branch No. 30, Haidian South Road, Haidian District Beijing, China Bank of Beijing Zhongguancun Science Park Branch 1/F Block B, Haidian Culture and Art Building No. 28, Zhongguancun Street, Haidian District Beijing, China

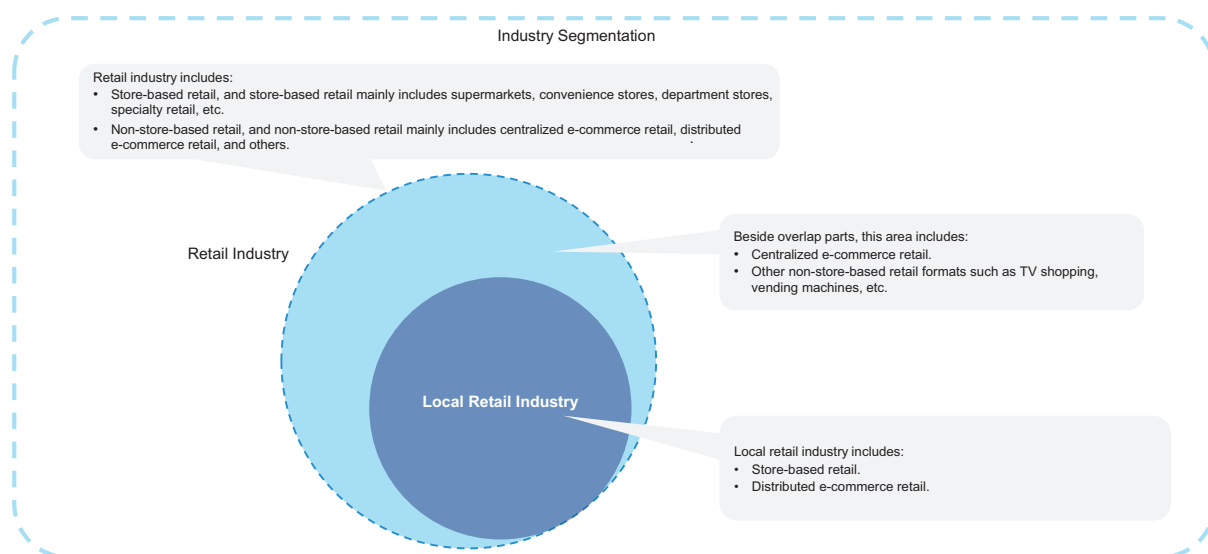
INDUSTRY OVERVIEW

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 from independent suppliers, and from the independent industry report prepared by Frost & Sullivan (the “Frost & Sullivan Report”). We engaged Frost & Sullivan for preparing the Frost & Sullivan Report in respect of the Global Offering. We believe that the sources of the information in this section and other sections of this document are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Joint Sponsors, or any of our or their respective directors, officers, representatives, employees, agents or professional advisers, or any other person or party involved in the Global Offering, and no representation is given as to the accuracy of such information.

THE LOCAL RETAIL INDUSTRY IN CHINA AND ASIA

Overview of Local Retail Industry

The local retail is an indispensable part of everyone’s daily life. It is defined as the business of selling merchandise to the consumers through offline channels or online channels. The modern local retail industry is consisted of three key participants: local retailers, brand owners and consumers. Local retailers help brand owners distribute their merchandise, and consumers can purchase merchandise in local retailer’s offline stores or place online orders and receive the purchases through either pick-up or delivery from fulfillment centers typically within five kilometers radius of proximity. The local retail industry is a part of the retail industry, which comprises a variety of store-based retail formats and distributed e-commerce retail. It excludes non-store-based retail formats that are primarily dominated by centralized e-commerce retail and other non-store based retail formats such as TV shopping, vending machines, etc. Different from centralized e-commerce retailers, distributed e-commerce retailers refers to retailers who construct warehouses located in close proximity to neighborhoods for optimal product freshness.



In Asia, the local retail industry has been growing steadily over the past few years. According to Frost & Sullivan, the market size of the local retail industry in Asia increased from RMB30.0 trillion

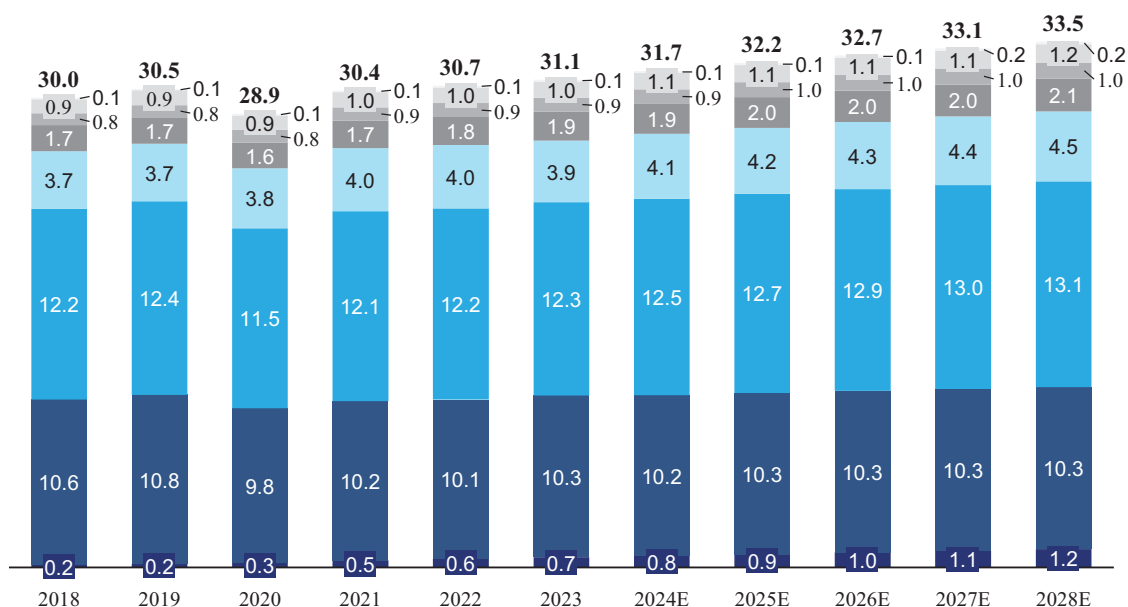
INDUSTRY OVERVIEW

in 2018 to RMB31.1 trillion in 2023, at a CAGR of 0.8% after taking a negative 5.2% hit in 2020 due to the outbreak of COVID-19. Driven by the recovery of consumption after the COVID-19 pandemic, it is estimated that the market size of the local retail industry by sales value in Asia will rebound and grow at a CAGR of 1.4% from 2024 to 2028, reaching RMB33.5 trillion in 2028.

Market Size of Local Retail Industry by Sales, Breakdown by Retail Format (Asia)

Trillion RMB, 2018-2028E

	CAGR	2018-2023	2024E-2028E
Forecourt Retailers		6.6%	5.9%
Convenience Store		2.7%	2.6%
Warehouse Clubs		3.0%	3.0%
Department Store		2.2%	2.0%
Supermarket		1.4%	1.9%
Specialty Retail ⁽¹⁾		0.3%	1.2%
Others			
Distributed E-commerce Retail		32.8%	11.3%
Total		0.8%	1.4%



Source: Asian Development Bank, Frost & Sullivan Report

Note:

(1) Specialty Retail includes apparel and footwear specialist retailers, electronics and appliance specialist retailers, health and beauty specialist retailers, home and garden specialist retailers, and other specialists.

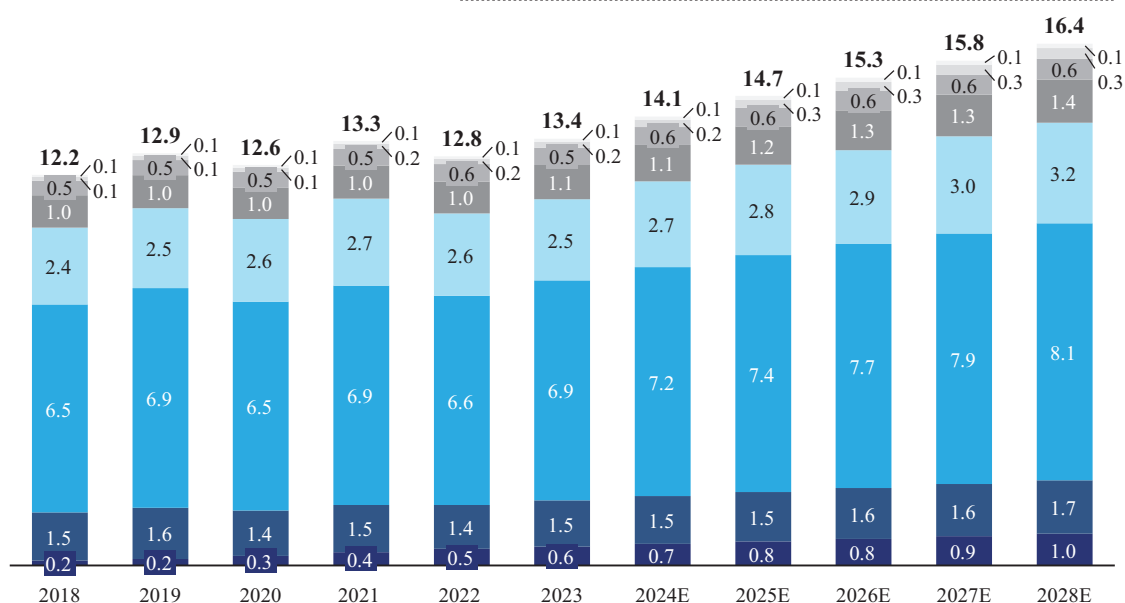
In China, the market size of the local retail industry increased from RMB12.2 trillion in 2018 to RMB13.4 trillion in 2023, at a CAGR of 1.8% after taking a COVID-19-induced negative 3.6% hit in 2022. With the projected resumption to the growth in Chinese economy, the market size of the local retail industry is expected to grow at a CAGR of 3.8% in the period from 2024 to 2028, reaching RMB16.4 trillion by the end of 2028.

INDUSTRY OVERVIEW

Market Size of Local Retail Industry by Sales, Breakdown by Retail Format (China)

Trillion RMB, 2018-2028E

	CAGR	2018-2023	2024E-2028E
Forecourt Retailers		7.0%	6.8%
Convenience Store		11.0%	10.8%
Warehouse Clubs		3.5%	3.2%
Department Store		1.1%	4.6%
Supermarket		1.1%	4.0%
Specialty Retail ⁽¹⁾		1.1%	2.9%
Distributed E-commerce Retail		30.8%	10.1%
Total		1.8%	3.8%



Source: Asian Development Bank, National Bureau of Statistics of China, Frost & Sullivan Report

Note:

(1) Specialty Retail includes apparel and footwear specialist retailers, electronics and appliance specialist retailers, health and beauty specialist retailers, home and garden specialist retailers and other specialists.

Pain Points of Local Retail Market in China and Asia

The key local retail participants face different pain points that remain unsolved by the industry product offerings:

For Local Retailers

- *Rising operational challenges amid intensifying competition.* With rapidly changing market dynamics, increasing consumer demands and the competition from new market players, the offline retailers seek digital transformation to stay competitive. Yet developing in-house IT infrastructure can either be costly or require high degree of technology know-how which local retailers lack.
- *Increasing need for data-driven business decision making.* Many local retailers overly rely on insights and experience of senior store managers in day-to-day operation, which is individually

INDUSTRY OVERVIEW

dependent and not scientifically proven. Some local retailers adopt on-premise solutions from multiple vendors for different functions, which leads to segregated data storage, maintenance and processing. Over time, this results in inconsistent data formats, data silos, insecure data storage and management, and ultimately inaccurate data output that could lead to wrong business decisions and undermines store management.

- *Lack of omni-channel service capabilities.* The shifting consumer behavior to online purchase has made it necessary for local retailers to establish online channels. However, many local retailers lack omni-channel capabilities, either without digital storefronts or have inadequate infrastructure to unify data across channels and support consumer management, which results in inferior shopping experience and loss of sales.
- *Lack of robust security systems.* Weak data security and system security can lead to security threats, resulting in unauthorized access, use, theft and tampering of data and systems that can compromise operations. As local retailers' security awareness increase, they are looking for solutions to safeguard their data and networks from downtime, interference or malicious intrusion.

For Consumers

- *Greater focus on quality and convenience.* With higher disposable income, consumers are increasing their discretionary expenditures, demanding better quality items and expecting more convenient and customized shopping experience. This further gives rise to the need for local retailers to provide integrated online and offline shopping solutions with intuitive user interfaces, personalized product recommendation and speedy on-demand deliveries that bring products straight to consumers' doorsteps.

Local Retail Digitalization Rate in China and Asia

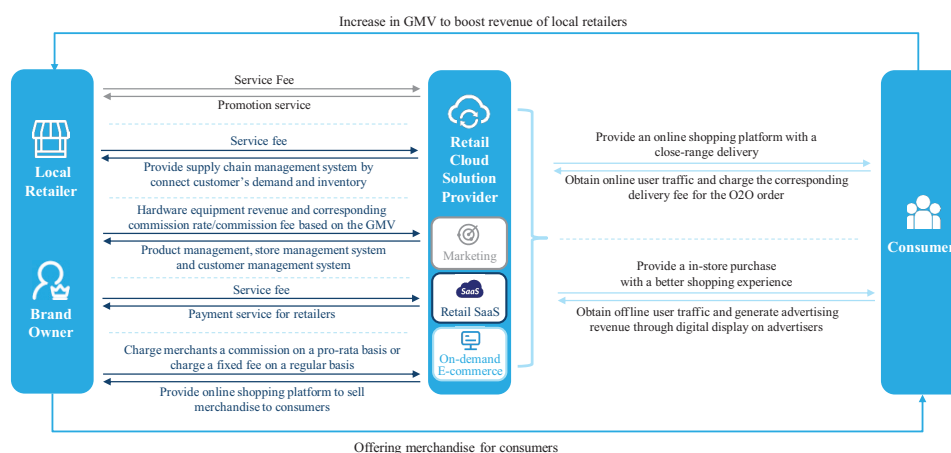
Due to the complex nature and the gigantic size of the local retail industry in China, the digitalization rate of the local retail industry is relatively low in comparison to other industries in China and the global counterparts.

According to Frost & Sullivan, the local retail digitalization rate in China and Asia, was 3.1% and 4.5% in 2023, respectively, significantly lower than that of 13.3% in the U.S. The digitalization rate of other industries in China, for example, the e-commerce, catering, and transportation industries in 2023 is 7.7%, 5.1% and 7.1%, respectively, all significantly higher than that of 3.1% of the local retail industry. Given the rising demands of the local retailers, their digitalization related IT spending is expected to increase at a CAGR of 5.7% from 2024 to 2028 as compared to that of 2.6% in the U.S. during the same period.

INDUSTRY OVERVIEW

RETAIL CLOUD SOLUTION INDUSTRY IN CHINA AND ASIA

Overview of Retail Cloud Solution Industry



Source: Frost & Sullivan Report

Retail cloud solution refers to cloud-based solution that assists retailers and brand owners in the local retail industry to achieve digital transformation in their daily operations and thereby address pain points related to customer retention, operational efficiency, decision-making response speed, advertising efficiency and data silos to provide value to all participants in the local retail industry. Retail cloud solution includes retail SaaS, value-added services in marketing and advertising as well as on-demand e-commerce services. Retail SaaS as the core service component of the retail cloud solution, helps customers in the local retail industry develop configurable function modules that cater to their business needs and achieve digital transformation.

Market Size of Retail Cloud Solution Industry in China and Asia

The retail cloud solution market has maintained sustainable strong growth historically and is expected to continue to grow in the near future. Favorable policies, well-established cloud infrastructure and growing digitalization demands will be the key industry growth catalysts.

The market size in terms of GMV represents the total transaction volume facilitated by local retail cloud solution providers in the local retail industry. In terms of GMV, the market size of the retail cloud solution industry in China increased from RMB186.5 billion in 2018 to RMB856.7 billion in 2023, at a CAGR of 35.7%. The market size is expected to grow at a CAGR of 26.9% in the period from 2024 to 2028, reaching RMB2,800.1 billion by 2028. As for Asia, the market size of the retail cloud solution industry in terms of GMV increased from RMB383.4 billion in 2018 to RMB1,439.0 billion in 2023, at a CAGR of 30.3%. The market size is expected to grow at a CAGR of 22.4% in the period from 2024 to 2028, reaching RMB3,920.4 billion by 2028.

In terms of revenue, the market size of the retail cloud solution industry in China increased from RMB3.4 billion in 2018 to RMB19.0 billion in 2023, at a CAGR of 40.8%. The market size is expected to grow at a CAGR of 28.8% from 2024 to 2028, reaching RMB67.0 billion by 2028. As for Asia, the market size of the retail cloud solution industry increased from RMB6.1 billion in 2018 to RMB29.7 billion in 2023, at a CAGR of 37.1%. The market size is expected to grow at a CAGR of 23.9% from 2024 to 2028, reaching RMB86.3 billion by 2028.

INDUSTRY OVERVIEW

Growth Drivers for Retail Cloud Solution Industry in China and Asia

- *Favorable Policy Support.* Asian countries, notably China, have implemented regulations and policies that significantly promote the development of the Internet and data intelligence sectors. China, being the largest market for retail cloud solutions in Asia, has seen its competitive landscape enhanced through initiatives like the Outline of the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and Vision 2035 of the PRC (《中國國民經濟和社會發展第十四個五年規劃和 2035 年遠景目標綱要》). These strategic plans emphasize the imperative to embrace the digital era, harness the potential of big data, fortify cyberspace capabilities, and expedite the creation of a digital economy, society, and governance framework.
- *Well Established Cloud Infrastructure Serving as a Basis.* Favorable governmental policies towards cloud computing technology have spurred the digitization transformation and addressed the intricate management needs of enterprises. This has catalyzed a surge in demand for cloud technology, leading to significant service expansions by cloud companies to cater to Chinese consumers and businesses. Front-runners have established robust cloud infrastructures, enabling retail cloud solution providers to pivot towards innovative product development. This focus on innovation is pivotal for the industry's accelerated growth in China.

Entry Barriers for Retail Cloud Solution Industry in China and Asia

- *Intensive long-term R&D commitment.* Retail cloud solution providers with advanced IT infrastructure and strong data analytics capabilities can better collect, integrate and analyze data across different links of the local retailers' business process to develop more accurate, holistic, and actionable insights. However, they need to make sustained long-term investment to build a native cloud architecture, adopt large-scale application, and develop constant function upgrades to help address evolving customer demand amid changing market environment. As such, large amount of capital must be continuously invested in products research and development and cultivating technical talents, among others. Huge capital commitment poses a high barrier to new entrants.
- *Deep industry know-how and expertise.* Retail cloud solution providers develop deep understandings of local retail industry pain points through years of working with local retailers and brand owners of different sizes and formats, which enable them to provide end-to-end and pragmatic solutions to address their needs. Domain knowledge and the time required to build the industry expertise that underpins retail cloud solutions prevents potential entrants from competing with incumbents.
- *Strong brand recognition and large customer base.* Existing market players have built brand recognition and established customer base. This customer base is typically highly loyal as switching vendor implies significant cost and risks of consumer loss. In addition, incumbents may likely have developed stronger research or product development capability, as they upgrade their solutions through various operations of their local retailer customers, which reinforces their market position.

Market Opportunities for Retail Cloud Solution Industry in China and Asia

- *Navigating the Complexity of the Local Retail Market.* The local retail market is characterized by its complexity, from extensive supplier management chains to diverse sales channel configurations. Large local retail entities face the necessity of connecting with a wider array of suppliers, while smaller local retailers must allocate substantial capital to secure stable supply

INDUSTRY OVERVIEW

chains. Additionally, the significant regional disparities in geography, consumer behavior, and economic development levels further compound this complexity. Retail cloud solution providers have the opportunity to leverage these challenges by offering integrated resources and management solutions to streamline and expand retail operations.

- *Embracing the AI Era for Enhanced Agility.* The advent of Artificial Intelligence (AI) has ushered in a new era of opportunity for the retail cloud solution industry. AI and machine learning algorithms are being increasingly integrated into retail cloud solutions, providing deep insights into customer behaviors, preferences, and purchasing trends. This enables local retailers to more accurately predict customer needs and offer seamless, personalized shopping experiences that boost customer satisfaction and loyalty. On the operational front, AI facilitates price optimization, fraud detection, workforce training, and scalability, thereby enabling local retailers to achieve greater agility in their operations.

Future Trends for Retail Cloud Solution Industry in China and Asia

- *Growing Importance of Omni-channel Capabilities.* Online shopping has become a pivotal strategic direction for many local retailers and brand owners. The realization is dawning that e-commerce extends beyond merely setting up online channels; it encompasses the digital transformation of the entire spectrum of core operational capabilities. Retail cloud solution providers play a crucial role in this transformation by developing omni-channel service capabilities. These capabilities allow local retailers and brand owners to sell products online, establish digital storefronts, and integrate data across omni-channels for enhanced data insights. The ability to make enterprise decisions based on real-time operational data improves efficiency and delivers better operating results.
- *Focus on Customer Success Contributing to a More Sustainable Business Model.* Retail cloud solution providers are increasingly embracing a mindset focused on customer success to foster long-term, beneficial relationships with their clientele. Providers that align their revenue models with the success of their customers' businesses stand to benefit from the growth of local retailers and brand owners. For instance, through a take-rate-fee model, retail cloud solution providers gain from the commercial expansion of their clients and are incentivized to offer superior cloud solutions. This approach not only enhances the relationship between providers and clients but also fosters a sustainable business model centered on a win-win situation.

Competitive Landscape of Retail Cloud Solution Industry in China and Asia

According to Frost & Sullivan, we are the largest retail cloud solution provider in China by GMV, with a market share of 13.3% in 2023. Meanwhile, we have successfully expanded our businesses to other countries and regions in Asia, comprising Hong Kong SAR, Cambodia, Singapore, Malaysia, Macau SAR, Indonesia, the Philippines and Brunei. The expansion has allowed us to become the largest retail cloud solution provider in Asia by GMV in 2023, occupied a market share of 10.9%, according to Frost & Sullivan.

INDUSTRY OVERVIEW

According to Frost & Sullivan, the top 5 retail cloud solution providers in Asia held a market share of 28.3% in terms of GMV in 2023. Top 5 retail cloud solution providers in Asia by GMV is illustrated in the following:

Top 5 Retail Cloud Solution Providers in Asia, by GMV (2023)

Ranking	Name	Market Share
1	Our Company	10.9%
2	Company A ⁽¹⁾	5.0%
3	Company B ⁽²⁾	4.8%
4	Company C ⁽³⁾	4.8%
5	Company D ⁽⁴⁾	2.8%

Source: Frost & Sullivan Report

Notes:

- (1) Company A: A listed ERP company founded in 1972 and listed on the New York Stock Exchange. This company mainly provides cloud solutions as well as other core applications and services to help customers establish digitalized operations.
- (2) Company B: A listed retail cloud solution company founded in 2014 and listed on the Nasdaq Stock Exchange. This company provides retail cloud solutions, SaaS products, on-demand e-commerce service, and other technology-based products and services to help local retailers achieve digitalization.
- (3) Company C: A listed cloud solution company founded in 1998 and listed on the Nasdaq Stock Exchange. This company provides cloud solutions for various industries, including retail, consumer packaged goods, financial services, etc., to help customers establish digitalized operations.
- (4) Company D: A listed ERP company founded in 1993 and listed on the Hong Kong Exchange. This company provides cloud solutions as well as other products and services to help customers establish digitalized operations

According to Frost & Sullivan, the top 5 retail cloud solution providers in China held a market share of 35.6% in terms of GMV in 2023. Top 5 retail cloud solution providers in China by GMV is illustrated in the following:

Top 5 Retail Cloud Solution Providers in China, by GMV (2023)

Ranking	Name	Market Share
1	Our Company	13.3%
2	Company B	8.1%
3	Company A	4.9%
4	Company D	4.7%
5	Company E ⁽¹⁾	4.5%

Source: Frost & Sullivan Report

Note :

- (1) Company E: A private retail SaaS company founded in 2012. This company provides comprehensive retail digitalized modules and services to help retailers establish digitalized retail operations.

RETAIL DIGITALIZATION SOLUTION INDUSTRY IN CHINA AND ASIA

Overview of Retail Digitalization Industry

Retail Digitalization Solution Industry refers to a digitalization solution that is designed to aid local retailers in establishing digitally integrated retail operations. This is achieved through the provision of configurable SaaS modules, optional collaboration with supplementary hardware or software, or the development of tailored solutions to meet customers' unique requirements. The primary objective is to enhance local retailers' operational performance, strengthen cost-reduction, and further realize revenue growth, while ultimately improving the shopping experience for end consumers. Retail digitalization solutions mainly include retail SaaS, retail location digitalization solutions and other related value-added service, which can be sold on a standalone basis or as part of a solution package.

INDUSTRY OVERVIEW

Retail SaaS is the core service component of the retail digitalization solution industry. Retail SaaS providers are dedicated to serving customers in the local retail industry by developing configurable function modules that cater to the business needs of local retailers and a wide range of digital transformation along the local retail value chain. Meanwhile, retail location digitalization solution encompasses a suite of hardware and software designed to assist local retailers in establishing digitally integrated retail locations, enhance store management efficiency, and improve the shopping experience. These solutions primarily leverage IoT (internet-of-things) devices which are equipped with sensors and processing capabilities and further facilitate task performance by embedded software. The major characteristics of IoT devices can connect and exchange data with other internet-enabled devices over communication networks that optimize various tasks within the retail process. Retail location digitalization solutions can be collaborated with retail SaaS to achieve full spectrum digitalized integration of local retail scenarios which include supply chain management, production management, store management, etc.

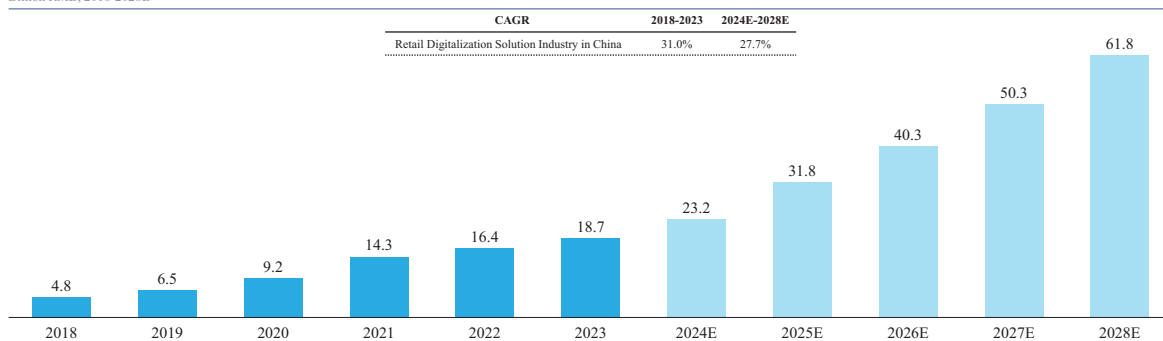
Business Model Analysis of Retail Digitalization Solution Industry

The three primary business models in the retail digitalization solution industry are the subscription model, take rate model, and fixed fee model. The subscription model involves customers paying a recurring weekly, monthly, or annual fee for use to retail digitalization solution, with the flexibility to renew or cancel as needed. The take rate model charges a pre-agreed percentage of local retailers' GMV processed by the digitalization solution. The fixed fee model is utilized for custom development projects tailored to specific customer needs, with revenue recognized at point of sale or over the contractual term.

Market Size of Retail Digitalization Solution Industry in China and Asia

In terms of revenue, the market size of the retail digitalization solution industry in China increased from RMB4.8 billion in 2018 to RMB18.7 billion in 2023, at a CAGR of 31.0% and is expected to further grow at a CAGR of 27.7% in the period from 2024 to 2028, reaching RMB61.8 billion in 2028.

Market Size of Retail Digitalization Solution Industry in China, by Revenue
Billion RMB, 2018-2028E

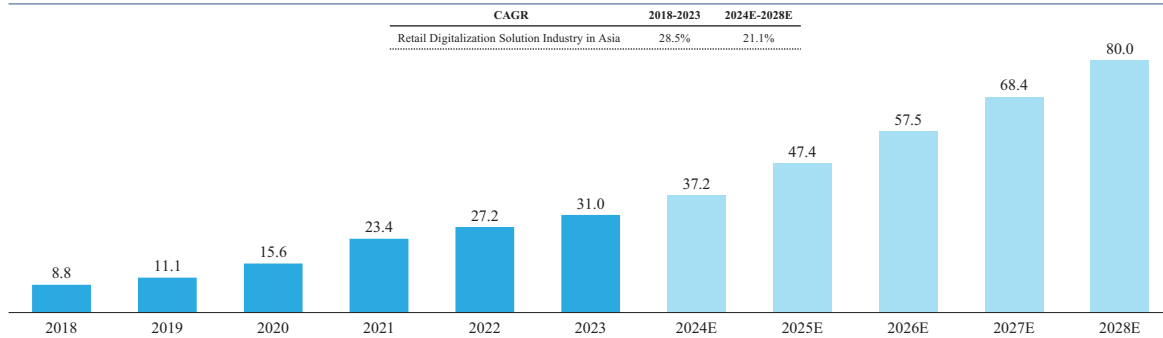


Source: Frost & Sullivan Report

In terms of revenue, the market size of the retail digitalization solution industry in Asia increased from RMB8.8 billion in 2018 to RMB31.0 billion in 2023, at a CAGR of 28.5% and is expected to further grow at a CAGR of 21.1% in the period from 2024 to 2028, reaching RMB80.0 billion in 2028.

INDUSTRY OVERVIEW

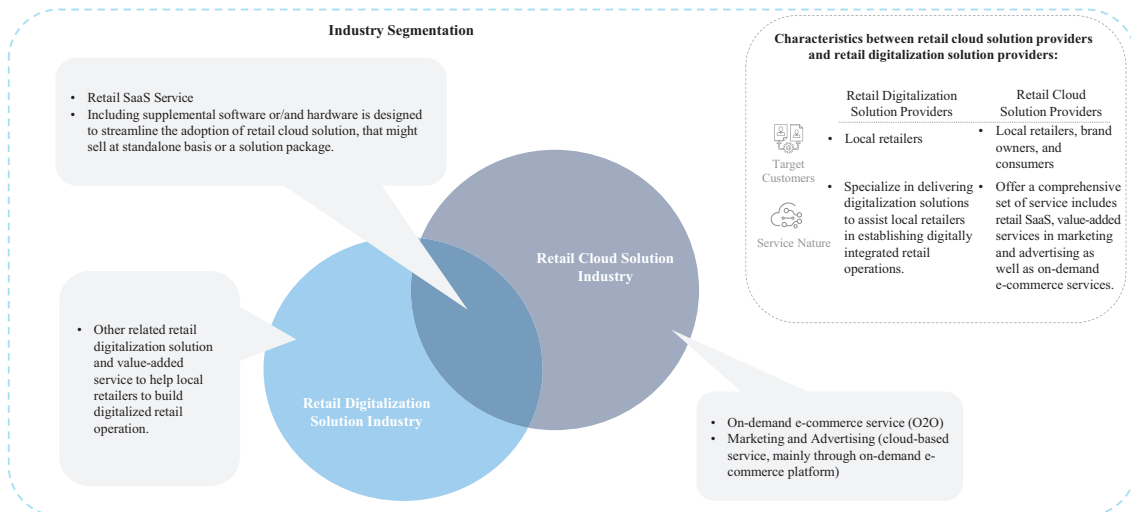
Market Size of Retail Digitalization Solution Industry in Asia, by Revenue
Billion RMB, 2018-2028E



Source: Frost & Sullivan Report

Retail Cloud Solution Industry and Retail Digitalization Solution Industry

Market players in both the retail cloud solution industry and retail digitalization industry operate within the local retail sector, offering retail SaaS as the essential service component of the retail digitalization solution industry. While retail cloud solution providers offer services not only to local retailers but also to other participants such as brand owners and consumers, retail digitalization service providers specialize in delivering solutions to assist local retailers in establishing digitally integrated retail operations both online and offline, across various retail scenarios, and optimizing their operations across all retail processes. Post-Restructuring, our primary focus is directed towards providing specialized retail digitalization services tailored specifically to local retailers, reflecting our commitment to enhancing their digital capabilities and streamlining their overall retail operations.



Growth Drivers for Retail Digitalization Solution Industry in China and Asia

- Technology and Data-driven Innovation.** Retail digitalization solution refers to a digitalization solution that is designed to aid local retailers in establishing digitally integrated retail operations. This is achieved through the provision of configurable SaaS modules, optional collaboration with supplementary hardware or software, or the development of tailored solutions to meet customers' unique requirements. With local retail business insights and market intelligence based on AI and big data analytics, local retailers are better poised to enhance their operational performance, strengthen cost-reduction, and ultimately improve the shopping experience for end consumers.

INDUSTRY OVERVIEW

- *Rising Demands for Intelligent Shopping Experience.* With the development of technology, consumers expect to get a more personalized, intelligent, and convenient shopping experience in stores. Retail digitalization solution providers offer software services to local retailers to analyze consumers' behavioural data promptly and provide customized recommendations. At the same time, retail digitalization solution providers are able to offer local retailers with advanced hardware products such as AIoT-enabled shopping carts and scan-and-go solutions to simplify the shopping process and improve the intelligence and convenience of shopping. Retail digitalization encompasses a suite of hardware and software designed to assist local retailers in establishing digitally integrated retail locations, enhance store management efficiency, and improve the shopping experience constantly.

Entry Barriers for Retail Digitalization Solution Industry in China and Asia

- *Omni-channel Barrier.* Omni-channel ability enables local retailers to realize full data synchronization and break data silos. It necessitates that retail digitalization solution providers possess not only data acquisition and analysis capabilities but also a comprehensive understanding of the depth and diversity of retail channels. Additionally, they must have multi-dimensional, in-depth data usage and analysis capabilities to further accomplish multi-channel data synergy. Most new entrants in this industry without much retail experience have difficulty in gaining a deep understanding of local retailers' multiple channels.
- *Financial Barrier.* For retail digitalization solution providers to build a native cloud architecture and realize large-scale adoption of product applications, it is a long-term continuous investment, which requires continuous adaptation to business development and environmental changes, and continuous high-speed iteration. Therefore, a large amount of capital must be invested in product R&D, cultivating professional talents, improving management capabilities, etc. The huge capital requirement poses a barrier to new entrants to the industry.

Market Opportunities for Retail Digitalization Solution Industry in China and Asia

- *Seamless Integration of Hardware and Software.* Local retailers often operate with legacy hardware that may not be compatible with newer retail software. Vendor fragmentation exacerbates this issue, as local retailers purchase hardware and software from different vendors, each with various standards and protocols. This challenge presents significant market opportunities in the integration of hardware and software to achieve a coordinated effect. For example, hardware such as automated checkout systems can be combined with software for inventory management to reduce waste and prevent stockouts, thereby increasing workflow efficiency and creating streamlined operations through seamless integration.
- *Complete Product Matrix to Meet the Needs of Local Retailers in All Scenarios and Links.* Retail digitalization solution providers with a complete product matrix can explore more market opportunities and meet the diverse needs of local retailers across various scenarios, from the supply chain to end consumers. This includes solutions such as supply chain optimization and customer relationship management. As more local retailers adopt e-commerce, digitalization solution providers offer integrated omni-channel solutions that enable local retailers to seamlessly manage their online and offline operations. These solutions encompass a product matrix of hardware and software to support functions like click-and-collect, ship-to-store, and inventory visibility across channels. Therefore, applying a full product matrix to local retailers represents a growing market opportunity.

INDUSTRY OVERVIEW

Future Trends for Retail Digitalization Solution Industry in China and Asia

- *Growing Adoption of Retail Digitalization Solutions due to Evolving Customer Needs.* As local retail business scenarios diversify and competition intensifies, local retailers and brand owners are accelerating their digitalization process. They increasingly seek solution providers that are capable of offering related retail digitalization solutions and value-added services to help local retailers build digitalized retail operations, such as advanced hardware products supported by hi-tech to underpin nimble and cost-effective customization and constant upgrades. Retail digitalization solution providers will also focus more on the development of product features and the application of artificial intelligence, business intelligence, and other innovative technologies to fulfill retailers, brand owners, and consumers' evolving needs.
- *Growing Importance of Synergy between Hardware and Software in Establishing Digitally Retail Location.* The synergy between hardware and software is increasingly crucial in establishing digitally optimized retail locations. For example, the real-time data collected on customer behaviors and store conditions by hardware devices equipped with sensors processed by sophisticated software offers insights that can be used to optimize store layout, manage inventory more effectively, and tailor marketing strategies to consumers. Also, on regulatory compliance, hardware-software systems can track and store data securely, ensuring that local retailers adhere to legal requirements and protect customer information. Therefore, the integrated approach is essential for local retailers to thrive in the rapidly evolving digital landscape.

Competitive Landscape of Retail Digitalization Solution Industry in China and Asia

According to Frost & Sullivan, the top 5 retail digitalization solution providers in Asia held a market share of 19.0% in terms of revenue in 2023. According to Frost & Sullivan, we were the third largest retail digitalization solution provider in terms of revenue in Asia in 2023. Top 5 retail digitalization solution providers in Asia by revenue is illustrated in the following:

Top 5 Retail Digitalization Solution Providers in Asia, by Revenue (2023)*

Ranking	Name	Market Share
1	Company C	5.4%
2	Company A	4.4%
3	Our Company	4.2%
4	Company D	2.6%
5	Company E	2.5%

Source: Frost & Sullivan Report

* Unlike retail cloud solution providers, whose GMV can be recorded as services are provided to both business customers and consumers, retail digitalization solution service providers only offer software and hardware to business customers. These providers generally cannot track the final transaction of merchandise. Consequently, GMV information is typically not available for retail digitalization solution providers.

INDUSTRY OVERVIEW

According to Frost & Sullivan, the top 5 retail digitalization solution providers in China held a market share of 23.2% in terms of revenue in 2023. According to Frost & Sullivan, we were the largest retail digitalization solution provider in terms of revenue in China in 2023. Top 5 retail digitalization solution providers in China by revenue is illustrated in the following:

Top 5 Retail Digitalization Solution Providers in China, by Revenue (2023)

Ranking	Name	Market Share
1	Our Company	6.5%
2	Company A	5.0%
3	Company D	4.4%
4	Company E	4.1%
5	Company F ⁽¹⁾	3.3%

Source: Frost & Sullivan Report







Note :

(1) Company F: A listed retail SaaS company founded in 2013 and listed on the Hong Kong Exchange, This company provides comprehensive retail digitalized modules and supplementary services to help retailers establish digitalization retail operations.

Overview of Retail SaaS Industry

Software-as-a-Service, or SaaS, is a cloud-based method of providing software to users. Based on target customers, the industry players can be classified into vertical SaaS provider and general SaaS provider:

- General SaaS providers serve customers with standardized solutions offered across multiple industries, such as CRM (customer relationship management), ERP (enterprise resource planning), HRM (human resource management), SCM (supply chain management), etc.
- Vertical SaaS providers focus exclusively on serving customers in particular industries, such as retail, real-estate and manufacturing. Vertical SaaS providers offer a suite of function modules which specifically dedicated to fit the characteristics of the industry.

	 General SaaS	 Vertical SaaS
 Commercial Purpose	<ul style="list-style-type: none"> • To serve as many customers as possible. 	<ul style="list-style-type: none"> • To serve a certain type of customer well.
 Core Competitiveness	<ul style="list-style-type: none"> • Powerful product features. • General SaaS can take advantage of the technology and experience of the software industry to provide common functionality that is applicable to different industries. 	<ul style="list-style-type: none"> • Industry know-how. • Vertical SaaS focuses on one or a few industries, based on the digital needs of business scenarios in specific industries, and targeted to solve industry pain points. It is easy to build competitive barriers due to increasing industry knowledge and investment.
 Target Customers	<ul style="list-style-type: none"> • General SaaS is designed to provide a wide range of services. There are many different types of businesses that choose to use general SaaS solutions, such as supply chains, retailers and manufacturers. 	<ul style="list-style-type: none"> • Vertical SaaS was developed by people with expertise in the specific industry it targets and is specifically designed for clear industry segments. Rather than covering a broad product category, Vertical SaaS aims to focus more on industry vertical markets.
 Marketing Mode	<ul style="list-style-type: none"> • General SaaS needs to try to reach different target audiences individually through multiple marketing campaigns, such as automated marketing emails, marketing campaigns and other search engine optimization/service strategies. 	<ul style="list-style-type: none"> • Vertical SaaS takes a less resource-intensive approach to marketing than the general SaaS model. Vertical SaaS campaigns focus on customer success stories because the target customers are homogeneous.

Source: Frost & Sullivan Report

Vertical SaaS products are developed to cater to the needs of specific industries, such as the retail industry, real estate industry, and others, or to service a certain type of customer. Unlike general SaaS providers, vertical SaaS providers normally focus on one or a few industries based on the digital needs of business scenarios in specific industries, and target to solve industry pain points. It is easier to build competitive barriers due to increasing industry knowledge and investment.

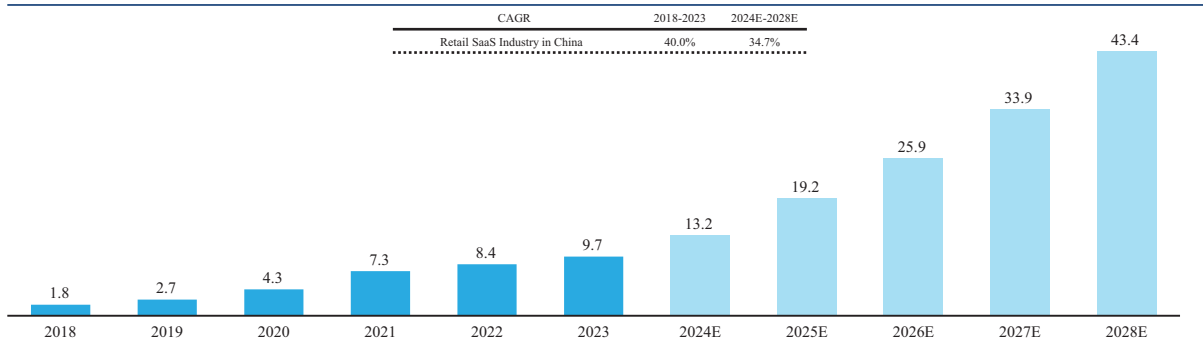
INDUSTRY OVERVIEW

Retail SaaS, as the core service component of the retail digitalization solution industry, is dedicated to serving customers in the local retail industry by developing configurable function modules that cater to the business needs of local retailers and a wide range of digital transformation along the local retail value chain. The local retail industry has witnessed an increasing adoption of retail SaaS as local retailers are eager to utilize digitalization solutions to enhance operational performance, strengthen cost-reduction, and better serve end-consumers. The market size of retail SaaS industry in terms of revenue in China increased at a CAGR of 40.0% from 2018 to 2023.

Market Size of Retail SaaS Industry in China and Asia

In terms of revenue, the market size of the retail SaaS industry in China increased from RMB1.8 billion in 2018 to RMB9.7 billion in 2023, at a CAGR of 40.0% and is expected to further grow at a CAGR of 34.7% in the period from 2024 to 2028, reaching RMB43.4 billion in 2028.

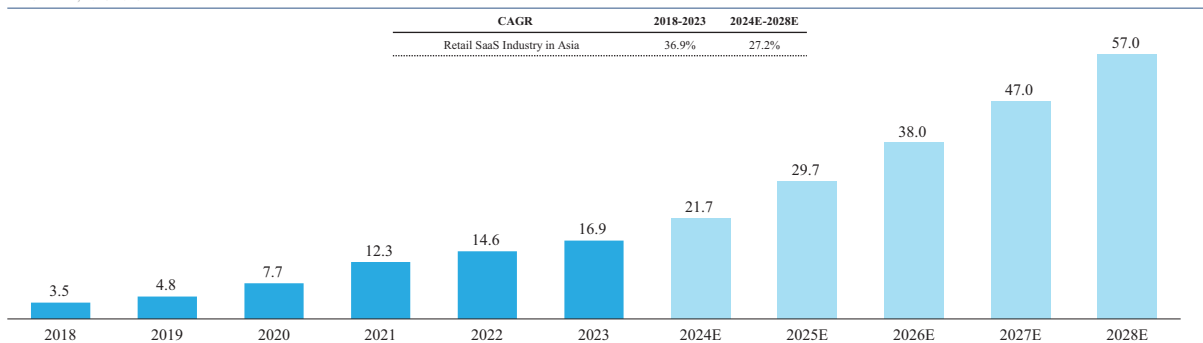
Market Size of Retail SaaS Industry in China, by Revenue
Billion RMB, 2018-2028E



Source: Frost & Sullivan Report

In terms of revenue, the market size of the retail SaaS solution industry in Asia increased from RMB3.5 billion in 2018 to RMB16.9 billion in 2023, at a CAGR of 36.9% and is expected to further grow at a CAGR of 27.2% in the period from 2024 to 2028, reaching RMB57.0 billion in 2028.

Market Size of Retail SaaS Industry in Asia, by Revenue
Billion RMB, 2018-2028E



Source: Frost & Sullivan Report

Key Growth Driver of Retail SaaS Industry in China and Asia

- **Digital Transformation in Local Retail.** To enhance customer stability and loyalty, operational efficiency, advertising effectiveness, acquire data-driven insights and reduce service response time, local retailers need to carry out digital transformation to overcome the limitations of

INDUSTRY OVERVIEW

traditional retail model. This would allow them join the trend of digital economy that accurately matches supply and demand, and integrate digital technology into the development of the local retail industry.

- *Flexible IT Support.* To utilize on-premise deployments, local retailers have to establish a professional operation team to offer technical support for the deployments. The expenditure of building an IT operations and maintenance team cannot meet the local retailers' recent preference for flexible pay-as-you-go services. By applying cloud-based deployments instead, local retailers no longer require operations and maintenance staff to work on-site. The IT maintenance services for cloud-based SaaS products would be flexibly configured and charge on-demand.
- *Business Process Optimization.* Rapidly evolving retail market needs and shifts in the economy have generated the need for improved business processes. SaaS solutions have been a significant impact in the local retail landscape, helping online and offline retailers in critical business applications. For local retailers, cloud-based SaaS solutions assist them in managing complex supplier networks, consumers' convenience expectations and other varying requirements. Retail SaaS adoption has been redefining workflows and businesses, establishing new trends.

Entry Barriers for Retail SaaS Industry in China and Asia

- *Profound Industry Insights and Competency.* Retail SaaS is a modern service industry that integrates technology, management, operation, and sales, which has the characteristics of strong comprehensiveness. Retail SaaS providers that exclusively focus on serving the local retail industry in China leverage their extensive industry knowledge and deep understanding of local retailers' complex and evolving business models and the latest industry trends. Therefore, they are well-positioned to provide value-added products and services, address local retailers' diverse and emerging needs, and capture market opportunities.
- *Technical R&D Barrier.* Retail SaaS is a knowledge-intensive and technology-application-oriented industry which helps enterprises to integrate data and realize efficient and accurate retail management. The core software products involve natural language processing, distributed service frameworks, image recognition, big data analytics, and other technical fields. It is necessary to establish a continuous and effective R&D and innovation system with relatively high technical threshold. For new entrants in the industry, it is difficult to gather, build, and nurture talents in a short period of time.

Market Opportunities for Retail SaaS Industry in China and Asia

- *Multiple Policies Urging to Accelerate Digital Transformation.* In 2023, the State Council issued the "Overall Layout Plan for the Construction of Digital China" (《數字中國建設整體佈局規劃》), highlighting the need to accelerate the digital transformation of traditional industries and expedite digital development. The development of the digital economy has been consistently emphasized in government work reports. Retail SaaS acts as a crucial driver for enterprise digital upgrades, unlocking the potential of business data value and providing tailored solutions. Digital transformation presents significant growth opportunities for the local retail market.

INDUSTRY OVERVIEW

- *Customization and Integration.* Numerous retail SaaS providers offer customizable solutions that can be tailored to meet the specific needs of various retail businesses. These solutions are designed to integrate seamlessly with existing systems, ensuring better coordination and data flow. For instance, feature customization allows local retailers to activate or deactivate specific functionalities based on their requirements, such as inventory management and e-commerce integration. Additionally, batch data transfer enables information updates at specified intervals, presenting significant market opportunities for industry evolution.

Future Trend of Retail SaaS Industry in China and Asia

- *Regeneration of Business Model.* Retail SaaS providers are seeking to diversify their business model by launching more value-added services. Many industry participants have expanded their product portfolio through establishing O2O platform or developing related hardware products for the purposes of risk diversification and income increase.
- *Focus on Product Capability.* Influenced by the trend of the Internet industry in China, many retail SaaS providers have adopted a prevalent strategy that uses an unprofitable model first to acquire customers and then seeks to monetize its traffic through other means when its customer base is large enough. This strategy results in less optimal products and is unable to form a sustainable business model with an emphasis on service excellence. In the future, the focus of retail SaaS providers should return to the building of their product capabilities.
- *Integration of Cloud and On-premises Products.* Many retail SaaS providers are striving to integrate their own cloud-based products with the on-premises software products used by their customers. This integration aims to combine online and offline data, including consumer data, operational information, and warehouse data, to form a closed loop of compatible data. Ultimately, this integration could improve operational efficiency and reduce costs.

REPORT COMMISSIONED BY FROST & SULLIVAN

We commissioned Frost & Sullivan to conduct a detailed research and analysis of retail cloud solution industry in which we operate. Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. We have agreed to pay a fee of US\$152,400 to Frost & Sullivan in connection with the preparation of the Frost & Sullivan Report. We are of the view that the payment of such fee does not impair the fairness of the conclusions drawn in the Frost & Sullivan Report. The commissioned report was prepared by Frost & Sullivan independent of the influence of the Company and other interested parties. We have extracted certain information from the Frost & Sullivan Report in this section, as well as in the sections headed “Summary,” “Risk Factors,” “Business,” “Financial Information” and elsewhere in this document to provide our potential investors with a more comprehensive presentation of the industry in which we operate. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report.

Frost & Sullivan prepared its report based on its in-house database, independent third party reports and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future

INDUSTRY OVERVIEW

projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan's research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

During the preparation of the Frost & Sullivan Report, Frost & Sullivan performed both primary and secondary research, and obtained knowledge, statistics, information on and industry insights into Asia's and China's retail cloud solution industry and retail digitalization industry in which we operate. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved reviewing company reports, independent research reports, and data based on Frost & Sullivan's own research database. The Frost & Sullivan Report was compiled based on the following assumptions: (1) the overall social, economic, and political environment in China is expected to remain stable during the forecast period; (2) relevant key drivers are likely to drive the continued growth of China's retail cloud solution market throughout the forecast period; and (3) there is no extreme force majeure or unforeseen industry regulations in which the industry may be affected in either a dramatic or fundamental way. For the avoidance of doubt, impacts of the COVID-19 outbreak have been taken into account when compiling information in the Frost & Sullivan Report.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OVERVIEW

Our Company was incorporated in the BVI on February 5, 2015 and became the holding company of our subsidiaries. Dmall Life Digital and Dmall Life Network are the onshore holding companies of our Group and we have established a number of operating subsidiaries in the PRC. During the Track Record Period, we operated our business through three main segments: retail core service cloud, e-commerce service cloud and others. During the Track Record Period, we conducted a series of product optimizations to further align our product and service offerings with our objective of promoting our retail digitalization solutions, which have always been the primary focus of our business. Consequently, the bulk of the services we provided under the e-commerce service clouds, such as O2O platform operation services and delivery services, had been phased out by the end of 2023. In April 2024, we conducted a series of restructuring transactions to divest all of our equity interests in Dmall Fresh (Beijing), our former VIE, to minimize the underlying legal and regulatory risks. The Restructuring led to the cessation of the operation of the Dmall app and mini programs. At the time of the Restructuring, Dmall app was primarily associated with the provision of online advertising services under the marketing and advertising service cloud we previously operated and payment processing services under the retail core service cloud. See “Recent Development,” “Business—Others” and “Business—E-commerce service cloud.”

KEY BUSINESS MILESTONES

The following is a summary of our key business development milestones:

<u>Year</u>	<u>Event</u>
2015	<p>Our Company was founded, and we commenced business operation and introduced our services to retailers and brand owners.</p> <p>We started to provide services to Wumei Group.</p>
2016	<p>We began to fully digitalize our technology systems and started to provide online-to-offline integration services to retailers.</p>
2017	<p>We started to provide online-to-offline solutions services and AIoT solutions to Wumei Group.</p> <p>We reached a strategic cooperation with Zhongbai⁽¹⁾.</p>
2018	<p>We developed the core modules of the Dmall OS system.</p> <p>We started to provide online-to-offline integration solutions services and AIoT solutions to the Maidelong Entities and Yinchuan Xinhua Group.</p>
2019	<p>We launched our proprietary one-stop Dmall OS system that addresses the full range of operational needs of a retailer.</p> <p>We started to provide online-to-offline solutions services and AIoT solutions to Chongqing Department Store Group.</p> <p>We started to provide Dmall OS system and deployed to Wumei Group.</p> <p>We established Retail Technology Asia with DFI Retail Group Management Limited (“DRGML”, formerly known as Dairy Farm Management Limited, together with each of its subsidiaries, collectively referred to as “DFI Retail Group”). DFI Retail Group is a leading pan-Asian retailer operating under a number of well-known brands, such as Wellcome, Mannings, Giant and Guardian. DFI Retail Group also owns and operates the 7-Eleven franchises in select Asian markets.</p>
2020	<p>We expanded our business into Hong Kong SAR.</p> <p>We entered into cooperation agreement with 7-Eleven (Guangdong) and became its sole digital service provider.</p>

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Year	Event
2021	<p>We expanded our business into Cambodia and Singapore.</p> <p>We expanded our business into the European market by cooperating with the Metro Group.</p> <p>We started to provide Dmall OS system to Maidelong Entities, Yinchuan Xinhua Group and Chongqing Department Store Group.</p> <p>We entered into cooperation with Guoquan Shihui, a well-known food and ingredient brand in China.⁽²⁾</p> <p>We entered into a series of equity transfer agreements to acquire 51% equity interest in Shenzhen Enjoy.</p>
2022	<p>We expanded our business into Macau SAR.</p> <p>We started to provide Dmall OS system to Metro Group stores in Poland.</p>
2023	<p>We entered into a framework agreement with Metro Digital GmbH, the digital service provider for all companies of the Metro AG, to provide retail digitalization solution for franchise customers of Metro Group. We have further entered into different module agreements with Metro Group to progressively integrate our services into around 500 stores in Poland.</p> <p>SM Group became one of our customers.</p>
2024	<p>We commenced and completed the Restructuring, which resulted in the divestment of all of our equity interests in Dmall Fresh (Beijing), our former VIE.</p>

Notes:

- Zhongbai is a leading retailer in China and an independent third party of the Company. Given Zhongbai's prominent position in the domestic retail industry and our market-leading comprehensive retail digitalization solutions, we have established a strategic cooperation to assist Zhongbai in undertaking digitalization initiatives in several areas of their business, including supply chain management, warehousing and logistics, online delivery, membership services and product management.
- Guoquan Shihui is a home meal products brand in China owned by Guoquan (HKEX: 2517), offering a variety of ready-to-eat, ready-to-heat, ready-to-cook and prepared ingredients, with a focus on at-home hotpot and barbecue products. Our collaboration with Guoquan Shihui was initiated based on their recognition of our expertise in digital consultancy and system development services. The scope of our collaboration involves the digitization of their membership, product and store operations. The fair value of the equity investment we made in Guoquan with the principal amount of RMB129.4 million was RMB140.7 million, RMB153.2 million, RMB196.6 million and RMB109.7 million as of December 31, 2021, 2022, 2023 and June 30, 2024, respectively. For our investment in Guoquan, we have no significant influence, joint control or control over the relevant entity based on the fact that we do not participate in any operating and financial policies of the relevant entity nor exercise our influence on the operating and financial policies or have representation on the board of directors of the relevant entity. Guoquan Enterprise Consulting (Shanghai) Co., Ltd. is a wholly owned subsidiary of Guoquan, and held convertible redeemable preferred shares of our Company as of the Latest Practicable Date.

OUR PRINCIPAL SUBSIDIARIES AND OPERATING ENTITIES

As of the Latest Practicable Date, we have 27 subsidiaries. Set forth below are certain details of our principal subsidiaries during the Track Record Period and as of the Latest Practicable Date:

Company	Principal business activities	Place of establishment	Date of establishment	Ownership percentage held by the Group
Dmall (Shenzhen) Digital	Development of retail core service cloud, and e-commerce service cloud	PRC	April 2, 2019	100%
Dmall Life Network	The WFOE / research and development	PRC	September 7, 2015	100%
Shenzhen Enjoy ⁽¹⁾	Software development and maintenance services	PRC	August 5, 2002	49.75%

Note:

- Shenzhen Enjoy is owned by Shenzhen Xintonglu, SUN Kewei, Shenzhen Jieyi Zhicheng Investment Management Center (Limited Partnership), ZHANG Weiguo, ZHENG Yu, LIU Yinglin, LIU Gang, XU Gaoping, XIAO Jiancai, LUO Liang, ZHANG Shu, LI Ting,

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

YU Lehua, ZHANG Guixiang, WU Zhangshun, HOU Jian, BI Zhongliang, WANG Yafeng, JIANG Yafei and other minority shareholders as to 49.75%, 17.09%, 8.00%, 6.15%, 5.73%, 2.31%, 2.12%, 1.52%, 0.80%, 0.79%, 0.78%, 0.78%, 0.73%, 0.61%, 0.40%, 0.39%, 0.31%, 0.29% and 0.20%, respectively. SUN Kewei, Shenzhen Jieyi Zhicheng Investment Management Center (Limited Partnership), ZHANG Weiguo, ZHENG Yu, LIU Yinglin, LIU Gang, XU Gaoping, XIAO Jiancai, LUO Liang, ZHANG Shu, LI Ting, YU Lehua, ZHANG Guixiang, WU Zhangshun, HOU Jian, BI Zhongliang, WANG Yafeng, JIANG Yafei and other minority shareholders are independent third parties.

OUR CORPORATE DEVELOPMENT

Establishment of our Company, Dmall Cayman, Dmall BVI and Dmall HK

(1) *Our Company*

Our Company was incorporated in the BVI with limited liability on February 5, 2015 and became the holding company of our Group. On the date of incorporation, 485,075,000 ordinary shares and 14,925,000 ordinary shares of our Company, each with a par value of US\$0.0001, were each allotted and issued at par to CyberAge Limited which was wholly-owned by Dr. Zhang and Hong Xing Capital Holdings I, Ltd., a pre-IPO investor at the time, which is controlled by IDG-Accel China Capital II Investors L.P. For subsequent shareholding changes of our Company as part of the Reorganization and Pre-IPO Investment, see “—Reorganization” and “—Pre-IPO Investments” in this section.

(2) *Dmall Cayman*

Dmall Cayman was incorporated in the Cayman Islands as an exempted company with limited liability on March 26, 2015 and became the holding company of Dmall BVI.

(3) *Dmall BVI*

Dmall BVI was incorporated in the BVI on April 7, 2015 by Dmall Cayman to act as a holding company of Dmall HK.

(4) *Dmall HK*

Dmall HK was incorporated in Hong Kong with limited liability on April 28, 2015 by Dmall BVI to act as a holding company of our subsidiaries in Hong Kong and PRC.

Establishment of our Principal Subsidiaries

(1) *Dmall (Shenzhen) Digital*

Dmall (Shenzhen) Digital was established in PRC on April 2, 2019 by Dmall Life Digital for development of retail core service cloud and e-commerce service cloud. Dmall (Shenzhen) Digital has undergone several capital increases and, as of the Latest Practicable Date, has a registered capital of RMB2.6 billion. Dmall Life Digital transferred 100% equity interests of Dmall (Shenzhen) Digital to Dmall Life Beijing and completed the business registration change on January 4, 2024. As of the Latest Practicable Date, Dmall Life Beijing holds 100% equity interests of Dmall (Shenzhen) Digital.

(2) *Dmall Life Network*

Dmall Life Network was established in PRC on September 7, 2015 by Dmall HK for research and development. Dmall Life Network has undergone several capital increases and several capital decrease and, as of the Latest Practicable Date, has a registered capital of US\$178.0 million. Dmall Life Network has been wholly-owned by Dmall HK since its incorporation.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

(3) *Shenzhen Enjoy*

Shenzhen Enjoy was established in PRC on August 5, 2002 for software development and maintenance services. Shenzhen Enjoy has undergone several capital increases and, as of the Latest Practicable Date, has a registered capital of RMB25.0 million. As of the Latest Practicable Date, Shenzhen Enjoy was held by Shenzhen Xintonglu as to 49.75%. See “—Acquisitions and Disposals—Shenzhen Enjoy” in this section for further details.

For details of the changes in shareholding in our principal subsidiaries, see “Statutory and General Information—A. Further Information about Our Group—2. Changes in the number of issued shares of our Company” in Appendix IV to this document.

Recent Expansion in Asia

(1) *Retail Technology Asia*

On December 3, 2019, Dmall HK and DRGML entered into a joint venture agreement (“**Initial Agreement**”) pursuant to which Dmall HK and DRGML agreed to form a joint venture for the purpose of providing technology solutions and services for retailers outside China to help them with the digital transformation of operational processes and marketing, supply, payment and merchandise management. The Initial Agreement was further amended and restated on April 1, 2022 together with Retail Technology Asia becoming a party to that agreement (the “**JV Agreement**”). DFI Retail Group is a leading pan-Asian retailer operating under a number of well-known brands, such as Wellcome, Mannings, Giant and Guardian. DFI Retail Group also owns and operates the 7-Eleven franchises in select Asian markets.

Pursuant to the Initial Agreement, Retail Technology Asia was incorporated in Hong Kong on January 14, 2020 to provide retailers with a cloud-based retail platform relating to the digital transformation of customer experiences. At the time of incorporation, Retail Technology Asia was held by Dmall HK as to 50% and DRGML as to 50%, respectively.

After the formation of Retail Technology Asia in 2020, the parties agreed under a share and business transfer agreement dated April 4, 2022 (the “**SBTA**”) entered into between DRGML, Dmall HK, and Retail Technology Asia that Dmall HK shall increase its shareholding in Retail Technology Asia from 50% to 58.5% (while DRGML’s interest in Retail Technology Asia would decrease from 50% to 41.5%) through share buyback by Retail Technology Asia in May 2022. Under the SBTA, DRGML also has the right to require Dmall HK to increase its interest in Retail Technology Asia from 58.5% to 67% at any time after the date falling nine months after May 2022 (February 2023) and before the date falling thirty months after May 2022 (November 2024). In May 2022, Retail Technology Asia bought back 4,358,974 of its shares from DRGML and canceled those shares pursuant to the SBTA. On September 22, 2023, an amendment agreement to the SBTA (the “**Amendment Agreement**”) was executed, pursuant to which, among other things, Dmall HK shall subscribe for shares in Retail Technology Asia for an amount of US\$10,509,093 such that its shareholding in Retail Technology Asia would increase to 67%. As we expect to service and empower retail companies in Southeast Asia in the future and reduce reliance on retailers (e.g. DRGML) being joint venture partners, and considering that the business of Retail Technology Asia has expanded to broader overseas markets, Dmall HK has continually been entering into discussions with DRGML about the prospect of further strengthening Dmall HK’s control over Retail Technology Asia and deepening the integration of Retail Technology Asia’s technology architecture and solutions into those of Dmall, which would be in the best interest of

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

our Company and our shareholders. Mutual discussions between the parties continued since March 2024 to finalize the terms and details for Dmall HK to increase its interest in Retail Technology Asia through an acquisition of shares in Retail Technology Asia held by DRGML instead of the original proposal in the SBTA and the Amendment Agreement. After due discussion among the parties following the SBTA and the Amendment Agreement, as well as reference being made to an independent valuation report on Retail Technology Asia, in November 2024, terms and conditions of the acquisition have been arrived at after arm's length negotiation between the parties for Dmall HK to acquire 11% of shares of Retail Technology Asia at a consideration of USD10,308,000 from DRGML ("the **Acquisition**"). The Acquisition is a continuation and testament of Dmall HK's strategy to gaining further control over the decision-making, strategic direction and operational management of Retail Technology Asia through increasing its shareholding in Retail Technology Asia. After the completion of the Acquisition and as of the date of this prospectus, Retail Technology Asia is held by Dmall HK as to 69.5% and DRGML as to 30.5%, respectively.

The financial statements of Retail Technology Asia has been consolidated into our financial statements since its establishment. For further details of the Joint Venture Agreement, see "Business—Joint venture agreement of Retail Technology Asia."

(2) *Dmall Digital International Pte. Limited*

Dmall Digital International Pte. Limited was incorporated in Singapore with limited liability on October 26, 2022 by Dmall BVI to expand our overseas business.

(3) *Dmall Digital Philippines Inc.*

Dmall Digital Philippines Inc. was incorporated in Philippines with limited liability on December 11, 2023 by Dmall Digital International Pte. Limited to expand our overseas business.

Recent Expansion in Europe

(1) *Dmall Digital Europe Kft.*

Dmall Digital Europe Kft. was incorporated in Hungary with limited liability on December 21, 2022 by Dmall Digital International Pte. Limited to expand our business into the European market.

ACQUISITIONS AND DISPOSALS

(1) *Shenzhen Enjoy*

Established in 2002, Shenzhen Enjoy, as an ERP provider, has accumulated extensive industry experience, customer resources and technical capabilities in the retail industry. On May 18, 2021, in order to achieve business synergies and better focus on our core business, expand our enterprise customer portfolio to cover more retail formats and broaden our sales network, and to expand our independent customer base, Shenzhen Xintonglu entered into a series of share purchase agreements with Shenzhen Jieyi Zhicheng Investment Management Center (Limited Partnership) and certain individual shareholders of Shenzhen Enjoy, Mr. SUN Kewei, Mr. ZHANG Weiguo, Ms. XU Jing, Mr. ZHENG Yu, Ms. LIU Yinglin, Mr. LIU Gang, Mr. XIAO Jiancai, Mr. XU Gaoping, Mr. LUO Liang and Ms. SHI Qihong, each an independent third party, to acquire 51% equity interest in Shenzhen Enjoy for a cash consideration of RMB248.88 million.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shenzhen Jieyi Zhicheng Investment Management Center (Limited Partnership) is the employee shareholding platform of Shenzhen Enjoy, with Mr. Sun Kewei as the executing partner. It is ultimately beneficially owned by a number of employees of Shenzhen Enjoy, each of whom an independent third party. The vendors of Shenzhen Enjoy do not have past or present relationship, including, without limitation, family, business, financing, employment or otherwise with the Company, their subsidiaries, shareholders, directors, senior management or any of their respective associates. The consideration was determined after arm's length negotiation with reference to a valuation report issued by an independent valuer dated April 26, 2021 and was settled in three tranches. As per the valuation report conducted using the market approach, it has been determined that the fair value of the equity interest held by all shareholders of Shenzhen Enjoy as of December 31, 2020, amounts to RMB528 million. According to the aforementioned report, both parties have agreed to a delivery price of RMB20 per share for a 51% equity interest in Shenzhen Enjoy, which corresponds to 12.444 million shares, thus resulting in a total consideration of RMB248.88 million.

On August 5, 2021, Shenzhen Xintonglu acquired 21.03% equity interest in Shenzhen Enjoy for a consideration of RMB102,640,000 (“**Tranche One**”). On November 26, 2021, Shenzhen Xintonglu acquired additional 20.04% equity interest in Shenzhen Enjoy for a consideration of RMB97,760,000 (“**Tranche Two**”). On November 26, 2021, the former controlling shareholder of Shenzhen Enjoy delegated his 9.93% of voting rights, representing 2,424,000 shares of Shenzhen Enjoy, to Shenzhen Xintonglu pursuant to the voting rights delegation agreement to allow the Company to obtain control over Shenzhen Enjoy. As a result, Shenzhen Xintonglu was entitled to 51% of voting rights at the shareholders' meetings, effective as of the date of the agreement until the settlement of Tranche Three. This enabled us to consolidate the financial statements of Shenzhen Enjoy into our financial statements, effective from November 26, 2021. On November 4, 2022, Shenzhen Xintonglu subscribed the remaining 9.93% equity interest in Shenzhen Enjoy and the consideration of RMB48,480,000 was fully settled on November 11, 2022 (“**Tranche Three**”). Upon completion of such transfer, Shenzhen Enjoy became owned as to 51% by Shenzhen Xintonglu. In November 2022, Shenzhen Enjoy planned to grant options or other types of awards to its employees, potentially diluting the Company's 51% equity interest and resulting in its loss of control over Shenzhen Enjoy.

To maintain the Group's stable control over Shenzhen Enjoy, on November 24, 2022, the former controlling shareholder of Shenzhen Enjoy further delegated his 3.9% of voting rights, representing 976,000 Shares of Shenzhen Enjoy, to Shenzhen Xintonglu pursuant to certain voting rights delegation agreement, resulting in a total of 55% of voting rights.

On May 25, 2023, Shenzhen Enjoy approved a share incentive plan granting up to 613,000 restricted shares, which would dilute the Company's shareholding in Shenzhen Enjoy to 49.75%. The grant was made to eight grantees, including a director (who is also a senior manager), three other senior managers and four core employees of Shenzhen Enjoy. The exercise price of the restricted shares is RMB8.5 per share; the unlocking of the restricted shares is subject to certain performance targets and will take place in two equal installments over 24 months after the date on which the registration procedures for the restricted shares are completed. On July 19, 2023, the required registration procedures with China Securities Depository and Clearing Corporation Limited in respect of the said restricted shares was completed and the 613,000 restricted shares became issued on the same day. However, with the delegation of the additional 3.9% of voting rights, the Company maintained control over Shenzhen Enjoy. Pursuant to certain voting rights delegation agreement, the former controlling shareholder of Shenzhen Enjoy will increase the number of shares for which he

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

delegates his voting rights to the Group to maintain its voting rights in Shenzhen Enjoy no less than 51% if Shenzhen Enjoy implements other equity incentive plans in the future that dilute the Group's shares.

Leveraging the Group's platform advantages, rich industry experience and technological expertise, Shenzhen Enjoy has been able to reach out to recognized retail customers that were only available on the Group's platform and has enabled it to promote the research and development of new products as well as the iterative upgrading of its existing products. Moreover, maintaining stable control and management is crucial for the implementation of Shenzhen Enjoy's strategic development plans. Therefore, it is in the best interests of Shenzhen Enjoy's technology and business growth for the Group to retain control over it.

As advised by our PRC Legal Adviser, the acquisition has been properly and legally completed and settled and all necessary regulatory approvals required under PRC laws have been obtained.

(2) *Shandong Orange Bay*

Shandong Orange Bay Information Technology Co., Ltd. ("**Shandong Orange Bay**") is an investment holding company, the main asset being equity interest in a company engaged in the development of telecommunications facilities, and was owned by the Company, Mr. WANG Hui and Ms. LIU Wenfeng as to 50%, 25% and 25%, respectively. On August 15, 2022, in order to improve Shenzhen Enjoy's overall operation and management efficiency of its assets, Shenzhen Enjoy entered into an equity transfer agreement with Mr. WANG Hui and Ms. LIU Wenfeng, each an independent third party, to acquire 50% equity interest in Shandong Orange Bay, for a cash consideration of approximately RMB9.0 million. The consideration was determined based on arm's length negotiations between the vendors and Shenzhen Enjoy taking into account a number of factors including the paid-in share capital of the Orange Bay and the value of Shandong Orange Bay's assets and was fully settled on September 23, 2022. Upon completion of such transfer, Shandong Orange Bay became wholly-owned by Shenzhen Enjoy and it completed the change in registration with the relevant local Administration for Market Regulation on October 24, 2022. On December 8, 2022, we completed the relevant business and financial handover with Shandong Orange Bay and consolidated the financial statements of Shandong Orange Bay into our financial statements.

As advised by our PRC Legal Adviser, the acquisition has been properly and legally completed and settled and all necessary regulatory approvals required under PRC laws have been obtained.

(3) *Beijing Xianmei Technology Service Co., Ltd.*

Pursuant to the equity transfer agreement dated February 21, 2023, Dmall Zhilian acquired 55% equity interest in Beijing Xianmei Technology Service Co., Ltd. from Beijing Liansheng Yingke Decoration Construction Engineering Co., Ltd. and Shanghai Gaussian Automation Technology Development Co., Ltd., at a consideration of RMB2.77 million to develop intelligent cleaning business. The consideration was determined after arm's length negotiation with reference to the valuation as assessed by an independent professional valuer and the registered capital of Beijing Xianmei Technology Service Co., Ltd. Beijing Liansheng Yingke Decoration Construction Engineering Co., Ltd. is controlled by Wumei Technology and is ultimately beneficially owned by Dr. Zhang. Shanghai Gaussian Automation Technology Development Co., Ltd. is ultimately beneficially owned by Mr. CHENG Haotian, an independent third party of the Company. Upon completion of such

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

transfer, Beijing Xianmei Technology Service Co., Ltd. became owned as to 55% by Dmall Zhilian and 45% by Shanghai Gaussian Automation Technology Development Co., Ltd. The change in registration with the relevant local Administration for Market Regulation was completed on February 22, 2023 and Beijing Xianmei Technology Service Co., Ltd. became a subsidiary of our Company on February 28, 2023.

As advised by our PRC Legal Adviser, the acquisition has been properly and legally completed and settled and all necessary regulatory approvals required under PRC laws have been obtained.

(4) DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited

Pursuant to the share and business transfer agreement dated April 4, 2022, DFI Retail Group acquired 100% equity interest in each of DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited from Retail Technology Asia for a consideration valued at US\$6.9 million. DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited were established as subsidiaries of Retail Technology Asia under the joint venture agreement entered into between our Group and DFI Retail Group and served as operating subsidiaries of Retail Technology Asia to provide Dmall OS solutions and O2O e-commerce business services to DFI Retail Group. Dmall OS solutions are cloud-based operating system services that help digitalize DFI Retail Group's operations and support intelligent business decision making, while O2O e-commerce mainly refers to online ordering and delivery services that help to sell products to consumers online via software and digital applications. The consideration was determined based on arm's length negotiation between our Company and DFI Retail Group, taking into account the net present value of the Dmall OS solutions and O2O e-commerce business services held by the two entities being disposed of, on a cash-free and debt-free basis. Based on the arm's length negotiation between our Group and DFI Retail Group, it was decided that our Group would focus on Dmall OS solutions while DFI Retail Group would take over the O2O business. As a result, DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited were disposed to DFI Retail Group and all the cloud-based operating system services businesses were ceased. Post-transaction, our Group continued to provide Dmall OS solutions to DFI Retail Group through Retail Technology Asia. Upon completion of the transfer, DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited became wholly-owned by DFI Retail Group. For more information, please refer to "Financial Information—Description of Major Components of Our Results of Operations—Other net income/(loss)—Disposal of DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited" in this document.

(5) Dmall (Shenzhen) Development

Pursuant to the equity transfer agreement dated October 31, 2022, Wumei South Commercial Co., Ltd. ("**Wumei South Commercial**"), a subsidiary of Wumei Technology, acquired 100% equity interest in Dmall (Shenzhen) Development Co., Ltd. ("**Dmall (Shenzhen) Development**") from our Group, for a cash consideration of RMB79.8 million. The consideration was determined after arm's length negotiation between our Group and Wumei South Commercial, with reference to the net asset value of Dmall (Shenzhen) Development as determined by an independent valuer and has been fully settled. Assets held for sale mainly consist of investment properties in Shenzhen, Guangdong, and cash and cash equivalents. On November 16, 2022, our Group completed the equity transfer of Dmall (Shenzhen) Development to Wumei South Commercial. The disposal of Dmall (Shenzhen) Development to Wumei South Commercial would not lead to competing interest between our Company and Wumei South Commercial as Dmall (Shenzhen) Development had not conducted any material operational activities. The comparatively high net asset value of Dmall (Shenzhen)

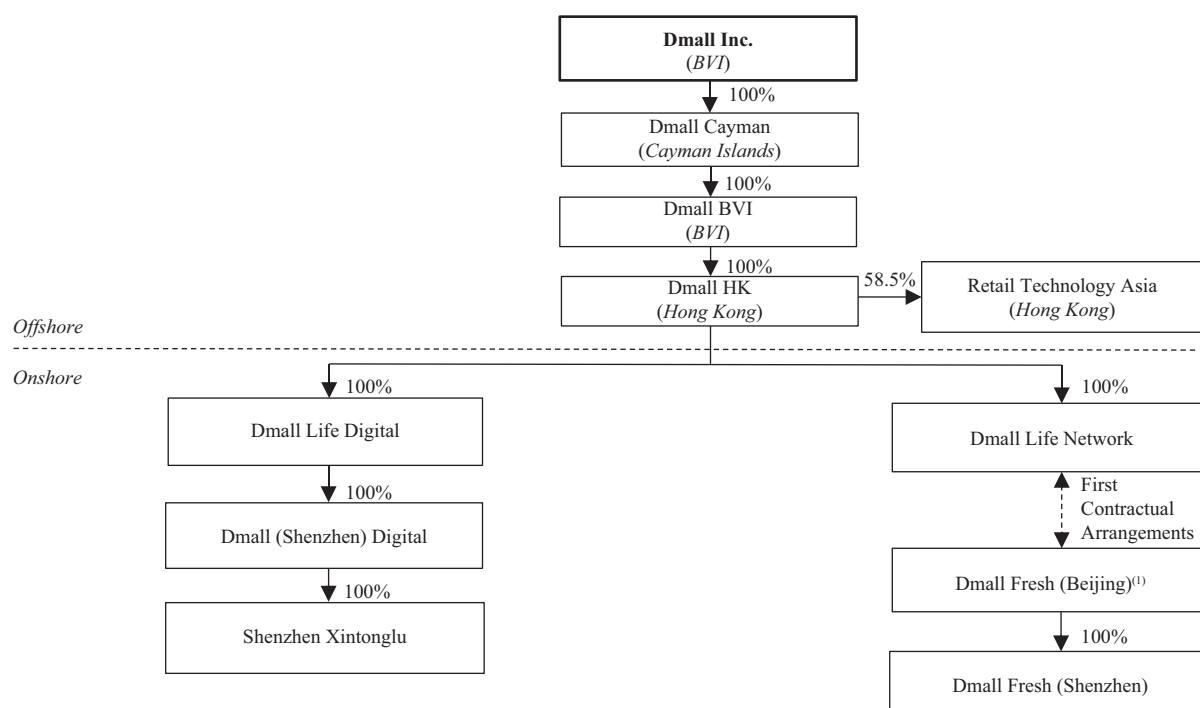
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Development is attributable to the investment properties held in Shenzhen, Guangdong, and it did not hold any in-house intellectual property at the time of the disposal. Wumei South Commercial acquired Dmall (Shenzhen) Development in order to expand its operational scale and achieve business synergies as it already owns several other investment properties in the same region. We initially acquired properties in the Shenzhen region with the intention of expanding our workforce in the area. However, as we did not end up recruiting as many employees as anticipated, we opted to rent properties to accommodate our employees in Shenzhen instead of using the acquired properties. This led to a strategic reevaluation of the use and classification of these properties and in 2022, the equity transfer. Our Directors believe that this equity transfer was in the best interest of the Company as it provided additional liquidity, enabling us to execute our business plan and concentrate on our key operations.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed above, we did not conduct any other acquisitions, disposals or mergers that we consider to be material to us. In particular, for acquisitions conducted during the Track Record Period, none of them if made by us as a listed company on the Stock Exchange would have been classified as a major transaction or a very substantial acquisition under Chapter 14 of the Listing Rules. To the best knowledge of our Directors, none of the divested entities were involved in any material non-compliance incidents during the Track Record Period and up to the time of their disposal.

REORGANIZATION

The following chart sets forth our Group's simplified corporate and shareholding structure immediately prior to the commencement of the Reorganization:



Note:

(1) Dmall Fresh (Beijing) was owned by Mr. Zhang, Ms. LU Yuxin and Dr. Zhang as to 51%, 44% and 5%, respectively. Ms. LU Yuxin is an employee of the Company.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The principal steps of the Reorganization, carried out in preparation for the Listing are set out below.

Transfer of 50% Equity Interest in Dmall Fresh (Beijing)

On October 21, 2022, Mr. Zhang, Ms. LU Yuxin and Dr. Zhang transferred their 6%, 39% and 5% equity interests in Dmall Fresh (Beijing) to Shenzhen Xintonglu at a consideration of RMB0.6 million, RMB3.9 million and RMB0.5 million, respectively. The consideration for each of the aforementioned transfers was determined based on the registered capital of Dmall Fresh (Beijing) and has been fully settled. Subsequent to the transfer, Dmall Fresh (Beijing) is owned by Mr. Zhang, Ms. LU Yuxin and Shenzhen Xintonglu as to 45%, 5% and 50%, respectively.

Termination of the First Contractual Arrangements and Implementation of the Second Contractual Arrangements

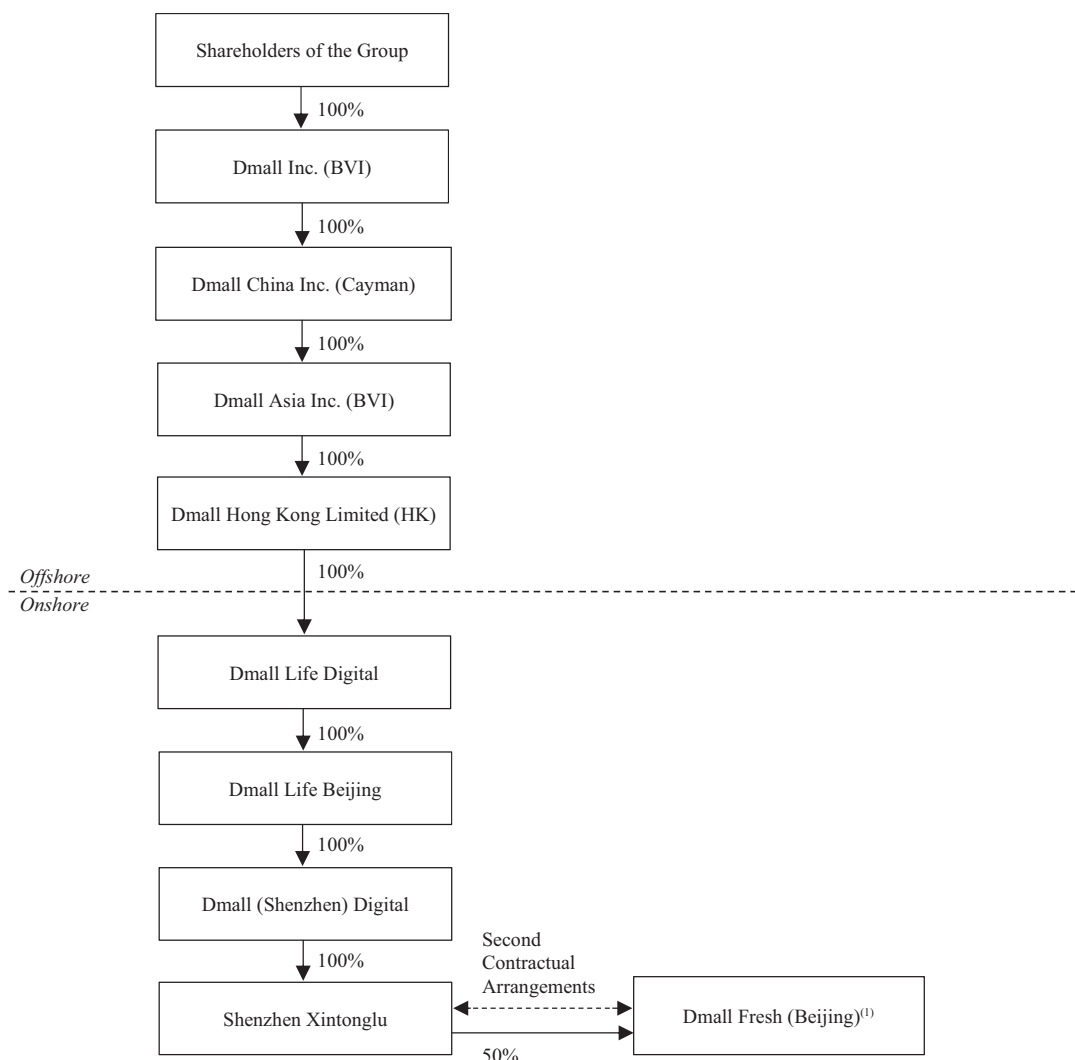
Dmall Fresh (Beijing) held ICP licenses for the offering of online advertising business through Dmall app and mini-programs. Due to foreign investment restrictions on ICP licenses, we historically controlled Dmall Fresh (Beijing) through contractual arrangements. During the Track Record Period, Dmall Fresh (Beijing) operated the Dmall app and mini-programs. The Dmall app and mini-programs provided a platform for retailers to sale their products to consumers. We also provided online advertising services for retailers and brand owners to place advertisements on the Dmall app and mini-programs and assisted retailers in the management of their virtual stores.

On October 21, 2022, Dmall Life Network entered into a termination agreement of contractual agreements with Dmall Fresh (Beijing) and the then shareholders of Dmall Fresh (Beijing) to terminate the series of contractual arrangements entered into between Dmall Life Network, Dr. Zhang, Mr. Zhang and Ms. LU Yuxin (the “**First Contractual Arrangements**”) in order to comply with the then applicable PRC laws and regulations while maintaining effective control over all of our operations. On October 21, 2022, Shenzhen Xintonglu signed a series of new contractual arrangements with Dmall Fresh (Beijing) and its shareholders in order to exercise and maintain control over the operation of Dmall Fresh (Beijing) and to obtain economic benefits from Dmall Fresh (Beijing) (the “**Second Contractual Arrangements**”).

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

RESTRUCTURING

The following chart sets forth our Group's simplified corporate and shareholding structure immediately prior to the commencement of the Restructuring:



Note:

(1) Dmall Fresh (Beijing) was owned by the Mr. Zhang as to 45%, Ms. LU Yuxin as to 5% and Shenzhen Xintonglu as to 50%. Ms. LU Yuxin is an employee of our Company.

The principal steps of the Restructuring are set out below.

Termination of the Second Contractual Arrangements

On April 18, 2024, Mr. Zhang and Ms. LU Yuxin registered for the release of equity interests in Dmall Fresh (Beijing) from pledge under certain equity pledge agreement in connection with the Second Contractual Arrangements. On April 23, 2024, Mr. Zhang and Ms. LU Yuxin repaid all loans acquired from Shenzhen Xintonglu under certain loan agreements in connection with the Second Contractual Arrangements. Shenzhen Xintonglu, Dmall Fresh (Beijing), Mr. Zhang and Ms. LU Yuxin entered in to a termination agreement for the Second Contractual Arrangements on April 24, 2024,

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

pursuant to which our Company will no longer have effective control over, Dmall Fresh (Beijing). Immediately following the termination of the Second Contractual Arrangements, we no longer enjoy any rights in connection with the Second Contractual Arrangements.

Transfer of 50% Equity Interest in Dmall Fresh (Beijing) by Shenzhen Xintonglu

To minimize the underlying legal and regulatory risks, on April 24, 2024, Shenzhen Xintonglu transferred its 50% equity interests in Dmall Fresh (Beijing) to Mr. Zhang at a consideration RMB1 and to Ms. LU Yuxin at a consideration of RMB1, respectively. The consideration for the transfer was determined based on the valuation of Dmall Fresh (Beijing) by PricewaterhouseCoopers Consultants (Shenzhen) Limited Beijing Branch. Immediately following the transfer, we no longer hold, directly or indirectly, any interest in Dmall Fresh (Beijing); Mr. Zhang holds 51% and Ms. LU Yuxin holds 49% equity interests in Dmall Fresh (Beijing). The market value of the total equity of Dmall Fresh (Beijing) was assessed using both the income approach and the market approach. Under the income approach valuation, the valuer considered the Dmall Fresh (Beijing)'s cash flows as well as its asset and liability position. Based on its analysis, the valuer has determined the equity value of Dmall Fresh (Beijing) was negative RMB10.11 million. The major assumptions adopted for the valuation include the business and revenue model of Dmall Fresh (Beijing), the accuracy of the future performance assessment provided by the management of Dmall Fresh (Beijing) and the expectation that there will be no significant changes in relevant laws and regulations, industry policies, fiscal and monetary policies, or the economic environment during the forecast period.

Compliance with PRC laws

Our PRC Legal Advisor has confirmed that all requisite approvals or filings have been obtained or made in accordance with PRC laws and regulations in all material aspects regarding our Reorganization as set out above in “—Reorganization,” and the Restructuring as set out above in “—Restructuring.”

Transactions with Dmall Fresh (Beijing) after Restructuring

After the Restructuring and following the Listing, our Group will carry out certain transactions with Dmall Fresh (Beijing) (including its subsidiaries). Please see the sections headed “Connected Transactions—Dmall Fresh Retail Core Service Cloud Framework Agreement” and “Connected Transactions—Trademark Licensing Agreement” in this document for further details.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

SHAREHOLDING OF OUR COMPANY

Set forth below is a summary of the shareholding structure of our Company as of the date of this document:

Shareholders	Ordinary Shares	Series A Preferred Shares	Series B Preferred Shares	Series B+ Preferred Shares	Series B++ Preferred Shares	Series C Preferred Shares	Series C+ Preferred Shares	Total number of Shares ⁽¹⁾	Ownership percentage as of the Latest Practicable Date ⁽²⁾
Celestial Limited	423,470,475	—	—	—	—	—	—	423,470,475	49.19%
ULTRON AGE INC.	13,500,000	—	—	—	—	—	—	13,500,000	1.57%
Odor Nice Limited	—	68,880,650	—	—	—	—	—	68,880,650	8.00%
IDG USD Fund Shareholders ⁽⁴⁾									
Lovely Tree Holdings Limited	—	37,119,350	—	—	—	—	—	37,119,350	4.31%
OLIVE SPARK LIMITED	13,179,525	—	—	—	—	—	—	13,179,525	1.53%
IDG-Accel China Capital II L.P.	—	—	2,417,424	—	—	—	1,233,643	3,651,067	0.42%
IDG-Accel China Capital II Investors L.P.	—	—	107,828	—	—	—	55,034	162,862	0.02%
HANDY CLOUD LIMITED	—	—	—	—	—	1,196,429	—	1,196,429	0.14%
BRAVE GIANT LIMITED	—	—	—	—	—	10,714,286	—	10,714,286	1.24%
Retail Enterprise Corporation Limited ⁽⁵⁾	—	—	10,101,010	—	—	—	—	10,101,010	1.17%
Image Frame Investment (HK) Limited (意像架構投資(香港)有限公司) ⁽⁶⁾	—	—	22,727,273	—	—	5,357,143	—	28,084,416	3.26%
CCC Axiom Limited	—	—	5,050,505	—	—	—	—	5,050,505	0.59%
Shenzhen Investment Holding Bay Area Equity Investment Fund Partnership (Limited Partnership) (深圳投控灣區股權投資基金合夥企業(有限合夥))	—	—	—	22,727,273	—	—	—	22,727,273	2.64%
GREATER ASCEND LIMITED	—	—	—	2,777,778	—	—	—	2,777,778	0.32%
BIG COSMOS GLOBAL LIMITED (大宇環球有限公司)	—	—	—	—	15,600,000	—	—	15,600,000	1.81%
FOR JOY DEVELOP LIMITED (運彩發展有限公司)	—	—	—	—	2,799,621	—	—	2,799,621	0.33%
HENGAN MEGA JUMBO INVESTMENTS LIMITED (恒安珍寶投資有限公司)	—	—	—	—	—	8,571,429	—	8,571,429	1.00%
PAK YUEN ASSET MANAGEMENT LIMITED (柏源資產管理有限公司)	—	—	—	—	—	3,571,429	—	3,571,429	0.41%
Ultimate Lenovo Limited	—	—	—	—	—	1,785,714	—	1,785,714	0.21%
CHAIN SUCCESS LIMITED (興廣有限公司)	—	—	—	—	—	1,071,429	—	1,071,429	0.12%
Shanghai Xingwu Enterprise Management Center (Limited Partnership) (上海興霧企業管理中心(有限合夥))	—	—	—	—	—	28,571,429	—	28,571,429	3.32%
Shenzhen Guanling Bafang Investment Center (Limited Partnership) (深圳市管領八方投資中心(有限合夥))	—	—	—	—	—	1,785,714	—	1,785,714	0.21%
Beijing Xintiandi Investment Fund Management Co., Ltd. (北京鑫天地投資基金管理有限公司)	—	—	—	—	—	1,428,571	—	1,428,571	0.17%
Beijing Fengjin Investment Co., Ltd. (北京豐金投資有限公司)	—	—	—	—	—	1,071,429	—	1,071,429	0.12%
EverestLu Holding Limited (永祿控股有限公司)	—	—	—	—	—	25,000,000	—	25,000,000	2.90%
BLISS MOMENT LIMITED	—	—	—	—	—	3,571,429	—	3,571,429	0.41%
Futian Guiding Fund (深圳市福田引導基金投資有限公司)	—	—	—	—	—	964,286	—	964,286	0.11%
CMBC INTERNATIONAL HOLDINGS LIMITED (民生商銀國際控股有限公司)	—	—	—	—	—	1,785,714	—	1,785,714	0.21%
CNCB (Hong Kong) Investment Limited (信銀(香港)投資有限公司)	—	—	—	—	—	3,571,429	—	3,571,429	0.41%
KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED (金蝶國際軟件集團有限公司)	—	—	—	—	—	8,214,286	—	8,214,286	0.95%
INVESTOR GUIDANCE LIMITED	—	—	—	—	—	1,428,571	—	1,428,571	0.17%
Yunhui Limited	—	—	—	—	—	8,571,429	—	8,571,429	1.00%
Pluto Connection Limited	—	—	—	—	—	4,821,429	—	4,821,429	0.56%
Beijing Hua'an Shidai Industrial Investment Center (Limited Partnership) (北京華安時代產業投資中心(有限合夥))	—	—	—	—	—	1,906,633	—	1,906,633	0.22%
Guoquan Enterprise Consulting (Shanghai) Co., Ltd. (國圖企業諮詢(上海)有限公司) ⁽⁷⁾	—	—	—	—	—	7,142,857	—	7,142,857	0.83%
Springs Global Emerging Opportunities Fund	—	—	—	—	—	—	3,865,979	3,865,979	0.45%
UniWill Ventures LLC	—	—	—	—	—	—	257,732	257,732	0.03%
Jade Elephant Investment Company Limited	—	—	—	—	—	—	5,154,639	5,154,639	0.60%
WORLD GENIUS LIMITED	—	—	—	—	—	—	2,577,320	2,577,320	0.30%
Enjoyitglobal Limited (捷意寰球有限公司)	—	—	—	—	—	—	210,000	210,000	0.02%
Vigorous Link Group Limited ⁽⁸⁾	75,000,000	—	—	—	—	—	—	75,000,000	8.71%
Total	525,150,000	106,000,000	40,404,040	25,505,051	18,399,621	132,103,065	13,354,347	860,916,124	100.00%

Notes:

(1) Assuming one-to-one conversion of Preferred Shares to Ordinary Shares, without taking into account the Shares to be allotted and issued under the Global Offering, the Shares which may be issued upon the conversion of the Convertible Bond, the Share Incentive Plans and the Over-allotment Option.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (2) Based on the assumption that each Preferred Share will be converted into one Ordinary Share upon the Global Offering becoming unconditional and all Preferred Shares will automatically be converted into the same number of Ordinary Shares upon Listing.
- (3) After one-to-one conversion of Preferred Shares into Ordinary Shares, without taking into account the Shares which may be issued upon the conversion of the Convertible Bond and the shares to be allotted and issued under the Share Incentive Plans and the Over-allotment Option.
- (4) IDG USD Fund Shareholders include Lovely Tree Holdings Limited, OLIVER SPARK LIMITED, IDG-Accel China Capital II L.P., IDG-Accel China Capital II Investors L.P. and HANDY CLOUD LIMITED.
- (5) Retail Enterprise Corporation Limited, our Controlling Shareholder, acquired these Shares on September 24, 2020 from an independent third party.
- (6) Image Frame Investment (HK) Limited is ultimately controlled by Tencent Holdings Ltd, a global technology company listed on the Stock Exchange (stock code: 00700).
- (7) Guoquan Enterprise Consulting (Shanghai) Co., Ltd. is a wholly owned subsidiary of Guoquan. The fair value of the equity investment we made in Guoquan with principal amount of RMB129.4 million is RMB140.7 million, RMB153.2 million, RMB 196.6 million and RMB109.7 million as of December 31, 2021, 2022, 2023 and June 30 2024, respectively. For our investment in Guoquan, we have no significant influence, joint control or control over the relevant entity based on the fact that we do not participate in any operating and financial policies of the relevant entity nor exercise our influence on the operating and financial policies or have representation on the board of directors of the relevant entity.
- (8) Vigorous Link Group Limited, a limited liability company incorporated under the laws of the BVI, is wholly-owned by a trust which holds Shares (which have fully vested) for the benefit of certain Directors, senior management and employees of our Group. Of the Shares held by Vigorous Link Group Limited, 5,000,000 are held for the benefit of Mr. Zhang, our co-founder, executive Director and president, and 3,698,734 are held for the benefit of Mr. CHEN Zhiyu, our non-executive Director, and the remaining 66,301,266 Shares are held for the benefit of certain employees, former employees and senior management of our Group. The trust serves the purpose of easier administrative management of the relevant Shares, from both the perspective of the Company and of the beneficiaries (most of whom only hold a small number of Shares). Pursuant to the relevant trust arrangement, the exercise of the voting rights attached to all the Shares held by Vigorous Link Group Limited is ultimately directed and controlled by the Board as the beneficiaries believe the Board would apply the voting rights in the interest of the Company and Shareholders as a whole.

PRE-IPO INVESTMENTS

Overview

We have received three rounds of Pre-IPO Investments since our establishment, which are summarized below. All of our Pre-IPO Investors were issued Preferred Shares in our Company pursuant to the Pre-IPO Investments.

Round	Date of Investment Agreement ⁽¹⁾	Date of Completion ⁽²⁾	Total Number of Shares under the Investment Agreement	Approximate Amount Raised	Cost per Share Paid to the Company	Post-money valuation of the Group at Each Round of Pre-IPO Investment ⁽³⁾	Discount to the Offer Price ⁽⁴⁾
1. Series A	April 2015	May 9, 2017	106,000,000 Series A Preferred Shares	US\$106.0 million	US\$1.00	US\$606.0 million	74.2%
2. Series B	July 2018	September 28, 2018	40,404,040 Series B Preferred Shares	US\$80.0 million	US\$1.98	US\$1,280.0 million	49.0%
	December 2018	April 15, 2019	25,505,051 Series B+ Preferred Shares	US\$50.5 million	US\$1.98	US\$1,330.5 million	49.0%
	July 2019	November 10, 2020	18,399,621 Series B++ Preferred Shares	US\$46.0 million	US\$2.50	US\$1,726.0 million	35.6%
3. Series C	August 2020	September 30, 2021	132,103,065 Series C Preferred Shares	US\$369.9 million	US\$2.80	US\$2,302.9 million	27.8%
	October 2021	November 8, 2022	13,354,347 Series C+ Preferred Shares	US\$51.8 million	US\$3.88	US\$3,051.8 million	0.0%

Notes:

- (1) It represents the date of the first Investment Agreement for each tranche.
- (2) It represents the date which the consideration for each tranche had been fully settled.
- (3) The post-money valuation is the value of our Company after the completion of the relevant Pre-IPO Investment, which is equal to the sum of the pre-money valuation and the amount of relevant Pre-IPO Investments. The pre-money valuation was determined by the relevant Pre-IPO Investor through arm's length negotiations between the parties based on the valuation of our Company at the time of the investment, taking into account the timing of the investment, the then status of the businesses carried out by our Group, the outlook and growth potential of our Group and the industry in which we operate in.
- (4) With an Offer Price of HK\$30.21; and assuming the Preferred Shares are converted to Ordinary Shares on a one-to-one basis.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Principal Terms of the Pre-IPO Investments and Pre-IPO Investors' Rights

Basis of consideration	The consideration for the Pre-IPO Investments was determined based on arm's length negotiations between our Company and the Pre-IPO Investors after taking into consideration the timing of the investments and the status of our business and operating entities.
Use of proceeds from the Pre-IPO Investments	We utilized the proceeds from the Pre-IPO Investments for the operations of our Company and in accordance with the business plan or budget as approved by the Board. As of the Latest Practicable Date, 0.6% of the funds raised from the Pre-IPO Investments have not been utilized.
Lock-up	The terms of the agreement under the Pre-IPO Investments did not impose any lock up obligations over the Shares held by any of the Pre-IPO Investors upon Listing.
Strategic benefits of the Pre-IPO Investors brought to our Company	<p>At the time of the Pre-IPO Investments, our Directors were of the view that in addition to providing working capital for our Company's continued growth, our Company could also benefit from the knowledge and experience of our Pre-IPO Investors. Our Pre-IPO Investors include renowned companies in relevant industries, which can help us achieve business synergies, and professional strategic investors, which can provide us with professional advice on our Group's development and improve our corporate governance, financial reporting and internal control.</p> <p>Our Directors were also of the view that our Company could benefit from the Pre-IPO Investments as the Pre-IPO Investor's investments demonstrated their confidence in the operations of our Company and served as an endorsement of our Company's performance, strength and prospects.</p>

Special Rights of the Pre-IPO Investors

All of our Pre-IPO Investors are currently bound by the terms of the currently effective articles of association of the Company, which will be replaced by our Articles effective upon the completion of the Global Offering. Pursuant to our amended and restated shareholders agreement dated October 29, 2021 entered into, among others, by the Company, holders of the Ordinary Shares and Preferred Shares (the "**Shareholders Agreement**"), the Pre-IPO Investors were granted certain special rights in relation to the Company, which would automatically terminate on, inter alia, the occurrence of a Qualified IPO.

The divestment rights granted to the Pre-IPO Investors under the Shareholders Agreement have been suspended immediately prior to the first submission of the listing application form to the Stock Exchange for the purpose of the Global Offering, and will only be exercisable if the Listing does not take place, otherwise such divestment rights will terminate upon the Listing. All other special rights under the Pre-IPO Investments that shall cease to be effective and be discontinued upon the Listing in accordance with the Pre-IPO Investment Guidance (as defined and set out in Chapter 4.2 of the Guide For New Listing Applicants issued by the Stock Exchange), including customary rights of first refusal, co-sale rights, pre-emptive rights, information rights, together with any restriction on our Company to issue or offer any shares options, warrants and rights to any direct competitor of a pre-IPO Investor, shall cease to be effective and be discontinued upon the Listing in accordance with the terms of the Shareholders Agreement.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Public Float

Upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no Shares are issued under the Share Incentive Plans), the Shares held by certain of our Shareholders who are, or are indirectly controlled by, our core connected persons, will not be counted towards the public float. Details of these Shareholders and their controllers as of the Latest Practicable Date are set out below:

- Celestial Limited, controlled by Dr. Zhang, our founder, holding 49.19% of the issued shares of our Company;
- Odor Nice Limited, controlled by Dr. Zhang, our founder, holding 8.00% of the issued shares of our Company;
- Retail Enterprise Corporation Limited, controlled by Dr. Zhang, our founder, holding 1.17% of the issued shares of our Company;
- Vigorous Link Group Limited, holding 8.71% of the issued shares of our Company. Vigorous Link Group Limited is a company wholly-owned by a trust which holds Shares for the benefit of certain Directors, senior management and employees of our Group; pursuant to the relevant trust arrangement, the exercise of the voting rights attached to all the Shares held by it is ultimately directed and controlled by the Board.

Save as provided above, upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no Shares are issued under the Share Incentive Plans), the Pre-IPO Investors and other shareholders will collectively hold 283,463,989 Shares or approximately 31.97% of the issued shares of our Company.

Save as disclosed above, no other Pre-IPO Investor is a core connected person of our Company, as defined under the Listing Rules. Therefore, the Shares held by the other Pre-IPO Investors will count towards the public float.

Joint Sponsors' Confirmation

On the basis that (i) the consideration for the Pre-IPO Investments was irrevocably settled more than 28 clear days before the first submission of the listing application form to the Stock Exchange for the Global Offering by our Company, and (ii) the divestment rights granted to the Pre-IPO Investors under the Shareholders Agreement have been suspended immediately prior to the first submission of the listing application form to the Stock Exchange for the purpose of the Global Offering, and will only be exercisable if the Listing does not take place, otherwise such divestment rights will terminate upon the Listing. All other special rights under the Pre-IPO Investments shall cease to be effective and be discontinued upon the Listing, the Joint Sponsors are of the view that the Pre-IPO Investments are in compliance with Chapter 4.2 of the Guide for New Listing Applicants published by the Stock Exchange (the "**Pre-IPO Investment Guidance**").

Information on the Principal Pre-IPO Investors

Set out below is a description of our principal Pre-IPO Investors, being private equity funds and corporations, that have made meaningful investments in our Company (each holding more than 2% of our total issued and outstanding Shares immediately prior to the Global Offering).

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Image Frame Investment (HK) Limited

Image Frame Investment (HK) Limited, a limited liability company incorporated under the laws of Hong Kong, is a wholly-owned subsidiary of Tencent Holdings Limited (“**Tencent**”), a company listed on the Hong Kong Stock Exchange (stock code: 00700). Tencent is a leading provider of Internet value-added services in China, including communications and social, digital content, advertising, fintech and cloud services. As of the date of this document, the Image Frame Investment (HK) Limited holds approximately 3.26% of the total issued and outstanding shares of our Company.

IDG USD Fund Shareholders and Brave Giant Limited

Lovely Tree Holdings Limited and Olive Spark Limited, each a private company incorporated in the BVI, are investment holding companies of USD funds ultimately controlled by Mr. HO Chi Sing and Mr. ZHOU Quan. IDG-Accel China Capital II L.P. holds more than 78% equity interests in each of Lovely Tree Holdings Limited and Olive Spark Limited. IDG-Accel China Capital II L.P. and IDG-Accel China Capital II Investors L.P., each a limited partnership established in the Cayman Islands, are ultimately controlled by Mr. HO Chi Sing and Mr. ZHOU Quan. IDG-Accel China Capital II L.P. has over 100 limited partners, each of which, to the Company’s knowledge, is an independent third party and none of which holds more than 10% partnership interest in it. Handy Cloud Limited, a private company incorporated in the BVI, is an investment holding company, the voting shares of which are wholly owned by Direct Galore Limited, also a BVI company, which is in turn ultimately owned and ultimately controlled by Mr. HO Chi Sing. Mr. ZHOU Quan is a partner of IDG Capital and Mr. HO Chi Sing is the chief financial officer of IDG Capital. As of the date of this document, Lovely Tree Holdings Limited, Olive Spark Limited, IDG-Accel China Capital II L.P., IDG-Accel China Capital II Investors L.P. and Handy Cloud Limited (together, the “**IDG USD Fund Shareholders**”) in aggregate hold approximately 6.42% of the total issued and outstanding shares of our Company. Brave Giant Limited, a private company incorporated in the BVI, is wholly owned by a RMB fund (“**Aiqi RMB Fund**”) managed by Harmony Aiqi Investment Management (Beijing) Co., Ltd. which is ultimately owned by Mr. WANG Jingbo, Mr. NIU Kuiguang, Mr. LIN Dongliang and Mr. LI Jianguang, all of whom are partners in IDG Capital, as to 20.72%, 20.72%, 16.96% and 41.6%, respectively. The Aiqi RMB Fund has six limited partners out of which only one limited partner holds more than 30% limited partnership interests in it and each of the limited partners, to the Company’s knowledge, is an independent third party. Each of Mr. ZHOU Quan, Mr. HO Chi Sing, Mr. WANG Jingbo, Mr. NIU Kuiguang, Mr. LIN Dongliang and Mr. LI Jianguang is an independent third party. IDG Capital is a world-leading private equity investment institution that has been developing venture capital business as a pioneer in China since 1993. As of the date of this document, Brave Giant Limited holds approximately 1.24% of the total issued and outstanding shares of our Company.

Shanghai Xingwu Enterprise Management Center (Limited Partnership)

Shanghai Xingwu Enterprise Management Center (Limited Partnership) is a limited partnership incorporated in the PRC. Shanghai Xingwu Enterprise Management Center (Limited Partnership) is a wholly-owned subsidiary of Industrial Guoxin Asset Management Co., Ltd. which is ultimately owned by Industrial Bank Co., Ltd. (“**Industrial Bank**”), a company listed on the Shanghai Stock Exchange (stock code: 601166), providing clients with equity investment, asset management, investment management, investment advisory and other comprehensive financial services. Xingtou (Beijing) Asset Management Co., Ltd. and Fuzhou Economic and Technological Development Zone Xingrui Hesheng Equity Investment Partnership (Limited Partnership) are Shanghai Xingwu Enterprise Management

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Center (Limited Partnership)’s general partner and limited partner, and hold approximately 0.2% and 99.8% equity interest in it, respectively. Each of Xingtou (Beijing) Asset Management Co., Ltd. and Fuzhou Economic and Technological Development Zone Xingrui Hesheng Equity Investment Partnership (Limited Partnership) is an independent third party. As of the date of this document, Shanghai Xingwu Enterprise Management Center (Limited Partnership) holds approximately 3.32% of the total issued and outstanding shares of our Company.

EverestLu Holding Limited

EverestLu Holding Limited is a company incorporated under the laws of Hong Kong with limited liability. It is ultimately controlled by China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司) (“**China Structural Reform Fund**”), a company incorporated in the PRC and the shares of which are held by several state-owned enterprises and ultimately indirectly held by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. It is mainly engaged in business activities including non-public fund raising, equity investment, project investment, capital management, investment consulting and enterprise management consulting. As of the date of this document, EverestLu Holding Limited holds approximately 2.90% of the total issued and outstanding shares of our Company.

Shenzhen Investment Holding Bay Area Equity Investment Fund Partnership

Shenzhen Investment Holding Bay Area Equity Investment Fund Partnership is a limited partnership incorporated in the PRC. Shenzhen Investment Holding Bay Area Equity Investment Fund Partnership is a capital investment company wholly owned by State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People’s Government (深圳市人民政府國有資產監督管理委員會), which mainly engaged in science and technology finance, science and technology parks and technology industry. Shenzhen Investment Holding Capital Co., Ltd. and Shenzhen Investment Holdings Co., Ltd. are Shenzhen Investment Holding Bay Area Equity Investment Fund Partnership’s general partner and limited partner, and hold approximately 0.17% and 99.83% equity interest in it, respectively. Each of Shenzhen Investment Holding Capital Co., Ltd. and Shenzhen Investment Holdings Co., Ltd. is an independent third party. As of the date of this document, Shenzhen Investment Holding Bay Area Equity Investment Fund Partnership holds approximately 2.64% of the total issued and outstanding shares of our Company.

Issuance of Convertible Bond

On May 27, 2022, Dmall Life Network and Beijing Heyin Investment Fund (“**Beijing Heyin**”, or the “**Convertible Bond Investor**”) entered into a convertible bond investment agreement and on the same day, our Company, Beijing Heyin and Dmall Life Network entered into a convertible bond investment tripartite agreement (together, the “**Convertible Bond Investment Agreements**”), pursuant to which our Company agreed to issue, and Beijing Heyin agreed to subscribe for a convertible bond in the principal amount of RMB190 million (the “**Convertible Bond**”). Our Company issued such Convertible Bond to Beijing Heyin on June 15, 2022. On March 22, 2024, our Company, Beijing Heyin and Dmall Life Network entered into a tripartite amendment to the Convertible Bond Investment Agreements, pursuant to which we repaid RMB50.0 million of the principal amount, as well as interests accrued since June 15, 2023 to Beijing Heyin by June 15, 2024. Following the early repayment of this partial principal amount, the principal amount of the Convertible Bond subscribed for by Beijing Heyin is amended and reduced to RMB140.0 million.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Our Directors confirmed that the terms of the Convertible Bond were arrived at arm's length negotiation between our Company, Beijing Heyin and Dmall Life Network. A summary of the principal terms and conditions of the Convertible Bond, as amended, are set out below:

Convertible Bond Investor	Beijing Heyin
Registered address of the Convertible Bond Investor	No. 9, 7th Floor, Building 17, No. 30 Shixing Street, Shijingshan District, Beijing
Issuance date of the Convertible Bond	June 15, 2022 (as amended on March 22, 2024)
Amount of consideration paid	RMB140,000,000 (US\$19,318,072)
Basis of consideration⁽¹⁾	The consideration represents 100% of the principal amount of the Convertible Bond subscribed for by Beijing Heyin, excluding RMB50,000,000 of which our Company repaid early pursuant to the amendment to the Convertible Bond Investment Agreements.
Payment date of the consideration	June 15, 2022
Interest and interest payment dates	5.8% per annum payable on June 14 of each year, commencing on June 14, 2023. The cash interest shall accrue on a daily basis on the principal amount outstanding starting from the issuance date based on the actual number of days elapsed over a base of 360 days.
Maturity date	June 14, 2027
Mandatory early redemption date	June 14, 2025 or June 14, 2026
Transferability	The Convertible Bond may not be transferred by Beijing Heyin, except to persons or entities controlling or controlled by or under common control with Beijing Heyin, excluding the Company's competitors.
Conversion right	<p>On or after 180 days upon the completion of the Qualified IPO (as defined below), Beijing Heyin shall have the right ("Conversion Right") to convert the outstanding principal amount of the Convertible Bond into such number of Shares ("Conversion Shares") at any time before the Maturity Date pursuant to the terms of the Convertible Bond. The Group may, based on the consensus with Beijing Heyin, repay the Convertible Bond by depositing a notice of repayment at the principal amount plus accrued interest at any time after June 14, 2025.</p> <p>If, at any time from 180 days following the completion of a Qualified IPO until the Maturity Date, the closing price per Share, as traded on the Stock Exchange, equals or exceeds US\$5.1 for each trading day and the average closing price per Share of the previous 20 consecutive trading days also meets this requirement, then the Group shall have the right to exercise its option to require Beijing Heyin to convert the Convertible Bond into the Company's shares.</p>

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

	<p>The trigger share price of US\$5.1 was determined after arm's length negotiation with reference to 130% of the fixed conversion price of US\$3.93 per Share taking into account market conditions and the Company's growth prospects.</p>
Determination of the number of Conversion Shares	<p>The number of Conversion Shares to be issued by our Company to Beijing Heyin shall be equal to the quotient of (i) the outstanding principal amount of the Convertible Bond subject to the Conversion Right divided by (ii) the conversion price, rounded to the smaller whole share, and Beijing Heyin shall be responsible for all taxes and encumbrances.</p>
Conversion price	<p>The initial conversion price upon issuance of the Convertible Bond shall be US\$3.93 per Share, subject to anti-dilution adjustments as follows:</p> <p>(a) If and whenever there is any change to the nominal value per Share as a result of any consolidation or subdivision:</p> $ACP = A / B$ <p>ACP = the adjusted conversion price</p> <p>A = the adjusted nominal value</p> <p>B = the nominal value prior to the adjustment</p> <p>(b) If and whenever the Company issues (other than in lieu of cash dividends) any Share credited as fully paid by capitalizing any profit or reserve (including any share premium or capital redemption reserve):</p> $ACP = C / (C + D)$ <p>ACP = the adjusted conversion price</p> <p>C = the total nominal value of the Shares issued immediately preceding such issuance</p> <p>D = the total nominal value of the Share newly issued in such capitalization</p> <p>(c) If and whenever the Company is required to make any capital distribution in respect of the Shares (whether by reduction of capital or otherwise) to their holders (except to the extent that the Conversion Price is subject to adjustment under forementioned (b)), or to grant to applicable bondholders the right to acquire any cash assets of the Company or any of its subsidiaries:</p> $ACP = (E - F) / E$ <p>E = the Market Price on the day of announcement of such capital distribution or grant or, in the absence of any such announcement, on the day immediately following the date of such capital distribution or grant</p>

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

F = the fair value of the portion of the capital distribution attributable to one Share or of the applicable rights on the day of such announcement or the day immediately thereafter, in each case as determined in good faith by the Company's auditors

If more than one event would result in more than one adjustment set forth above, the Conversion Price shall be adjusted cumulatively based on each of such events.

"Market Price" means the average closing price of each share on the Stock Exchange on each of the last five trading days when the shares are traded on the Stock Exchange as of the relevant trading day immediately before the determination of the market price.

Redemption right

(1) Redemption at maturity

The redemption amount shall be the principal amount plus any accrued and unpaid interest calculated at the rate of 5.8% per annum. The Company must redeem the Convertible Bond and pay the redemption amount to Beijing Heyin no later than the Maturity Date.

(2) Early redemption

Beijing Heyin has the right to require the Company to redeem the Convertible Bond before its Maturity Date by providing a written notice of redemption. The notice must be deposited between five business days prior to two months before the Mandatory Early Redemption Date and five business days after two months before the Mandatory Early Redemption Date.

If Beijing Heyin exercises its right to early redemption, the redemption amount shall be the outstanding principal amount of RMB140,000,000 plus any accrued and unpaid interest calculated at 5.8% per annum on the principal. The Company must repay the redemption amount to Beijing Heyin on the Mandatory Early Redemption Date.

Effective cost per Share paid

US\$3.93

Premium to the Offer Price⁽²⁾

1.29%

Use of net proceeds and its utilization by our Company

As of the Latest Practicable Date, approximately 0.7% of the proceeds has been used for asset purchases, approximately 53.3% of the proceeds has been used for general working capital purposes and the remaining will be used for our general working capital purposes.

Effective shareholding upon Listing, assuming the Convertible Bond is fully converted into Shares at a conversion price of US\$3.93 per share;

Up to 5,011,029 Shares, representing approximately 0.57% of the enlarged issued shares of our Company upon Listing (Assuming the Overallotment Option is not exercised, and no Shares are issued under the Share Incentive Plans)

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Lock-up period	The Conversion Shares to be held by Beijing Heyin upon conversion of its Convertible Bond are not subject to any lock-up pursuant to the terms of the Convertible Bond.
Strategic benefits brought by the Convertible Bond Investor	We are of the view that our Company can benefit from the issuance of Convertible Bond by receiving additional general working capital, and the investment from Beijing Heyin demonstrates its confidence in our Group's operation and serves as an endorsement of our Company's strengths and prospects.

Notes:

- (1) The consideration was determined after arm's length negotiation with reference to the paid-up share capital of our Company as of May 27, 2022 and the Company's operating conditions, and performance growth, among others.
- (2) The premium to the Offer Price is calculated based on the Offer Price of HK\$30.21.

During the Track Record Period and up to the Latest Practicable Date, we funded our cash requirements principally from cash generated from our business operations and funds raised through private placements and bank loans. We had cash and cash equivalents of RMB368.7 million, RMB533.1 million, RMB533.2 million and RMB469.5 million as of December 31, 2021, 2022, 2023, and June 30, 2024, respectively. After the Global Offering, we intend to finance our future capital requirements through cash generated from our business operations, the net proceeds of approximately HK\$623.7 million received from the Global Offering based on the Offer Price of HK\$30.21 per Offer Share, and other future equity or debt financings, including unutilized bank loan facilities. Taking into account of our existing cash position and net proceeds from the Global Offering, we believe we will be able to meet our obligations under the Convertible Bond Investment Agreements.

Rights of the Convertible Bond Investor

The principal special rights granted to Beijing Heyin include customary negative covenants and information rights. All special rights granted to Beijing Heyin will terminate upon the Listing. To the best knowledge of our Directors after making reasonable inquiries, Beijing Heyin will exercise the conversion right under the Convertible Bond in compliance with the Listing Rule.

Public Float

Upon completion of the Global Offering and assuming full conversion of Convertible Bond (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Incentive Plans), Beijing Heyin will hold less than 10% of our enlarged issued shares. Beijing Heyin is not a core connected person of the Company; its subscription and (if any) conversion of the Convertible Bond was not and will not be funded directly or indirectly by any core connected person of the Company; and it is not accustomed to take instructions from a core connected person in relation to the acquisition, disposal, voting or other disposition of any securities of the Company. Therefore, the Shares into which the Convertible Bond are converted to be held by Beijing Heyin will count towards the public float of our Company according to Rule 8.08 of the Listing Rules.

Information about the Convertible Bond Investor

Beijing Heyin is a strategic investor founded in 2014. Beijing Heyin invests in leading enterprises across various industries, sectors, and niche markets, as well as promising projects in the healthcare and media culture fields, by leveraging a multi-tiered approach to engaging with the capital

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

markets. Beijing Heyin, standing for benefits of Beijing Radio and Television Station (北京廣播電視台), is managed by Chord Capital, which mainly focuses on investment of culture, health, science and technology industries and Chord Capital's ultimate beneficial owner is Mr. HUANG Hao, an independent third party. Chord Capital, Beijing Heyin's general partner, holds 0.06% of Beijing Heyin's equity interest. Beijing Broadcasting Group Co., Ltd. (北京廣播集團有限公司), Beijing Time Co., Ltd. (北京時間有限公司) and Beijing Television Industry Development Group Co., Ltd. (北京電視產業發展集團有限公司), each a limited partner of Beijing Heyin, holds 42.81%, 41.69% and 15.45% of Beijing Heyin's equity interest, respectively. Founded in 2014, Chord Capital is a private asset management institution registered with the Asset Management Association of China. Chord Capital currently manages several RMB equity investment funds, including Beijing Heyin and Beiguang Wenzhi Gehua Fund (北廣文資歌華資金), with total assets under management exceeding RMB1.2 billion. Beijing Heyin is not a connected person of our Company.

Joint Sponsors' Confirmation

On the basis that (i) the consideration for the issuance of the Convertible Bond was irrevocably settled more than 28 clear days before the first submission of the listing application form to the Stock Exchange for the Global Offering by our Company; (ii) additional disclosure has been made in the "Risk Factors" and "Financial Information" sections of this prospectus; and (iii) the conversion price for the Convertible Bond is at a fixed dollar amount, the Joint Sponsors are of the view that the issuance of Convertible Bond is in compliance with the Pre-IPO Investment Guidance.

SAFE REGISTRATION IN THE PRC

Pursuant to the SAFE Circular 37 promulgated by SAFE and which became effective on July 4, 2014, (i) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "Overseas SPV") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (ii) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties. In addition, due to such failure to comply with the registration procedures, the PRC subsidiaries of that Overseas SPV may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the Overseas SPV and its offshore subsidiary may be restricted in their ability to contribute additional capital to their PRC subsidiaries.

Pursuant to the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment promulgated by SAFE, which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to qualified local banks where the assets or interest in the domestic entity was located. Our PRC Legal Advisor has advised that Mr. ZHANG Bin, who is a PRC resident, has completed his initial foreign exchange registration in respect of his incorporation of Ultron Age Inc. as required under SAFE Circular 37 on November 3, 2015.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

M&A RULES

Under the M&A Rules, a foreign investor is required to obtain necessary approvals when:

- (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or
- (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise.

The M&A Rules further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Given that (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether the proposed listing is subject to the M&A Rules, (ii) our wholly foreign owned enterprises were not established through a merger or acquisition of equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules using equities or shares as consideration, and (iii) no provision in the M&A Rules clearly classifies contractual arrangements as a type of transaction subject to the M&A Rules, our PRC Legal Adviser is of the opinion that based on its understanding of the current PRC laws and regulations, prior CSRC approval for the Global Offering is not required under the M&A Rules. However, our PRC Legal Adviser further advises that the interpretation and implementation of the M&A Rules and other PRC laws and regulations are still evolving, and new rules or regulations promulgated in the future may impose additional requirement on us.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

- (1) Wumei Technology is owned by Dr. Zhang and Beijing Muhong Management Consulting Co., Ltd. as to approximately 97.02% and 2.98%, respectively. Beijing Muhong Management Consulting Co., Ltd. is ultimately beneficially owned by Mr. LIN Dongliang and Mr. WU Guangze as to 66.66% and 33.34%, respectively. Mr. LIN Dongliang is an independent third party. Mr. WU Guangze is a former director of the Company.
- (2) IDG USD Fund Shareholders include Lovely Tree Holdings Limited, Olive Spark Limited, IDG-Accel China Capital II L.P., IDG-Accel China Capital II Investors L.P. and Handy Cloud Limited. Brave Giant Limited is a Aiqi RMB Fund shareholder. See “—Information on the Principal Pre-IPO Investors” in this section for further details.
- (3) Mr. ZHANG Bin is brother of Dr. Zhang.
- (4) Retail Technology Asia is owned by Dmall HK and DRGML as to 69.5% and 30.5% equity interest, respectively.
- (5) Formerly known as Beijing Weisheng Technology Co., Ltd. (北京微晟科技有限公司), Dmall Zhilian is owned as to 80% by Dmall (Shenzhen) Digital and 20% by Beijing Wumart Supermarket Co., Ltd., respectively. Beijing Wumart Supermarket Co., Ltd. is beneficially owned by Wumei Technology Group, Inc. which is controlled by Dr. Zhang.
- (6) The Company holds 49.75% of shareholdings in Shenzhen Enjoy, however, with the delegation of the additional 3.9% of voting rights, the Company maintained control over Shenzhen Enjoy. See “—Acquisitions and Disposals” in this section for further details.
- (7) Shenzhen Enjoy entered into an equity transfer agreement to acquire 50% equity interest in Shandong Orange Bay on August 15, 2022. See “—Acquisitions and Disposals” in this section for further details.
- (8) Dmall Zhilian completed its acquisition of Beijing Xianmei Technology Service Co., Ltd. and the change in registration with the relevant local Administration for Market Regulation on February 22, 2023. See “—Acquisitions and Disposals” in this section for further details. Beijing Xianmei Technology Service Co., Ltd. is owned as to 55% by Dmall Zhilian and 45% by Shanghai Gaussian Automation Technology Development Co., Ltd., respectively. Shanghai Gaussian Automation Technology Development Co., Ltd. is an independent third party.
- (9) Dmall Digital Philippines Inc. is owned as to over 99.99% by Dmall Digital International Pte. Limited and less than 0.01% by Mr. Marcus SPURRELL and Mr. PENG Yi-Jung, respectively. Mr. Marcus SPURRELL and Mr. PENG Yi-Jung are independent third parties.
- (10) Shenzhen Firefly Circulation Information Technology Co., Ltd. is owned as to 60% by Shenzhen Enjoy and 40% by Ms. LI Xue, respectively. Ms. LI Xue is an independent third party.

BUSINESS

WHO WE ARE

We provide retail digitalization solutions to retailers in the local retail industry. We have successfully expanded our businesses to other countries and regions in Asia, comprising Hong Kong SAR, Cambodia, Singapore, Malaysia, Macau SAR, Indonesia, the Philippines and Brunei. According to Frost & Sullivan, we are the largest retail digitalization solution provider in China by revenue, with a market share of 6.5% in 2023. Post-Restructuring, we focus on providing full spectrum retail digitalization solutions to retailers.

Our Company, founded in 2015, is an industry pioneer that develops retail digitalization solutions in response to four key industry needs — (i) to upgrade consumer experience, (ii) to enhance operational efficiency, (iii) to safeguard system security, and (iv) to fulfill ESG responsibility. We distinguish ourselves from our competitors through achieving full-spectrum coverage, incorporating industry practices, facilitating intelligent data-driven business decision making, and continuous product development, which help retailers drive revenue growth and reduce costs. According to Frost & Sullivan, we were the largest retail digitalization solution provider in terms of revenue in China in 2023, and a leading full-spectrum omni-channel retail digitalization solution provider in China and Asia. Full spectrum coverage refers to our capability to address retailers' needs across major critical parts of their operations. Broad operational modules coverage enables us to reach diverse customer base in the industry and thus obtain deep retail know-how. We continuously improve our SaaS modules based on our deep understanding of the retail industry and technological advancements to deliver tangible and measurable improvements to retailers.

We started our business in retail digitalization in collaboration with Wumei Group, a leading retailer in China, which was our largest customer during the Track Record Period. We implemented our cloud solutions in Wumei Group's nationwide store network and our functionalities through their complex operation. Today, we have developed comprehensive retail digitalization solutions for customers of various sizes and formats that encompass local retail operations, from procurement and supply chain management, store and headquarters management, to marketing and omni-channel sales. Our experience with Wumei Group has inspired us to deliver many popular modules that are applicable to other retail formats from chained supermarkets, warehouse supermarkets, department stores to convenience stores, specialty retailers and retailers with new retail formats. We also serve other major retailers, such as Chongqing Department Store Group, Yinchuan Xinhua Group, and Maidelong Entities, as well as well-known brands such as Wellcome, Mannings, Guardian, Giant, and 7-Eleven (Hong Kong), which operate under the DFI Retail Group. We now cover all major retail formats, helping our expanding customer base meet ever-evolving market challenges and provide quality services to consumers. As a testament to our success, we served 444 customers in the six months ended June 30, 2024. The dollar-based net retention ratio was 184% in 2021, 158% in 2022, 117% in 2023 and 123% in the twelve months ended June 30, 2024, remaining robust at above 100%, which underscores our ability to further increase customer spending.

OUR MARKET

The local retail industry serves the massive consumer population who have demand for the purchase of necessities. This is high-frequency spending by nature that can happen every week or even day, creating stable and inelastic demand across economic cycles. According to Frost & Sullivan, the local retail industry is one of the largest industries in the world with its market share in Asia increasing from RMB30.0 trillion in 2018 to RMB31.1 trillion in 2023, at a CAGR of 0.8%. The market size of

BUSINESS

the local retail industry in China increased from RMB12.2 trillion in 2018 to RMB13.4 trillion in 2023, achieving a CAGR of 1.8%.

The growth of mobile technology and e-commerce has led to a shift in consumer purchase behavior from offline to online. This has created additional complexity for operators, who need to adapt their business processes and system structures to achieve data-driven operations. As a result, operators are increasingly adopting digital transformation to enhance their overall operations. However, this also exposes their systems to external environments, which poses greater data security challenges. Therefore, operators require higher IT security standards to ensure the safety of their data.

Currently, traditional enterprise software developers and horizontal SaaS providers cannot fully meet the market's needs. Traditional software providers require significant upfront investment for customized system development and high maintenance costs for continuous upgrade. On the other hand, horizontal SaaS solutions as a one-size-fit-all approach lack industry-specific know-how. In addition, retail digitalization is still low, with retailers' digitalization rate at 3.1% and 4.5% in China and Asia, respectively, which is significantly lower than that of 13.3% in the U.S., demonstrating significant upside potential. The local retail industry has progressed and thrived through technological advancements in the past, and we believe that digitalization is the next step. Our approach as retail specific solution provider provides an affordable yet advanced solution, which we believe will meet the unfulfilled demands.

OUR DIFFERENTIATED APPROACH

Our retail digitalization solution is retail centric. Our solutions are designed with retailers' perspectives in mind, addressing the challenges they face in daily operations. Our expertise in retail stems from our work with renowned retailers like Wumei Group and DFI Retail Group, where we gather realtime feedback and continually enhance our solutions based on the feedback. We believe in the power of data and emphasize on integrating data across retail operations into actionable insights. Our modules are enhanced based on know-how and insights developed through dealing with the complex local retail formats. We believe this deep insight into day-to-day retail operation makes our solution highly specific to operators. We aspire to create value to retailers and consumers:

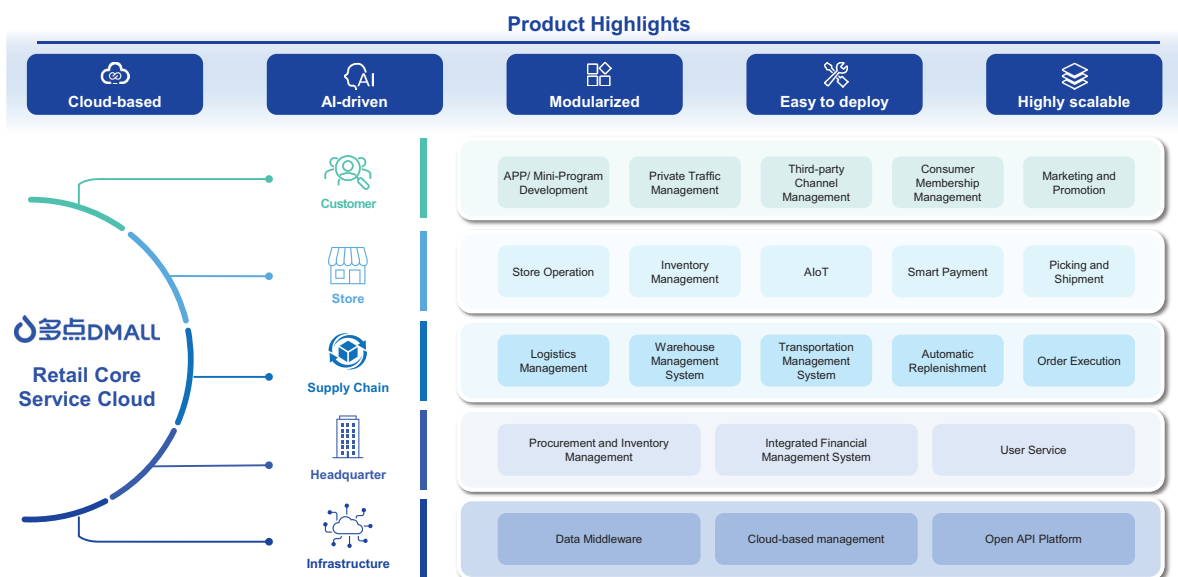
- *Upgrade consumer experience.* We help retailers develop omni-channel capabilities to allow consumers to shop anywhere anytime. In addition, our solution measures critical customer experience metrics, such as on-time rate, order fulfillment rate, customer service level and offline shopping behavioral data captured by our AIoT solutions. We help retailers gain better understanding of their customers across channels, which allow them to provide more customized services and better customer experience.
- *Enhance operational efficiency.* Our retail core service cloud solution helps retailers simplify operation, improve efficiency and integrate data across every aspects of their operation from online to offline. Our software provides a comprehensive overview of crucial data that measures business performance. With this data insight, we assist retailers simplify redundant processes, automate manual tasks, and optimize allocation of resources. In addition, we apply proprietary algorithm on data and make recommendations for operation improvement such as reducing inventory turnover days, streamlining procurement and optimizing merchandise display.
- *Safeguard system security.* We are committed to protecting information security, including data security, system security, identity and access management (IAM) security and security awareness training of our customers. We use various encryption technologies to provide our

BUSINESS

customers with a reliable, stable and secure digital operation environment to store, maintain and use their important business information and consumer information. We help customers promptly detect inappropriate access, policy violations or weak controls that put their operations at risk. We also provide IT security trainings to the employees of our customers to reduce occurrence of security incidents caused by human error or employees' lack of security awareness.

- *Address ESG responsibilities.* We help retailers to better address their ESG responsibilities, by for example, enabling them to achieve fully paperless operations to create a green office environment, data-driven employee management and low carbon operations, and trace the movement of food products to improve food safety. Meanwhile, we help them to optimize operation decision-making to reduce wastage and inventory turnover days and analyze energy consumption data to achieve low-carbon operation. We are also committed to social responsibility by enhancing elderly's digital consumption experiences through assistive functions, providing emergency support such as resolving grocery shopping difficulties during COVID-19 lockdown.

Our Retail Digitalization Solutions



Our retail core service cloud which predicated on our proprietary Dmall SaaS operating system helps retailers manage full operation process.

Retailers in China lack digital technology infrastructure and heavily rely on manual processes and human judgement for business decision making, which can cause low efficiency, increased reliance on human experience, and increased possibilities of human error, making it difficult for large retailers to operate efficiently on a large scale. Our retail core service cloud, consisting of our proprietary Dmall OS system, and AIoT solutions, integrates an array of functionalities that help retailers digitalize and optimize their operation. Our Dmall OS system, which contains service components such as product procurement process management, supply chain management, product management, store management, consumer membership management and headquarters management, address the most critical parts of retailer's daily operations. For example, the inventory auto replenishment management module of supply chain management component helps retailers facilitate

dynamic inventory planning and automatic issuance of re-stocking orders taking into account factors such as sales prediction, inventory level and seasonality, supported by our sales prediction algorithm. AIoT solutions help retailers build digitally integrated retail locations that consolidate offline data to achieve more efficient store management. Such integrated approach helps retailers improve efficiency, boost revenue and cut costs. For example, our AIoT solutions integrate with Dmall OS, links sales orders from the consumer end to the warehouse on the supply end. This enables retailers to track inventory levels in real-time, reducing stock-out rates and increasing sales revenue. This is the result of a multi-year development cycle tracing back to our cooperation with Wumei Group in 2015. We undergone continuous system development to accommodate retail clients across multiple retail formats. The number of customers using our retail core service cloud increased from 231 in 2021, 432 in 2022 to 527 in 2023 and increased from 409 in the six months ended June 30, 2023 to 430 in the same period in 2024.

Our Retail-centric Technologies

- *Retail centric.* Our solutions are designed from the perspectives of retailers in response to the pain points they encounter in daily operation. Our retail expertise comes from our experience serving leading retailers, such as Wumei Group and DFI Retail Group, where we collect feedback real time and upgrade our solutions incorporating such feedback. We are also founded, guided, and managed by a team of retail veterans with first-hand understanding of the industry. As a result, we become the pioneer in many adoptions of new retail technologies. We were the first and the only one among our top industry peers to introduce digitalized supplier auction, intelligent fast food area planning, intelligent merchandise display, and AIoT-enabled shopping cart, according to Frost & Sullivan.
- *Data-driven.* Our Dmall OS system helps enterprise customers track, collect and convert real-time data from online and offline operations into actionable insights and break data silos across different parts of our customers' business. With the help of our solutions, customers can take a data-driven approach to manage and optimize their daily operations, resulting in tangible improvements in operating performance. They can also enjoy significant advantages over their competitors, such as broader, deeper, more relevant, and more consistent data.
- *AI-powered.* We believe we are also at the forefront of harnessing AI technology to enhance efficiency and innovation for retailers across various stages of their operations. For example, for products with a limited shelf life, unsold inventory represents a significant challenge for retailers. Our AI algorithms assist customers in addressing this issue by analyzing remaining stock and historical sales data to determine optimal promotional pricing. Addressing a common pain point in the retail sector, we have also improved how customer service quality is assessed. Traditionally, quality checks involved manually listening to each customer service call and subjectively scoring them, a process that was not only time-consuming but also lacked objectivity and required substantial manpower for comprehensive coverage. Leveraging AI, we categorize calls by scenarios, set scoring standards, and have successfully automated the quality assurance process for customer service interactions. We have expanded the application of AI across various other dimensions of our operations and product offerings. For instance, we've introduced an AI-based remote assistance service, designed to assist consumers in navigating and locating items within unmanned stores. Moreover, we have adopted cutting-edge AI-powered tools to streamline and enhance our coding process. By continually refining our

BUSINESS

AI tools and techniques, we strive to deliver value and innovation to our customers, helping them achieve their operational objectives more effectively and efficiently.

- *Advanced and constantly improving.* Our strong in-house research and development capabilities allow us to develop and continually enhance our Dmall OS system to incorporate industry practices across multiple retail formats, and translate these know-how into deployable SaaS modules that help meet customers' evolving needs. Despite the challenging macro environment, we are committed to intense research and development efforts in expanding Dmall OS functionalities in order to better serve our retail clients. For example, in 2022, we generally performed major updates on a bi-weekly basis with multiple function updates each batch.
- *Modularized open platform.* Our infrastructure enables rapid and cost-effective implementation and allows us to scale up our capacity and provide system updates in a flexible and timely manner. The Dmall OS system consists of independently configurable modules that allow retailers to freely choose, configure, and consolidate different modules to meet their own unique operational needs and preferences, making our offerings highly adaptable for retailers of various sizes, types and operational complexity. Thus, we enable our customers to achieve customization and rapidly respond to new market changes without high development cost.
- *Security.* To address the increased safety concern brought by multi-scenario applications in the retail industry, we help our customers enhance their data security, system security, identity and access management (IAM) security and security awareness training through various encryption and firewall technologies.

Our Customer Base

We strategically focus on blue-chip retailers. Our customer portfolio includes Wumei Group, Maidelong Entities and DFI Retail Group. Our long term partnerships with these lighthouse customers has enabled us to develop operating system capable of serving the most complicated operations across different retail formats. Building on these credentials, we have expanded our retail formats coverage, from chained supermarkets, warehouse supermarkets, department stores to convenience stores, specialty retailers and retailers with new retail formats. We focus on building long term relationship with leading retailers with the most sophisticated practice in the marketplace. In 2021, 2022, 2023 and the six months ended June 30, 2024, we had 236, 436, 533 and 444 customers, respectively including 231, 432, 527 and 430 from retail core service cloud. We believe our retail digitalization solution is highly adaptable in overseas markets. We have successfully expanded our businesses to Hong Kong SAR, Cambodia, Singapore, Malaysia, Poland, Macau SAR, Indonesia, the Philippines and Brunei. We are also in the initial stage of expansion into the European market through our collaboration with the Metro Group, a leading wholesaler headquartered in Germany.

The dollar-based net retention ratio, which represents revenues generated by recurring customers (excluding consumers) divided by revenues generated by all customers (excluding consumers) in the prior period, was 184% in 2021, 158% in 2022, 117% in 2023, and 123% in the twelve months ended June 30, 2024. Dollar-based net retention ratio measures the ability of our Company to retain and expand its existing customer base over time and indicates the level of loyalty among customers and their willingness to continue paying for our offerings. We onboarded several major customers for deployment of our Dmall OS system in 2021 resulting in a comparably higher dollar-based net retention ratio in 2021.

BUSINESS

The decrease in dollar-based net retention ratio in 2022 was mainly due to organic growth of our existing business and expansion in our AIoT solution offerings which may not generate a sales volume as significant as compared to our operating system. In 2022 and 2023, we recorded overall dollar-based net retention ratio of 158% and 117%, respectively, and Related Parties' dollar-based net retention ratio of 161% and 124%, respectively. Our overall dollar-based net retention ratio decreased in 2023 compared to 2022, primarily due to (i) the decrease in O2O platform service fees as a result of certain customers opt to operate O2O e-commerce business in-house, where they manage their own day-to-day O2O operations, (ii) the decrease in GMV processed and number of delivery orders placed through our O2O platform for certain retailer customer. In addition, the increased revenue of operating system from additional purchases of our operating system modules and the increased of AIoT solutions sales from intelligent loss prevention and digitalized smart tags, resulting in a comparably higher dollar-based net retention ratio in 2022. In the twelve months ended June 30, 2024, dollar-based net retention ratio increased to 123% due to the increases in revenue from retail core service cloud solutions as a result of our continuous business expansion of our operating system and AIoT solutions. We plan to adopt a series of measures to improve our dollar-based net retention ratio. For example, we will maintain a focus on targeting retailers through a key accounts strategy. We believe this approach ensures personalized attention and tailored solutions, fostering long-term partnerships and increasing customer loyalty. We also plan to utilize our one-stop retail digitalization solutions to enhance customer engagement by cross-selling additional modular functions. We will identify specific customer needs, and offer relevant modules that streamline various aspects of their retail operations to increase customer spending and loyalty. We will also continue to invest in the development and enrichment of the existing portfolio of solutions. We will continuously refine and enhance modules and functionalities to address the diverse and evolving needs of customers, which we believe will attract more customers, increase sales, and have a long-term positive impact on business growth.

OUR OPERATION AND FINANCIAL OVERVIEW

We experienced significant growth during the Track Record Period. Our revenue increased by 56.6% from RMB848.2 million in 2021 to RMB1,328.3 million in 2022, and further increased by 19.4% to RMB1,585.4 million in 2023. Our revenue increased by 22.9% from RMB764.0 million in the six months ended June 30, 2023 to RMB939.2 million in the same period in 2024. As we grow our high-margin retail core service cloud segment and experience an increase in our operating leverage, our gross profit margin was 20.4% in 2021, 38.0% in 2022, 35.0% in 2023, 36.3% in the six months ended June 30, 2023 and 38.3% in the six months ended June 30, 2024. The decrease from 2022 to 2023 was due to the change in our product mix with greater adoption of our AIoT solutions by our customers, which has a relatively lower gross profit margin compared to our other products.

OUR STRENGTHS

We believe the following strengths contribute to our success:

Leading retail digitalization solution provider in China and Asia with first-mover advantage

We are the pioneer and leader in driving the digitalization of the local retail industry in China. Since our founding in 2015, we have helped thousands of retail stores across multiple retail formats to embrace the way digital retail operated. Through the past eight years, we have learned firsthand the day-to-day pain points different retailers faced and have built such understandings into our Dmall OS which continues to expand. Our first-mover advantage brings us deeper industry knowledge and better

BUSINESS

retail-tailored cloud solutions. We have successfully expanded our businesses to other countries and regions in Asia, comprising Hong Kong SAR, Cambodia, Singapore, Malaysia, Macau SAR, Indonesia, the Philippines and Brunei. In the six months ended June 30, 2024, we served 444 customers that used our retail digitalization solutions. We also witnessed significant growth during the Track Record Period. The GMV processed through our operating system increased from approximately RMB95.1 billion in 2021 to RMB123.3 billion in 2022, and further increased to RMB141.9 billion in 2023. During the six months ended June 30, 2023 and 2024, the GMV processed through our operating system increased from RMB69.1 billion to RMB76.1 billion. Our revenue increased by 56.6% from RMB848.2 million in 2021 to RMB1,328.3 million in 2022, and further increased by 19.4% to RMB1,585.4 million in 2023. Our revenue increased by 22.9% from RMB764.0 million in the six months ended June 30, 2023 to RMB939.2 million in the same period in 2024.

Our products and services are well recognized by the market. For example, in 2022, we won awards of “*CCF Science and Technology Achievement Award*,” “*2023 Top 10 SaaS Service Innovation Cases*,” “*2022 China Federation of Logistics and Procurement Scientific and Technological Progress*,” “*2021 New Retail Service Provider Top 30*,” “*2021 Chinese most valuable new brands—Digitalization / marketing service provider Top 20*” and “*2021 Asian Retail Awards—Digital Initiative of the Year*,” among others. In particular, our project on “Digital Intelligence Integration Innovative Technology and Industrial Application of Brick and Mortar Retail Business Distribution” won the first prize of “*2022 China Federation of Logistics and Procurement Scientific and Technological Progress*.” This award was established by the China Federation of Logistics and Procurement in 2002, upon the approval of the State Ministry of Science and Technology of China (“SMST”), as the only SMST-authorized and registered award granted to private-sector funded projects and initiatives in the logistics industry. Based on our solid performance in international markets, we have gained recognition in the World Unicorn Enterprise Development Report 2024 released by Great Wall Strategy Consultants. We secured the top position in the digital operations category for enterprises and ranked 229th overall on the global list.

A leading full-spectrum omni-channel retail digitalization solution provider in China with proven success

We are a leading full-spectrum omni-channel retail digitalization solution provider in China, according to Frost & Sullivan. Full-spectrum coverage refers to our capability to address retailers’ needs across major critical parts of their operations. Contrary to the general purpose point solutions offered by traditional software or horizontal SaaS providers, our integrated solution is local retail specific, integrated across major operations and data driven.

- *Comprehensive functionalities.* Our Dmall OS provides SaaS solutions with the capability to integrate with retailer operation to address its major operational needs, from procurement, supply chain and warehouse management to product display and store operation, to interaction with consumer online and offline. Compared to function-specific providers that cover limited retail scenarios and provide a limited set of retail functions, such as warehouse management software, our solution package allows retailers to obtain holistic and timely access to data across major operations to make more informed decisions to improve their operation, with tangible results such as increased sales, improved inventory turnover and lower out-of-stock rate that help retailers deliver better user experience and drive repeat sales. Compared to general horizontal SaaS products which cater to enterprises’ demands across industries, we provide solution covering the value chain in the local retail industry.

BUSINESS

By covering the best industry standards and facilitating real-time data synchronization, we generate industry specific insights which help retailers improve their operational performance.

- *Omni-channel coverage.* Our solutions support retailers in managing offline and online operations. Our retail core service cloud leverages our Dmall OS system and AIoT solutions to help retailers manage their offline retail operation. We also assist retailers in establishing and managing their virtual storefronts to directly engage with online consumers. The underlying data captured across their online and offline omni-channel operations are consolidated to help retailers gain a single panoramic view of a retailer's business, which simplifies retail management process and improves operation efficiency.
- *Proven success.* Throughout the years, we have expanded and upgraded our retail digitalization solution that has successfully helped our customers digitalize their operations. We are the sole retail digitalization solution provider for many of our customers and our solutions are adopted by retailers of different retail formats across hundreds of cities. The GMV processed through our operating system increased from approximately RMB95.1 billion in 2021 to RMB123.3 billion in 2022 and RMB141.9 billion in 2023. During the six months ended June 30, 2023 and 2024, the GMV processed through our operating system increased from RMB69.1 billion to RMB76.1 billion. Total number of customers we served increased from 236 in 2021 to 436 in 2022, and further to 533 in 2023. We served 444 customers in the six months ended June 30, 2024. Please also refer to “—Our Service Offerings” for tangible improvement in operating results powered by our solutions.

Our technology driven retail has been the key factor to our business' success. We are founded, guided, and managed by a team of retail veterans. We have accumulated in-depth industry know-how in retail technology through our eight years of solving complex operational problems for leading retailers in China, most notably Wumei Group. By working closely with Wumei Group, we have been able to obtain valuable insights into the challenges that retailers face and have used this knowledge to refine our technology and product roadmap. As a result, we have been able to develop solutions that help us drive the digitalization of Wumei Group through the continuous development of our products and the expansion of our service offerings and also acquire new customers and establish ourselves as a leader in the retail technology industry. We believe this strategic partnership has been instrumental in guiding our product roadmap, honing our technology and catapulting our customer acquisition as lighthouse example.

Blue-chip retailer customer portfolio

According to Frost & Sullivan, the local retail market comprises various types of retailers, such as non-chain retailers, chain retailers, distributed e-commerce retailers, and mom-and-pop shops. Among these, chain retailers, represented by major players like 7-Eleven, hold the largest market share of 46.9% of store-based local retail market in 2023. These retailers prioritize standardized management to provide top-notch service to their customers across all stores. As a result, they are willing to pay for full-spectrum omni-channel solutions to streamline their operations from headquarters to local stores. Full-spectrum coverage refers to our capability to address retailers' needs across major critical parts of their operations. The broadest operational modules coverage among peers enables us to cover diverse customer base. Their demand for sophisticated products also creates significant entry barrier, high switching cost and strong customer loyalty. We strategically focus on these blue-chip retailers and seek

BUSINESS

to collaborate with them to establish a strong reputation in the market and attract other retailers. Through our lighthouse partnership with Wumei Group, we have accumulated on-the-ground experience in improving retail operation with technology in software, hardware and proprietary algorithm. Our success in digitizing Wumei Group lends us the most relevant credentials in improving efficiency and profitability of retailers and help us secure new blue-chip customers. For example, we have since collaborated with other leading blue-chip retailers such as Maidelong Entities, Chongqing Department Store, Yinchuan Xinhua from China and DFI Retail Group in selected Asia markets. We have also expanded rapidly to work with customers across diverse retail formats, including chained supermarkets, warehouse supermarkets, department stores, convenience stores, specialty retailers and new retail formats, among others.

We grow with the success of our customers. For our Dmall OS system, we offer the option to either charge a percentage of the customers' GMV processed by our system or provide a fixed subscription fee tailored to suit customers' individual needs or financial situation. The take rate fee structure aligns our interests with those of our customers while allowing us to capture a part of our customers' growing sales volume. This helps customers with lower upfront costs for our products and services and generate revenue growth through the synergetic growth of our customers' sales volume after adopting our operating system. Customers can also choose the subscription payment model and pay a service and consultation fee based on various factors, including, among others, the number and types of modules subscribed by the customer, the subscription period and the size and operational scope of the customers. The fixed subscription fee sets clearer expectations that can help with customers' budgeting and planning and provide transparency in billing. We enter into different fee arrangements with different customers to offer more flexibility in pricing structures, allowing them to choose a fee arrangement that better suits their needs. In addition, as our relationship deepens with our existing customers, we understand their business better and are able to cross-sell additional modules and functionalities, leading to a high revenue retention. In 2021, 2022, 2023 and the twelve months ended June 30, 2024, we had achieved 184%, 158%, 117% and 123% dollar-based net retention ratio, respectively.

We have diverse business development channels including key accounts BD, industry conferences, business partners, and independent software vendors (ISV). We collaborate with ISVs to draw on their localized knowledge and mobilize their local resources to acquire customers, increase customer touchpoints and respond to customer needs effectively and efficiently. We also cooperate with public cloud providers. By integrating our Dmall OS solutions into their platforms and solution packages, we can leverage their wide customer base to further promote our products.

Continuous refinement of retail technology

We embrace retail technology and continually improve our technological capabilities. Our research and development expenses were RMB588.6 million, RMB586.3 million, RMB520.9 million, RMB266.1 million and RMB203.5 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. As of June 30, 2024, we had five research and development centers with 908 research and development employees. Our technology is advanced, comprehensive and secured.

- *Advanced.* We focus on using technology to create business value for retailers. For example, our algorithm-driven data analytics generates omni-channel operating insights which can lead to increased efficiency. Our sales forecast modules make sales projection based on a wide range of parameters including historical sales data, inventory level,

BUSINESS

product categories and customer profiles within store proximity. We have also pioneered many industry-first applications. According to Frost & Sullivan, we are:

- the first and only one amongst top players in the industry to develop and adopt modules of digitalized supplier auction, intelligent fast food area planning, intelligent merchandise display, and AIoT-enabled shopping cart; and
- one of the first amongst top players in the industry to develop and adopt modules of algorithmic sales prediction, intelligent merchandise selection, intelligent warehouse management, intelligent fulfillment and distribution scheduling, and container unified scheduling system.
- *Comprehensive.* With unified integration of software, hardware and services, we help to reduce deficiencies across local retail operation. We have independently configurable modules covering all key retail scenarios, including supply chain management, warehouse management, product management, store management, customer membership management and AIoT solutions. Compared to traditional ERP providers who primarily offer offline distribution channel coverage and function-specific cloud solution providers who mainly cover online scenarios, we integrate data across both online and offline channels, break data silos and connect upstream and downstream partners, encouraging innovation and win-win cooperation.
- *Secured.* Retailers opening up their IT infrastructure to third party systems are exposed to cybersecurity risk. Our Dmall OS system integrates data and privacy protection functions to ensure IT security, including information security, system security, IAM security, and security awareness training, in compliance with laws and regulations. The system ensures the safety of customer data through encryption and data transmission processes, preventing the leakage of sensitive business information. Additionally, a robust firewall is established to enhance anti-attack capability and avoid system downtime. The system also provides an identity and access management system for role-based access control, allowing customers to manage risks and prevent security accidents. Moreover, IT security training is provided to raise awareness and mitigate user risk, helping employees to combat security breaches and lower associated risks.
- *Constantly refining.* We constantly refine the functionalities of our cloud modules guided by market developments and our customer needs. For example, in 2022, we generally performed major updates on a bi-weekly basis with multiple function updates each batch. Unlike the traditional ERP players whose system is built on-premise and relatively static, our Dmall OS system is constantly developing to incorporate latest industry best practices.

The abovementioned technology capabilities have enabled us to build powerful products to better serve our customers and help them achieve better business outcome.

Proprietary credible SaaS products launched in overseas markets

Our deep industry know-how accumulated through cooperation with retailers in China gives us a competitive edge in rapid replication of our business model in other countries and regions. We began our overseas expansion with our Chinese customers' overseas affiliates, before expanding to serve other well-known international retailers. Our solutions have been successfully implemented in leading retailers in China, driving their digital transformation and streamlining their day-to-day operations. We believe that our retail digitalization solutions can be easily adapted to other countries, as retailers

BUSINESS

around the world face similar pain points in digitalizing their operations and meeting the evolving needs of consumers. In addition, our solutions are designed to be flexible and adaptable to the unique needs of different customer and market. With extensive experience in the retail technology industry, we have the expertise to customize our solutions to meet the specific needs of retailers in different countries. Our technological prowess also supports the constant upgrade of our systems to address differences in customer demands. As we expand our operations globally, we believe we will continue to drive the digitalization of retail operations around the world, providing retailers with the necessary tools to meet their customers' needs and improve efficiency in the digital era.

According to Frost & Sullivan, we were one of the leading PRC-based player among our peers to expand our retail SaaS business into other markets outside the PRC. As of June 30, 2024, we had established our footprint in nine countries or regions outside the Chinese mainland, comprising Hong Kong SAR, Cambodia, Singapore, Malaysia, Poland, Macau SAR, Indonesia, the Philippines and Brunei. We are also in the initial stage of expansion into the European market through our collaboration with the Metro Group, a leading wholesaler headquartered in Germany. As of June 30, 2024, 10 Metro Group stores in Poland had implemented our system.

Sophisticated management team with abundant industry experience, high operational efficiency and strong support from shareholders

Our management team comprises of prominent thought leaders across offline retail management as well as internet and software technology industries. As we continue our international expansion outside of China, we have assembled a leadership team with track record in both China and international markets.

Mr. Curtis Alan Ferguson, our Chairman and non-executive Director, is a thought-leader in the consumer space. Mr. Ferguson is currently a managing partner of Ventech China Ltd., a venture capital firm based in China, since February 2021, and a director of The American Chamber of Commerce in Shanghai, since 2020. Prior to that, he served multiple executive roles at Coca-Cola Company (NYSE: KO) for more than 37 years, including as the president of The Coca-Cola Greater China and Korea and as the president of The Coca-Cola Middle East and North Africa.

Mr. ZHANG Feng, our co-founder, executive Director and president, is a pioneer in executing new digital retail strategies, including “distributed e-commerce” and “online and offline integration.” He had accumulated extensive experience in the retail industry prior to joining our Company and continues to oversee the growth of the Company.

Mr. Dirk Van den Berghe, our non-executive senior advisor, held top executive positions at Walmart Inc., including Executive Vice President and Regional Chief Executive Officer of Walmart Canada and Asia. He also served as President and Chief Executive Officer for Walmart China.

Dr. ZHANG Wenzhong, our Founder and senior advisor. Dr. Zhang is a prominent leader in the local retail industry in China, with more than 30 years of local retail experience. He founded Wumei Technology in 1994 and assumes leadership roles in several leading retail brands in China. Combining his insights into local retail industry as well as the international exposure from his postdoctoral research at Stanford University, he founded our Company in 2015 to spearhead retail digitalization in China. Dr. Zhang's strategic vision, business acumen and leadership have guided our Company's development since its founding. Dr. Zhang is also a highly regarded figure in China's retail industry. He currently serves as the honorary chairman of China General Chamber of Commerce (中國商業聯合會), the chairman of Nankai Alumni Business Association, a Consumer Goods Forum China board

member and holds a tenure position on the board of Nankai University in China. Dr. Zhang has won various awards, including “*Top 10 China Economic Person of the Year in 2018*,” “*Man of the year in China’s Business News in 2018*,” “*A Role Model for Business Leaders in 2018*,” “*Man of The Year in Chinese Retailing in 2019-2020*,” “*25 most influential enterprise leaders in 2019*,” “*70th anniversary outstanding business people in 2019*,” among others.

With the guidance of our management team, we have infused critical steps of our operations with advanced technology to propel our operational efficiency. We have digitalized each critical step of our key operation functions and developed technology infrastructure in support of our employees to achieve operational excellence through automatic systems. By utilizing such data-driven tools, our employees are able to maximize their efficiency throughout daily operations and realized high scalability. We also gain strong support from our shareholders including leading technology companies such as Tencent, Kingdee and Lenovo as well as top financial investors, including China Industrial Bank, China Structural Reform Fund, and IDG Capital. We are also committed to attracting new talents and professionals to support our innovation and growth. For further information, see “Directors and Senior Management.”

OUR STRATEGIES

We are pursuing the following strategies to achieve our mission:

Retain and grow with existing customers through market-leading service and product innovation

We aim to continuously expand our OS system modules, provide additional value-added services to help our customers grow and capture more selling opportunities. In particular, we plan to develop new modules and upgrade existing modules that target to drive smart operation and automation and increase efficiency. We will also develop specialized modules that meet the needs of retailers to operate under different formats. For example, we have been upgrading our product offerings to enable intelligent decision-making, including intelligent merchandise display and fast food area planning. Intelligent merchandise display module helps retailers arrange and adjust product placement to reflect consumers’ changing needs. Fast food area planning module enables retailers to more accurately predict hot sellers and arrange for the preparation process accordingly to reduce waste and save cost. We have also launched the intelligent loss prevention products and related services in 2022 which can help retailers access video, image and order information to detect theft and protect retailers’ assets.

Expand our enterprise customer portfolio to cover more retail formats and broaden our sales network

We plan to leverage the success and experience from our existing customers in our future customer acquisition process. We intend to expand into new retail formats, broaden our sales network and collaborate with more players in the retail value chain to increase customer touchpoints and selling opportunities.

- *Retail format / size coverage.* We will accelerate our horizontal expansion into direct-to-consumer, or DTC, and business-to-consumer, or B2C, stores to serve retailers with different retail formats. Our service packages with varying functionalities at different price points catering to the needs of customers of different sizes, retail formats, and budgets. We will also develop more specialized modules and services to tap into additional retail verticals to further expand our addressable market.

BUSINESS

- *Sales network expansion.* We will further expand our sales network of the direct sales team and cooperate with ISVs, to increase selling and expand our presence in the more fragmented regional markets.

We believe that growing our enterprise customer portfolio will help further deepen our retail insights, which will in turn refine our product and service offerings to drive revenue growth.

Continued investment in research and technology innovation

We invest heavily in technology innovations and research and development, which are the foundation of our business and are essential to our growth. We will continue to invest in technology and utilize the power of cloud infrastructure, AI capabilities, and data analytics algorithms to better serve our customers and stay ahead of competition. We will also continue to invest in and apply AI, big data and AIoT technology to develop new applications and new service modules. We will further invest in research and development by applying new technologies such as machine learning, natural language processing, computer vision, edge computing, artificial reality and virtual reality in our product development. In addition, as the volume of data processed by us continues to grow, we will concurrently scale up our network infrastructure to support this growth. Finally, we plan to continue to recruit top-notch industry talents, including researchers and experienced engineers and top graduates from world-renowned institutions for these purposes.

Further global expansion

To penetrate into unaddressed global markets, we plan to further enhance localized marketing efforts and technology capabilities to meet the needs of overseas retailers. We have also developed an English version of the Dmall OS system, and are developing our overseas business development team with local market know-how and expanding our research and development team focusing on overseas market development.

We plan to leverage our established connections with international players to expand our footprints in new markets, such as the United Arab Emirates. For example, building on our strong collaboration with Maidelong Entities we expanded our business into the European market by cooperating with the Metro Group. As of December 31, 2023, 10 Metro Group stores in Poland had implemented our system. In August 2023, SM Group became one of our customers. In addition, we plan to use our projects with DFI Retail Group as a show case to continue to grow our presence in Southeast Asian markets. We will also further explore cross-border opportunities and collaborate with local partners to better understand the nuances of local retail markets and develop localized knowledge.

Explore strategic partnerships and acquisition opportunities

We will selectively pursue strategic cooperation, investments and acquisitions that are complementary to our organic growth strategies, particularly those that can complement our product offerings, strengthen our technology capabilities and solidify our market position. We will continue to seek out potential businesses and assets that are complementary to and have synergies with our current business and that will help us attract and retain customers. We intend to focus on players with a solid track record and significant growth potential to achieve synergies. In selecting investment targets or partners, we generally consider factors including suitability with our strategic planning, degree of

BUSINESS

potential synergies, market position, management team experience, valuation, historical operating metrics, and financial performance. Through strategic acquisition and cooperation, we aim to further enhance our products and services and strengthen our market leadership.

OUR SERVICE OFFERINGS

We provide retail core service cloud solutions that are anchored on Dmall OS software and AIoT solutions. Retail core service cloud solutions is an integrated solution that delivers comprehensive data insights that encompass a wide range of areas, including, for example, supply chain management, store management, and e-commerce operations. We offer key indicator reports that track sales and report abnormal indicators, providing multi-scenario, multi-dimensional indicator analysis that covers major aspects of retail operations from procurement process to product sales. For example, in the supply chain management process, we conduct sales and inventory analysis, and inventory aging analysis to help retailers understand inventory structure and cost, and better control inventory and costs at the company level. We also perform anomaly analysis, which includes shortage analysis and timely identification and reporting of negative inventory, excess inventory, slow-moving inventory, unsold inventory and other situations. This helps retailers promptly identify shortages and abnormal products, pinpoint the true reasons for anomalies, and better address sales losses caused by these abnormal products or inventory situations. By utilizing our services, businesses can gain a better understanding of its current state of operations, enabling actionable improvement.

During the Track Record Period, we also provided e-commerce service cloud solutions and online marketing services. By the end of 2023, we phased out most e-commerce service cloud offerings as customers transitioned their O2O operations in-house, where they carried out their own daily online store management, such as updating product listings, maintaining product information, handling inquiries and after-sales, and managing store promotions.

In April 2024, we completed the Restructuring to divest all of our equity in Dmall Fresh (Beijing), our former VIE. The Restructuring led to the cessation of the operation of the Dmall app and mini programs, which primarily led to the termination of our online advertising services under the marketing and advertising service cloud we previously operated and payment processing services under the retail core service cloud. The financial results of our online advertising services were classified as discontinued operations in the historical financial information. Following the Restructuring, we are focused on offering retail core service cloud solutions, while other services, such as offline marketing, no longer generate significant revenue.

See “Summary—Recent Development,” “Business—Others” and “Business—E-commerce service cloud.”

BUSINESS

KEY OPERATING METRICS

The following table sets forth our customers served for the years indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2021	2022	2023	2023	2024
GMV processed through our system⁽¹⁾ (in RMB billions)					
- Retail core service cloud					
- <i>Operating system</i> ⁽²⁾	95.1	123.3	141.9	69.1	76.1 ⁽⁵⁾
- <i>Take rate customers</i> ⁽³⁾	58.5	106.3	113.5	56.8	48.8
<i>Related Parties</i>	50.9	81.1	76.7	39.5	28.0
<i>Other Related Party</i>	6.9	22.0	32.8	15.3	19.2
<i>Independent Customers</i>	0.7	3.1	4.0	2.0	1.6
- <i>AIoT Solutions</i>	14.2	12.6	10.2	5.5	4.9
- E-commerce service cloud ⁽⁴⁾	6.9	8.2	4.4	2.4	—
<i>Related Parties</i>	5.5	7.5	4.3	2.3	—
<i>Other Related Party</i>	0.2	0.1	—	—	—
<i>Independent Customers</i>	1.1	0.5	0.2	0.1	—
Number of customers⁽⁶⁾					
- Retail core service cloud	231	432	527	409	430
- <i>Operating system</i>	164	300	324	251	283
- <i>AIoT solutions</i>	84	188	281	214	184
- E-commerce service cloud*	40	35	29	29	*
- Others	3	4	4	2	19
Total number of customers⁽⁷⁾	236	436	533	413	444

Notes:

* The e-commerce cloud service solutions has been immaterial in 2024. By the end of 2023, all our customers had transitioned to in-house O2O operation, where they manage their own day-to-day O2O operations. As a result of our customers opting for in-house O2O e-commerce business, we ceased to provide system and delivery services under the e-commerce service cloud solutions for those customers accordingly, but we provide distributed e-commerce system and other services to them if they decide to subscribe to such services. Consequently, the bulk of the services we provided under the e-commerce service clouds during the Track Record Period, such as the operational support for their online stores and delivery services, had been phased out by the end of 2023. The remaining services we provided under the e-commerce service cloud solutions did not generate material revenue in 2024. After the Restructuring, we do not operate any business under the e-commerce service cloud. See “Summary—Recent Developments,” “Business—Retail Core Service Cloud Solutions—Distributed e-commerce system” and “Business—E-commerce Service Cloud Solutions.”

(1) Refers to the GMV processed by our retail core service cloud and e-commerce service cloud. The provision of other revenue is not directly associated with GMV as we do not charge our advertising customers based on the GMV processed.

(2) Refers to the GMV processed through our Dmall OS system.

(3) Take rate customers for a given year/period refers to customers that contributed revenue under the take rate fee model in the given year/period, excluding customers that subscribe only to the membership and product sales management module under the take rate fee model. GMV from customers that are not take rate customers (i.e. customers that pay fixed subscription fee) accounted for the difference between GMV attributable to the operating system and take rate customers. The membership and product sales management module is specifically designed to help large retailers manage consumer profiles and arrange the sales of certain high-value hot sellers. We charge customers that subscribed to this module a take rate of no less than 1% compared to other modules that have an average take rate ranging from 0.3% to 0.5% during the Track Record Period to account for the system’s complexity. We exclude the GMV from subscriptions to our purchase membership and product sales management module that are made on a standalone basis due to (i) the module’s higher take rate could distort our operating metrics, and (ii) the GMV from these standalone subscriptions is not material to our overall performance.

(4) The decrease in GMV in 2023 compared to that of 2022 was primarily due to (i) certain customers opting to operate O2O e-commerce business in-house, where they manage their own day-to-day O2O operations, (ii) the cessation of our O2O e-commerce business we used to provide to DFI Retail Group along with our disposal of DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited in April 2022 and (iii) our strategic decision to not aggressively expand our e-commerce business. For details, see “Summary—Business Sustainability & Path to Profitability” and “History, Reorganization and Corporate Structure—Acquisitions and Disposals—(4) DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited.

(5) The overall increase in operating system GMV was primarily driven by more customers subscribing to our operating system and our customers subscribing to additional modules and integrating our services into more stores. We experienced a decline in operating system GMV from take-rate customers as some Wumart supermarket transitioned to a subscription-based fee model.

(6) Number of customers that have contributed revenue to us in a given year/period, including number of customers we serve through Shenzhen Enjoy as a result of our acquisition of Shenzhen Enjoy in November 2021. If we remove the number of customers solely using Shenzhen Enjoy’s products from the calculation, in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, we had retail

BUSINESS

core service cloud solutions customer of 86, 162, 259, 213 and 183, respectively, including (i) operating system customer of 23, 39, 60, 47 and 60, respectively, (ii) AIoT solutions customers of 75, 142, 217, 182 and 136, respectively. The number of customers does not include those from our tax invoice management system services, which was launched in 2023 and generated revenue of RMB10 thousand in 2023 and RMB2.3 million in the six months ended June 30, 2024. We had 14 and 930 tax invoice customers in the second half of 2023 and the six months ended June 30, 2024, respectively.

(7) Many of our customers use more than one of our cloud service solutions. Therefore eliminations are made to avoid double counting.

The following table sets forth our revenues by operating segments in absolute amount and as a percentage of our revenue for the years indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>									
	<i>(unaudited)</i>									
Retail core service cloud	438,814	51.7	880,502	66.3	1,298,730	81.9	602,255	78.8	933,185	99.4
- Operating system	288,481	34.0	616,529	46.4	680,043	42.9	330,655	43.3	419,838	44.7
- Take rate	198,172	23.4	429,498	32.3	431,769	27.2	224,345	29.4	240,119	25.6
- Subscription ⁽¹⁾	60,590	5.8	36,471	2.5	89,812	5.1	31,444	4.1	86,160	9.2
- Customization, implementation, software development and maintenance and others ⁽²⁾	29,719	2.8	150,560	10.0	158,462	9.1	74,867	9.8	93,559	9.9
- AIoT solutions	150,333	17.7	263,973	19.9	618,687	39.0	271,600	35.5	513,347	54.7
- Take rate ⁽³⁾	113,894	10.9	105,638	7.0	66,057	3.8	36,624	4.8	28,878	3.1
- Subscription ⁽⁴⁾	16,693	1.6	85,885	5.8	516,473	29.5	211,403	27.7	479,418	51.1
- Product sales ⁽⁵⁾	19,746	1.9	72,450	4.8	36,157	2.1	23,573	3.0	5,051	0.5
E-commerce service cloud**	409,312	48.3	447,487	33.7	300,006	18.9	160,465	21.0	4,279	0.4
Others	66	*	275	*	(13,379)	(0.8)	1,283	0.2	1,698	0.2
Revenue	848,192	100.0	1,328,264	100.0	1,585,357	100.0	764,003	100.0	939,162	100.0

Notes:

* Less than 0.1%

** By the end of 2023, all our customers had transitioned to in-house O2O operation, where they manage their own day-to-day O2O operations. As a result of our customers opting for in-house O2O e-commerce business, we ceased to provide system and delivery services under the e-commerce service cloud solutions for those customers accordingly, but we provide distributed e-commerce system and other services to them if they decide to subscribe to such services. Consequently, the bulk of the services we provided under the e-commerce service clouds during the Track Record Period, such as the operational support for their online stores and delivery services, had been phased out by the end of 2023. The remaining services we provided under the e-commerce service cloud solutions did not generate material revenue in 2024. In April 2024, we completed the Restructuring, which led to the divestment of the Dmall app. After the Restructuring, we do not operate any business under the e-commerce service cloud. See “Summary—Recent Developments” and “Business—Others.”

- (1) The decrease in subscription fee we recognized in 2022, as compared to 2021, was primarily due to certain customer switching from subscription based payment to take rate based payment. The increase in subscription fee in 2023, as compared to 2022, was primarily due to the text messaging services we provided to meet the business demands of our customers.
- (2) Our customization, implementation, software development and maintenance and others revenue increased from RMB29.7 million in 2021 to RMB150.6 million in 2022, mainly attributable to increase in software development and maintenance revenue in association with our acquisition of Shenzhen Enjoy completed in November 2021, and new customization revenue from existing customers who demanded additional customized functionalities on our operating system due to respective business needs.
- (3) The decrease in our take rate revenue under AIoT solutions from RMB105.6 million in 2022 to RMB66.1 million in 2023, mainly attributable to the decrease in the GMV processed through our Scan-and-Go solutions from our retailer customers.
- (4) There was a general increase in the subscription fees under our AIoT solutions, mainly attributable to a greater adoption of such solutions by customers as we expanded our AIoT service during the Track Record Period, including intelligent loss prevention solutions in early 2022, as well as intelligent merchandise replenishment solutions, intelligent package sorting solutions, intelligent cashier solutions, intelligent cleaning solutions and intelligent delivery solutions in 2023.
- (5) The increase in our product sales under AIoT solutions from RMB19.7 million in 2021 to RMB72.5 million in 2022 was resulted from the expansion of our product offerings of digitalized smart tags in late 2021. The decrease from RMB72.5 million in 2022 to RMB36.2 million in 2023 was mainly due to the majority of our retailer customers’ stores having completed their digitalized smart tags adoption by 2022.

Pricing

Our pricing structure varies depending on the product or service we offer. Our pricing policies are the same for Independent Customers, Related Parties and Other Related Party.

BUSINESS

Retail core service cloud

Dmall OS. For our Dmall OS system, we offer the option to either charge a percentage of the customers' GMV processed by our system or provide a fixed subscription fee tailored to suit customers' individual needs or financial situation. The take rate based fee we charge is determined based on various factors, including, among others, the number and types of modules subscribed by the customer, the subscription period, the expected customer's total GMV transacted through our system, and the size and operational scope of the customer. The average take rate we charged our customers who adopt a take rate pricing model for our operating system, which represent revenue generated from our take rate pricing model divided by corresponding GMV processed by our operating system, was 0.3%, 0.4%, 0.4% and 0.5% in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively. For customers who choose the subscription fee based model, we charge them a service and consultation fee which is determined based on various factors, including, among others, the number and types of modules subscribed by the customer, the subscription period and the size and operational scope of the customers. In addition, for customers in need of customization, implementation, software development and maintenance services, we provide customized services and charge them a corresponding service fee based on the aggregated work hour or work day involved and the applicable fee rate per worker per work hour or work day.

AIoT solutions. For our AIoT solutions, other than the Scan-and-Go solutions, we charge a fee can either be a one-time payment or a fixed monthly subscription fee. The amount of the fee is determined by several factors, such as the types of products and/or services provided by us and the retail format, store size, and operating scope of the customer. For our Scan-and-Go solutions, we charge a take rate fee that varies depending on the payment channel used by consumers. Consumers can choose from various payment service providers, such as WeChat Pay, Alipay, and UnionPay, to complete their purchases. The take rate we charge customers varies, as different payment service providers impose different transaction fees. This fee is only applicable to customers who use our Scan-and-Go solutions.

BUSINESS

The following table sets forth our revenues from our retail core service cloud by pricing model in absolute amount and as a percentage of our revenues from our retail core service cloud for the years indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>									
	<i>(unaudited)</i>									
Operating system	288,481	65.7	616,529	70.0	680,043	52.4	330,655	54.9	419,838	44.9
- Take rate	198,172	45.1	429,498	48.8	431,769	33.3	224,344	37.2	240,119	25.7
<i>Related Parties</i>	173,422	39.5	352,376	40.0	326,080	29.2	175,393	29.1	184,879	19.8
<i>Other Related Party</i>	12,207	2.7	59,712	6.8	85,162	6.6	39,234	4.2	46,997	5.0
<i>Independent Customers</i>	12,543	2.9	17,410	2.0	20,527	1.5	9,717	3.9	8,243	0.9
- Subscription ⁽¹⁾	60,590	13.8	36,471	4.1	89,812	6.9	31,444	5.2	86,160	9.2
<i>Related Parties</i>	57,877	13.2	28,896	3.3	54,730	4.2	26,503	4.4	49,603	5.3
<i>Other Related Party</i>	—	—	—	—	22	*	3	*	1	*
<i>Independent Customers</i>	2,713	0.6	7,575	0.8	35,082	2.7	4,938	0.8	36,556	3.9
- Customization, implementation, software development and maintenance and others ⁽²⁾	29,719	6.8	150,560	17.1	158,462	12.2	74,867	12.5	93,559	10.0
<i>Related Parties</i>	—	—	32,164	3.7	23,280	1.8	13,000	2.2	10,419	1.1
<i>Other Related Party</i>	2,974	0.7	28,056	3.1	53,792	4.1	28,578	3.1	32,290	3.5
<i>Independent Customers</i>	26,745	6.1	90,340	10.3	81,390	6.3	61,867	7.2	50,850	5.4
AIoT Solutions	150,333	34.3	263,973	30.0	618,687	47.6	271,600	45.1	513,347	55.1
- Take rate ⁽³⁾	113,894	26.0	105,638	12.0	66,057	5.0	36,624	6.1	28,878	3.1
<i>Related Parties</i>	102,731	23.5	95,970	10.9	60,392	4.7	33,265	5.5	27,962	3.0
<i>Other Related Party</i>	—	—	—	—	—	—	—	—	—	—
<i>Independent Customers</i>	11,163	2.5	9,668	1.1	5,665	0.3	3,359	0.6	916	0.1
- Subscription ⁽⁴⁾	16,693	3.8	85,885	9.8	516,473	39.8	211,403	35.1	479,418	51.4
<i>Related Parties</i>	3,535	0.8	84,213	9.6	512,098	39.5	210,064	34.9	461,853	49.5
<i>Other Related Party</i>	79	*	—	—	—	—	—	—	—	—
<i>Independent Customers</i>	13,079	3.0	1,671	0.2	4,375	0.3	1,339	0.2	17,565	1.9
- Product sales ⁽⁵⁾	19,746	4.5	72,450	8.2	36,157	2.8	23,573	3.9	5,051	0.6
<i>Related Parties</i>	14,895	3.4	58,999	6.7	8,801	0.7	7,596	1.3	1,684	0.2
<i>Other Related Party</i>	11	*	21	*	10	*	—	—	437	*
<i>Independent Customers</i>	4,840	1.1	13,430	1.5	27,346	2.1	15,977	2.6	2,930	0.4
Total revenue for retail core service cloud	438,814	100.0	880,502	100.0	1,298,730	100.0	602,255	100.0	933,185	100.0

Notes:

- (1) The decrease in subscription fee we recognized in 2022, as compared to 2021, was primarily due to certain customer switching from subscription based payment to take rate based payment. The increase in subscription fee in 2023, as compared to 2022, was primarily due to the text messaging services we provided to meet the business demands of our customers.
- (2) Our customization, implementation, software development and maintenance and others revenue increased from RMB29.7 million in 2021 to RMB150.6 million in 2022, mainly attributable to increase in software development and maintenance revenue stream in association with our acquisition of Shenzhen Enjoy completed in November 2021, and new customization revenue from existing customers who demanded additional customized functionalities on our operating system due to respective business needs.
- (3) The decrease in our take rate revenue under AIoT solutions from RMB105.6 million in 2022 to RMB66.1 million in 2023, was mainly attributable to the decrease in the GMV processed through our Scan-and-Go solutions from our retailer customers.
- (4) There was a general increase in the subscription fees under our AIoT solutions, mainly attributable to a greater adoption of such solutions by customers as we expanded our AIoT service during the Track Record Period, including intelligent loss prevention solutions in early 2022, as well as intelligent merchandise replenishment solutions, intelligent package sorting solutions, intelligent cashier solutions, intelligent cleaning solutions and intelligent delivery solutions in 2023.
- (5) The increase in our product sales under AIoT solutions from RMB19.7 million in 2021 to RMB72.5 million in 2022 resulted from the expansion of our product offerings of digitalized smart tags in late 2021. The decrease from RMB72.5 million in 2022 to RMB36.2 million in 2023 was mainly due to the majority of our retailer customers' stores having completed their digitalized smart tags adoption by 2022.

We use the total sales value of our customers as the GMV for determining the fees we charge our customers. We record our customers' total value of both offline and online sales to consumers as the GMV. Offline sales of customers are recorded through point-of-sale system (POS system) and

BUSINESS

Scan-and-Go terminals. We also record online sales of our customers through Dmall OS. For retail core service cloud solutions, our customers under the take rate fee model generally subscribed at least to our POS system. We charge a customer a take rate for subscribing our POS system and will increase the take rate when the customer subscribes for more modules to reflect fees for additional services we provide through these modules. For customers that do not use the aforementioned product and services and therefore do not directly produce GMV information, we generally charge them a subscription fee. We do not set minimum subscription requirement for our customers.

We determine the price of each offering based on several factors, including the market price of comparable products or services, the cost of developing and providing the offering, and the potential benefit our solutions bring to the customer. Customers are then charged a fee based on various factors, such as the mix of offerings they adopt, the expected gross merchandise volume, and the scope of implementation. Customers may adopt different sets of offerings and implement them in various scopes based on factors such as business scale, operation complexity, and budget. We offer a flexible fee model to accommodate different customer needs, including take rate and subscription models, depending on their business considerations. For example, some customers might prefer a fixed fee, as it sets clear expectations and assists with budgeting and planning. Some companies may opt for a fixed subscription fee due to internal approval requirements. There are situations where tracking customers' GMV may not be possible. In such cases, charging a fixed service fee offers more transparency in billing. Ultimately, the decision to establish various fee arrangements with different customers depends on factors such as the nature of their purchases, their business requirements, and the outcome of negotiations.

Retail Core Services Cloud	Offerings	Functions	Rationale for adopting this pricing model	Pricing basis
Operating system				
Take rate	Dmall OS system	Product procurement process management; supply chain management; product management; store management; consumer membership management; headquarters management; distributed e-commerce system and others.	This model aligns our interests with those of our customers while retaining earning upside potential as the customers' businesses grow. A take rate fee structure allows us to attract customers with lower upfront cost for its products and services and to generate revenue by capturing a part of the customers' growing sales volume. It reduces customers' early-stage investments in implementing its retail core service cloud as the structure does not require a large lump-sum payment at the time of implementation. As a result, our customers are more willing to buy in to our operating system at an early stage of the digitalization of their operations. We adopt the take rate fee structure also with the objective to generate revenue growth through the synergetic growth of its customers' sales volume after adopting the Company's operating system. Our interests are aligned with those of our customers as customers' sales increase with the support of our products and services, resulting in us generating greater revenue calculated as a percentage of such increasing GMVs. Therefore, we believe a take rate fee structure is a sound pricing approach as it not only allows us to grow our customer base with lower initial costs but also to benefit from the long-term growth and success of our customers after adopting our system.	The fee we charge is determined based on various factors, including, among others, the number and types of modules subscribed by the customer, the subscription period, the expected customer's total GMV transacted through our platform, and the size and operational scope of the customer.
Subscription	Dmall OS system	Product procurement process management; supply chain management; product management; store management; store	For certain customers, we charge them a fixed subscription fee. We enter into different fee arrangements with different customers to offer more flexibility in pricing structures, allowing them to choose a fee arrangement that better	The fee we charge is determined based on various factors, including, among others, the

BUSINESS

Retail Core Services Cloud	Offerings	Functions	Rationale for adopting this pricing model	Pricing basis
		management; consumer membership management; headquarters management and others.	suits their needs. For example, customers may prefer fixed fee, which set clearer expectations that can help with budgeting and planning. Internal approval requirements may also lead certain companies to choose a fixed subscription fee. In certain situations, we may not be able to track customers' GMV. Charging such customers a fixed service fee will thus provide more transparency in billing. Ultimately, the decision to enter into different fee arrangements with different customers depend on the nature of the products or services they purchase, their business needs and the negotiation result.	number and types of modules subscribed by the customer, the subscription period and the size and operational scope of the customers.
Customization, implementation, software development and maintenance services	System customization and implementation services and software development and maintenance services	System customization and implementation services and software development and maintenance services that help retailers improve operation efficiency.	We charge a fixed service fee for system customization and implementation services and software development and maintenance services. This pricing model accounts for the cost we incurred to provide such services and is in line with industry practice, according to Frost & Sullivan.	Service fee is determined based the aggregated work hour or work day involved and the applicable fee rate per worker per work hour or work day.
AIoT	Scan-and-Go solutions	Scan-and-Go solutions provide self-checkout services.	We charge a take rate based fee for our Scan-and-Go solutions. This model aligns our interests with those of our customers while retaining earning upside potential as the customers' businesses grow. See above for more details on the reasons for the adoption a take rate based fee model.	Take rate varies depending on the payment channel used by consumers.
	Intelligent loss prevention solutions and others	Combined solutions of AIoT hardware and services that help retailers build digitally integrated retail locations that improve in-store management efficiency and enhance personalized shopping experiences for consumers.	Other than Scan-and-Go solutions, we charge a fixed fee for our other AIoT solutions. This pricing model accounts for the cost we incurred. In addition, other than Scan-and-Go solutions, we generally do not process GMV in connection with our AIoT solutions.	Fixed fee is determined by several factors, such as the types of products and/or services provided by us and the retail format, store size, and operating scope of the customer.

E-commerce service cloud

For our e-commerce service cloud, we derived revenue from O2O platform service fees paid by our customers and delivery fees paid by consumers during the Track Record Period. For O2O platform service fees, we primarily adopted a take rate fee structure by charging a percentage of the GMV processed by our e-commerce service cloud.

BUSINESS

The following table sets forth our revenue under our e-commerce service cloud by types of services in absolute amount and as a percentage of our total revenue for e-commerce service cloud for the years/periods indicated:

	Years Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>									
	<i>(unaudited)</i>									
Revenue										
O2O platform service	310,794	75.9	349,263	78.0	246,909	82.3	130,464	81.3	4,279	100
— Related Parties	240,724	58.8	310,996	69.5	234,107	78.0	123,566	77.0	1,991	46.5
— Other Related Party	10,870	2.6	6,495	1.4	—	—	—	—	—	—
— Independent Customers	59,200	14.5	31,772	7.1	12,802	4.3	6,898	4.3	2,288	53.5
Logistics	98,518	24.1	98,224	22.0	53,097	17.7	30,001	18.7	—	—
Total revenue from e-commerce service cloud	<u>409,312</u>	<u>100.0</u>	<u>447,487</u>	<u>100.0</u>	<u>300,006</u>	<u>100.0</u>	<u>160,465</u>	<u>100.0</u>	<u>4,279</u>	<u>100.0</u>

Our O2O platform service revenue represented take rate revenue we charged our retailer customers based on the GMV of products sold for the integrated e-commerce service cloud solutions. We recorded online sales of our customers as GMV when consumers complete orders and make payments online. The average take rate we charged for our e-commerce service cloud, which represent O2O platform service revenue divided by GMV processed under our e-commerce service cloud, was 4.5%, 4.3%, 5.6% in 2021, 2022 and 2023, respectively. We did not generate any GMV under the e-commerce service cloud solutions in 2024 as we ceased to provide system and delivery services under the e-commerce service cloud solutions for our customers. Our e-commerce service cloud solutions helped our customers to construct and operate their own online marketplace and engaged logistics service providers for delivering orders if retailers subscribe to our delivery services, which are all components integral to our omni-channel retail digitalization solutions. Accordingly, our O2O platform service revenue represented the all-inclusive fee that we charge for all the aforementioned services. We did not charge each of these services individually, nor did we identify the delivery service under our integrated e-commerce service cloud solutions as a standalone performance obligation.

Our logistics revenue represented the delivery fee we charged our consumers who transact through our O2O platform upon completion of each delivery order, and was determined based on factors such as size, weight, distance and location characteristics of the delivery order, as well as packaging fees.

The table below sets forth our pricing model for our e-commerce service cloud solutions during the Track Record Period.

E-Commerce Services Cloud	Offerings	Functions	Rationale for adopting this pricing model	Pricing basis
O2O platform	O2O platform services	Provide retailer customers with access to the large online marketplace on Dmall mobile app or mini-programs, help customers to construct and operate their own online marketplace,	We charge a take rate based fee for customers of our O2O platform services. This model aligns our interests with those of our customers while retaining earning upside potential as the customers' businesses grow. See above for more details on the reasons for the adoption a take rate based fee model.	Take rate is generally the same for customers that subscribe to the same services.

BUSINESS

<u>E-Commerce Services Cloud</u>	<u>Offerings</u>	<u>Functions</u>	<u>Rationale for adopting this pricing model</u>	<u>Pricing basis</u>
		provide customer services and engage logistics service providers for delivering orders if retailers subscribe to our delivery services.		
Logistics	Logistic services	Deliver goods from warehouse to consumers in collaboration with third-party logistics providers.	We charge delivery fee and packaging fee to consumers who transact through our O2O platform upon completion of each delivery order. This pricing model accounts for the cost we incurred to provide such services and is in line with industry practice, according to Frost & Sullivan.	Delivery fee is determined based on factors such as size, weight, distance and location characteristics of the delivery order.

By the end of 2023, all our customers under the e-commerce service cloud solutions had transitioned to in-house O2O operation, where they manage their own day-to-day O2O operations, including updating product listings, maintaining product information, handling inquiries and after-sales, and managing store promotions. As a result of our customers opting for in-house O2O e-commerce business, we ceased to provide system and delivery services under the e-commerce service cloud solutions for those customers accordingly, but we provide distributed e-commerce system and other services to them if they decide to subscribe to such services. Consequently, the bulk of the services we provided under the e-commerce service clouds during the Track Record Period, such as the operational support for their online stores and delivery services, had been phased out. As we phased out the bulk of services provided under the e-commerce service clouds by the end of 2023, the remaining services we provided under the e-commerce service cloud solutions did not generate material revenue in 2024. After the Restructuring, we do not operate any business under the e-commerce service cloud. “Summary—Recent Development.”

Others

During the Track Record Period, the services we provided under our other business segment primarily included offline marketing services, offline marketing products and the provision of discounts, coupons and shopping and payment subsidies. The price of our offline marketing and advertising services, including both advertisement placement and related consultation services, was determined based on various factors, including, among others, the format and duration of the advertisement, targeting scope and display location. Our offline marketing products are priced based on an arm’s length negotiation with our customers based on the type of products provided and the relevant amount and specifications. See also “Business—Marketing Resource Collaboration Agreement with Chongqing Department Store.”

BUSINESS

The following table sets forth our revenue by customers in absolute amount and as a percentage of our revenue for others for the years indicated:

	Years Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>									
	<i>(unaudited)</i>									
Revenue										
Related Parties	110,565	56.3	103,591	59.9	89,715	59.4	37	2.9	3,811	(224.4)
Other Related Party	—	—	—	—	—	—	—	—	—	—
Independent Customers	85,901	43.7	69,379	40.1	61,240	40.6	1,246	97.1	(5,509)	324.4
Total revenue from others . . .	196,466	100.0	172,970	100.0	150,955	100.0	1,283	100.0	1,698	100.0

Retail core service cloud

Our retail core service cloud integrates an array of functionalities that help retailers digitalize and optimize their omni-channel operation. Our proprietary Dmall OS system works alongside with AIoT solutions to help retailers improve productivities, boost revenue and cut costs. Retailers can freely choose, configure, and consolidate different modules to meet their own unique operational needs and preferences.

Service Advantages

Our retail core service cloud solutions help local retailers boost the operational performance through comprehensive digitalization solution packages, highly flexible configurations, constantly upgrading functionalities and expansion of new revenue stream.

- *All-encompassing and integrated solutions enabling more efficient business decisions.* We provide omni-channel services covering all key aspects of retail operation management. The integrated service offerings replaced legacy solutions that are disconnected among different functions, and increase overall operational efficiency of customers and improve their experience. In addition, our proprietary Dmall OS system consists of highly configurable modules that can be independently selected, modified, or replaced by retailers based on their own daily needs and preferences, providing retailers the flexibility they desire based on their retail formats and operation needs. We also help retailers obtain valuable insights on their omni-channel operation. By adopting the Dmall OS System with its associated in store consumer-facing AIoT solutions, retailers can access an integrated pool of data. Leveraging our strong big data analytics and artificial intelligence capabilities, the Dmall OS system can aggregate and group data by relevance, standardize data output and convert them to actionable initiatives to guide their daily operations and help our customers to meet the evolving market challenges.
- *Versatile solutions backed by deep retail know-how.* Our retail SaaS offerings are adaptable to the highly complex operating environment in the retail industry, as they are derived from ongoing accumulation of industry know-how through years of cooperation with retailers across multiple formats and deep consumer insights. Our most prominent enterprise customers include Wumei Group, Maidelong Entities and DFI Retail Group. We serve customers across super markets, warehouse-style super markets, convenience stores and DTC stores, among others. As a leading full-spectrum retail digitalization solution provider in China according to Frost & Sullivan, broad operational modules

BUSINESS

coverage enables us to reach the diverse customer base in the industry, and thus obtain deep retail know-how. The long term stable working relationship with retailers on such a massive scale allows us to constantly absorb new industry practices, which are developed into regular Dmall OS system functionalities updates to address the dynamic changes in the retail industry. In particular, with the substantive retail know-how and the diverse consumer base, our Dmall OS system reduces the human factors in business decision making by deploying standard, constantly improving SaaS modules to assist retailers in their daily operation.

- *Data protection and system security.* Compared with the traditional local independent deployment of retail information, the Dmall OS system integrates data and privacy protection functions in compliance with legal regulations. This together with various encryption technologies and firewalls, effectively guarantee the overall IT security, including information security, system security, IAM security and security awareness training.
 - Information security: We protect the safety of our customers' data and ensure their data management is in compliance with applicable laws and regulations through the encryption of data and the data transmission process. We also prevent the leakage of important business information, such as purchase price, selling price and profit of our customers.
 - System security: We enhance the anti-attack capability of our and our customer's system by establishing robust firewall to resist cyber attacks, avoid system downtime and other incidents that negatively impact customers' system operation.
 - Identity and access management security: We provide identity and access management system, that helps our customers conduct role-based access control. With IAM, our customers can better control and manage the risks of operators at different levels and avoid the occurrence of security accidents caused by poor management of identities and employees' access to data, systems, and resources.
 - Security awareness training: We provide supplementary services and IT security training to the employees of our customers to raise IT security awareness and prevent and mitigate user risk. We believe this can help the employees of our customers to understand the role they play in helping to combat security breaches and lower the security risks associated with their actions.
- *ESG-conscious solutions helping clients to achieve ESG goals.* We are the strong advocate for green operation and have devoted efforts to help retailers build sustainable office, achieve intelligent energy-saving, and maintain low-carbon operation.
 - *Paperless operation:* Our Dmall OS brings the traditional cumbersome offline process online by digitizing retailers' entire operation, and helps them achieve paperless operation, including among others, paperless contract signing, store operation and warehouse operation. We also developed the e-receipt feature which allows retailers to issue receipt to consumers through Weixin or Alipay. After using our e-receipt feature, 7-Eleven (Guangdong) was able to reduce paper usage by 60 to 70 tons per year. This greatly helps retailers improve their daily operation efficiency, reduces the use of paper and protect against deforestation.

BUSINESS

- *Intelligent energy saving:* We connect to the energy systems and terminal devices of retailers, to ensure their energy consumption data can be visualized and analyzed in real time. This allows retailers consume energy as needed and on demand, thus improving energy use efficiency, effectively reducing energy consumption, and achieving low-carbon operation.

We are conscious of food waste's impact to our planet and are committed to helping retailers reduce food waste and loss, and at the same time lower costs and increase operational efficiency.

- *Shelf life management:* Through digitalization, we assist retailers improve product shelf life management, by supporting the customization of flexible product expiration strategies and generating discounts for groceries nearing the expiration date, which intelligently and effectively reduces commodity loss, and at the same time reduces the waste of food.
- *Intelligent supply chain:* Through the digitalization of the supply chain, we help retailers improve the visibility of supply chain operation, which together with AI algorithm intelligent prediction, improve the accuracy of merchandise ordering. This not only effectively enables retailers to reduce the out-of-stock rate and improve sales performance; but also reduces the inventory turnover days, improves the efficiency of inventory turnover, minimizes the loss of goods during circulation, thereby supporting the improvement of overall operational efficiency of retailers.

We are an enterprise with deep social sensitivity; we care for the elderly, focus on food safety and support the community through emergency response.

- *Elderly care:* We enhanced our app and smart AIoT to provide easy-to-use and elderly-friendly interface, and promote the use of internet and cellular technology in the elderly user group.
- *Emergency protection:* In emergency situation, such as epidemics and extreme weather, we reconfigure and optimize the deployment of delivery capacity in terms of space and time, effectively meeting the basic needs of people. For example, in April and May 2022, Guangzhou was severely impacted by the COVID-19 pandemic, our Dmall R&D team promptly switched the warehouse supply of 7-Eleven (Guangdong) from Guangzhou to Foshan. Our products and services played an important role in the Foshan warehouse expansion, doubling the amount of stores it supplied from over 500 stores to over 1,000 stores as of June 2022.
- *Food safety:* Through digitalized commodity tracking, we enable retailers to follow the movement of a food product from the source to users covering all steps in the supply chain, especially for agricultural products and cold chain transportation, underpinning the continuous improvement of domestic food safety.

Service Components

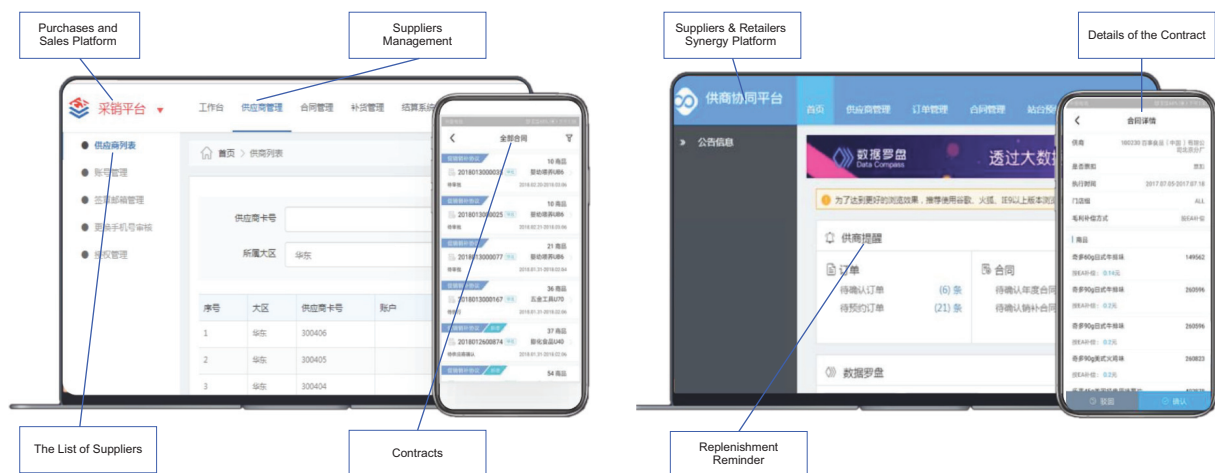
(a) Product procurement process management:

Our Dmall OS system facilitates the two-way data connection between retail and supply through comprehensive digitalization. Through data mining and analysis of online and offline consumption behavior of consumers, our solutions help retailers discern consumer needs, identify changes in user preferences, minimize homogeneous suppliers, brands and products, reduce the

procurement of less popular products, promote products with higher consumer demand, and analyze contribution by brand. The strong collaboration between retailers and suppliers can precisely guide product procurement and enable the establishment of extensive supplier networks that cater to consumer demand. This helps retailers grow sales, seize new consumer trends, create appealing new brands and promote star products. At the macro level, joint demand forecasting, intelligent product selection, intelligent replenishment and other functions work together to construct an efficient and collaborative procurement supply chain management system which significantly improves procurement and retail efficiency. At the same time, our data-enabled solutions help more in-depth and efficient integration between product display, promotion, marketing and settlement, enabling us to form deep cooperation with retailers at the daily operation level.

A retailer's retailer-supplier collaboration is solidified and optimized through Dmall OS system's supplier auction system. The traditional bidding process can take significant time and resources due to the large amount of information needed to be analyzed manually. To improve on traditional supplier selection and procurement methods, we have developed a digitalized supplier auction system that facilitates an online, live auction process where retailers launch products online for bidding, suppliers remotely submit bids for different products and retailers evaluate supplier proposals utilizing our Dmall OS system. Retailers need to subscribe to our services to access and use the supplier auction system while suppliers do not need to subscribe for our solutions to participate in the auction process. We also do not charge suppliers any fee for using the supplier auction system. The open and transparent bidding process removes geographical restrictions, creates competitive tension among suppliers, lowers compliance risks such as risks relating to under-the-table transactions, and helps retailers obtain the best pricing through fair and open process.

Set forth below is an illustration of our supplier auction system:



(b) *Supply chain management*

(i) Logistics Management

Our retail core service cloud solutions help retailers digitalize their order fulfillment and distribution functions, which improve logistics efficiency and accuracy while also saving staffing costs. The traditional order fulfillment process is heavily reliant on personal experience of individual delivery personnel and could not maximize routing efficiency. Our intelligent fulfillment and distribution scheduling system helps retailers optimize delivery routes by collecting historical order

BUSINESS

data and accurately predicting peak sales and delivery volume to allow optimal planning for order packaging, delivery staff dispatching and delivery routing. As a result, retailers could ensure more accurate delivery and reduce the average time required for delivery staff to fulfill each order. Such dynamic delivery staff assignment saves retailers costs in having excess delivery staff on stand-by during non-peak times and increases consumer satisfaction by improving online order fulfillment timeliness. By digitally upgrading the logistics function, we helped Wumei Group to streamline their workflows, reduce downtime and improve the utilization of their staff force. For example, our solution help suppliers of Wumei Group confirm delivery information such as the quantity, shelf life, and receiving dock in advance. This increases collaboration between suppliers and warehouses, making it more efficient and reducing the need for warehouse staff to manually enter information. We also introduced self-service options for suppliers during the warehouse receiving process, which not only improves supplier satisfaction but also greatly reduces the time and resources needed for offline coordination between suppliers and warehouse staff. For the warehouse shelving process, our algorithms optimize Wumei Group's storage space and reduce the workload of warehouse staff. We also support Wumei Group with intelligent hardware and algorithms during the stock picking process, which mobilizes on-site employee through data. Collectively, our solutions helped Wumei Group save labor costs of over RMB10 million each year.

We also helped 7-Eleven (Guangdong) to effectively manage their delivery services and realize robust growth. Our modules help 7-Eleven (Guangdong) set up a central system that streamlines the process from order processing to inventory picking, sorting, packing and delivery. With the help of our solutions, store staff were able to handle multiple tasks, effectively improving the store's performance and boosting delivery capabilities. The integration between online system and offline stores also enabled the synchronization of information, including information on store inventory, promotion activities and customer orders, improving overall customer experience. Within six months after adopting service module, as of June 2022, 7-Eleven (Guangdong) was able to seamlessly integrate their online operation with major third-party platforms, which allowed the company to reach new user base and opened up new source of revenue stream. As a result, 7-Eleven (Guangdong) achieved 300% growth in single day takeaway orders.

(ii) Inventory Management

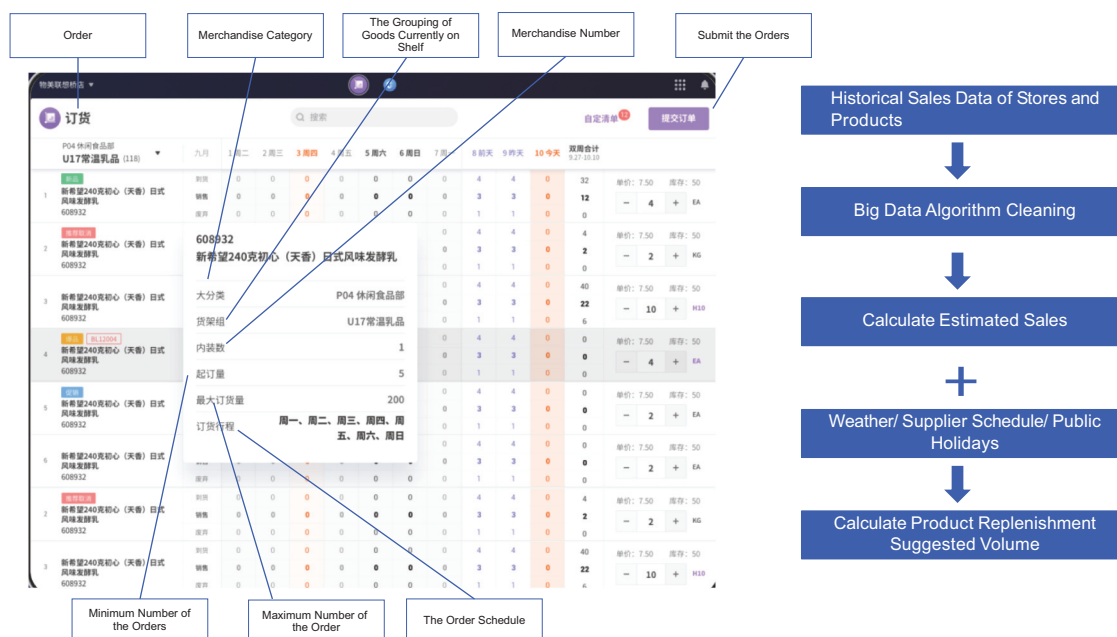
By utilizing big data analytics and artificial intelligence capabilities, our Dmall OS system is able to reshape the supply chain management for retailers. Our digitalized inventory auto replenishment module seeks to address the long existing industry pain points such as high inventory backlog and out-of-stock rate.

The inventory auto replenishment module helps retailers minimize lost sales opportunities by facilitating dynamic inventory planning and automatic issuance of re-stocking orders in response to real-time market demand. Supported by an algorithmic sales prediction model, our automated inventory replenishment system takes into account a wide range of parameters such as inventory level, product category, and seasonality to automatically make precise sales predictions and inventory replenishment plans for each store. The system also automatically generates procurement orders to suppliers to ease manual workload. During promotion seasons, the inventory replenishment system will also prepare for the sales peaks ahead of time by making orders for hot sellers in advance based on inventory levels and sales predictions. Retailers can therefore handle the increased stock, traffic, orders, and returns more efficiently and achieve higher sales during the promotion season. We also optimize stocking strategies for different types of merchandise, such as best seller items, slow moving items, promotion items and new

BUSINESS

items. Based on feedback provided by Wumei Group, Wumei Group was able to reduce its inventory turnover days from around 35 days before the adoption of our intelligent inventory replenishment module to lower than 21 days on average. Our solution also helped Wumei Group reduce its out-of-stock rate from about 7% prior to the adoption of our services to lower than 2%.

Set forth below is an illustration of our inventory auto replenishment module:



(iii) Warehouse management

The warehouse management system consolidates inventory management, transfers, and replenishment using real-time data inputs and analysis. The system records product inventory's warehouse location, manufacture and expiration dates and quantity, which could be routinely examined for retailers to maintain detailed knowledge of their warehouse operations. We also employ intelligent algorithms to improve warehouse management efficiency, which optimizes warehouse layout and inventory placement by placing similar-sized inventory units near each other to allow for more efficient bulk packaging and shipment. This helps minimize space wastage, shorten inventory picking time and make frequent delivery easier. Due to the finite nature of warehouse space, any inventory turnover improvement will yield operating efficiency gains for retailers. Wumei Group was able to improve its warehouse operation efficiency and reduce the cost of consumables by using our warehouse management solution.

Our AI powered solution guides the on-site operation of employees and helped Wumei Group improve its overall on-site operation efficiency by 20%. Wumei Group also observed improvement in utilization rate of warehouses by 10%, leading to an increase in warehouse space available for daily operation and leasing. After using our products and services, 7-Eleven (Guangdong) also experienced an improvement in its warehouse management efficiency. For example, in April and May 2022, Guangzhou was severely impacted by the COVID-19 pandemic, our Dmall R&D team promptly switched the warehouse supply from Guangzhou to Foshan. Our AI powered solution played an important role in the Foshan warehouse expansion, doubling the amount of stores it supplied from over 500 stores to over 1,000 stores as of June 2022. Additionally, the implementation of our solution

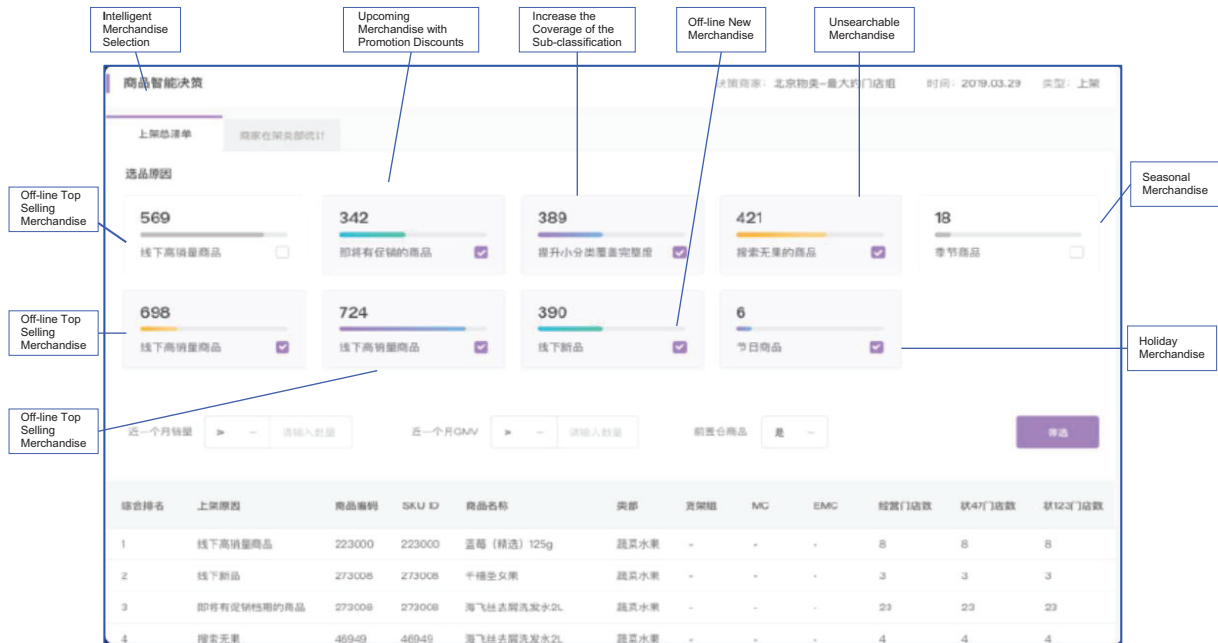
assisted in achieving the reduction in the frozen goods sorting time by 28% per hour, and a 30% increase in frozen warehouses utilization.

(c) *Product management*

(i) Merchandise selection

Our intelligent merchandise selection system helps boost revenue for retailers by optimizing their merchandise selection. The module factors in differences in retail format, store location, store size, and consumer shopping behaviors, among others, and then generates merchandise recommendations that tailor to the specific circumstances of each retailer. In addition, we provide comprehensive quantitative and qualitative analytical tools to help retailers refine their merchandise selection based on factors such as prevailing market prices, popular product categories, sales volumes, and inventory levels. Such data-driven process allows retailers to gain insights into evolving market trends, understand complex customer needs, and dynamically and optimally adjust their procurement plans to drive higher sales.

The following screen shots illustrate some of the functions we offer through our intelligent merchandise selection system:



(ii) Merchandise display planning and management

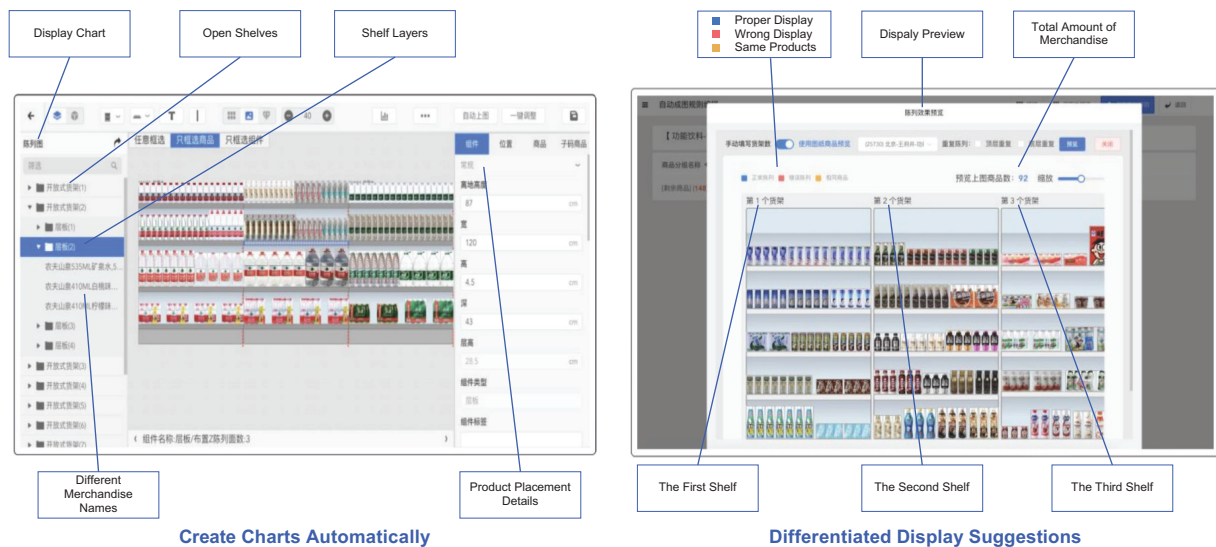
We offer retailers centralized control over the merchandise management for each store, and apply data-driven algorithms to recommend store layouts and merchandise display arrangements to reduce manual labor time, increase product variety and boost offline store sales.

The Dmall OS system is capable of analyzing a massive amount of authentic omni-channel transaction data to compute the relatedness degrees between each pair of products, which is used to generate an entire merchandise display arrangement plan on a store-by-store basis. Traditionally, creating new product placement plans is very labor-intensive so that

BUSINESS

retailers may only evaluate and change shelf displays on a quarterly basis. Post Dmall OS system adoption, retailers can utilize its automated display feature to generate display recommendation on a daily basis to keep up with new consumer preferences and market trends and drive up the sales. In addition, it is costly and logistically difficult for managers to check whether each store have arranged the merchandise as requested according to a predetermined plan. Our system enables retailers to obtain a realtime overview of merchandise display to check if there is any deviation from existing plans. As a result of using our intelligent merchandise display planning and management module, Wumei Group was able to reduce a total of around 500 hours per month on average by replacing the use of printed hardcopy display plans with electronic versions produced from the module and reorienting store staffs toward providing better shopping experience for customers. In addition, Wumei Group also observed reduced management expenses, lower time spent on spot checks, and increased sales per square meter in trial stores relative to those that did not adopt the module. With image verification covering over 300 stores, our service allows Wumei Group to achieve a closed-loop product inspection process with 95% accuracy rate for merchandize display as of December 2021. During the same period, Wumei Group also reduced its floor planning labor costs by 50% with 10 people managing the blueprints of over 300 stores.

Set forth below is an illustration of our merchandise display planning and management solutions:



Unlike traditional retail stores where it is costly and logistically difficult for managers to check whether each store have arranged the merchandise as requested, the Dmall OS system enables them to obtain a real-time overview of merchandise display to check if there is any deviation from existing plans. With this benefit, managers can view each store shelf virtually, assign display arrangement tasks to sales assistants and ensure that they complete the task diligently via the Dmall OS mobile app.

(d) Store management

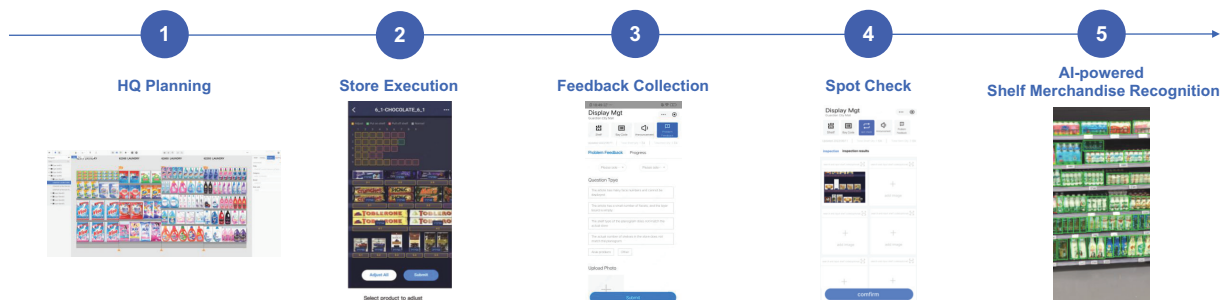
Our store management module helps improve the overall operational and managerial efficiency of offline stores. Multichannel retail operation has created new complex challenges for store management since store staff need to undertake greater number of functions concurrently, including

BUSINESS

receiving and stocking goods, managing inventories, keeping track of promotional offers, handling fulfillment-related responsibilities, among others.

Utilizing the real-time data synchronization feature of the Dmall OS system, the store management module works with other modules to serve as a nerve center for retailers to optimize workflows, reduce administrative burdens and achieve intelligent personnel management. For example, the store management module will automatically process the replenishment request initiated by the inventory auto replenishment module and forward the action request to responsible staff for further action. The module will send periodic reminder to staff and will only notify the superiors when the tasks are not completed within a specific amount of time. In addition to easing workload, the module also helps store management keeps track of tasks that each staff completed and provides a quantitative, transparent and result-orientated analysis, which enable fairer performance evaluations that is ultimately efficiency-enhancing for retailers. After adopting our store management module and intelligent fulfillment and distribution scheduling module, Wumei Group was able to fulfill approximately 98% of its orders on a timely basis for its offline stores in Beijing, which is significantly higher than the industry average of approximately 75%, according to Frost & Sullivan. The adoption of the module also helped reduced its online order picking time by 40% from 25 minutes per order to 15 minutes per order.

Set forth below is an illustration of the key functions of our store management system:



Further, we also help retailers optimize their fast food area operation. Our fast food management module helps retailers to more accurately predict hot-sellers and the most optimal time to prepare them. This will help increase the product mix to boost sales and reduce the wastes of fast food in light of their perishable nature. Furthermore, these stores are able to reduce labor and training costs and increase headcount efficiency, allowing their fast food area personnel to reorient towards customer services and sales.

BUSINESS

The following screenshots illustrate some of the functions we offer through our fast food area planning system:

The image displays two screenshots of a fast food area planning system interface. The left screenshot shows a grid of merchandise cards with labels for 'Convenience Store', 'Lunch Time Period', 'Recommended Categories', and 'Recommended Amount'. The right screenshot shows a detailed view of a '早餐时段 5:00-7:00' with a table of 'Recommended Process Amount' and 'Actual Processed Amount' for various items, with labels for 'Convenience Store', 'Actual Processed Categories', and 'Recommended Categories of Production'.

建议加工品项	实际加工品项	建议加工商品数	实际加工商品数
10	8	187	162

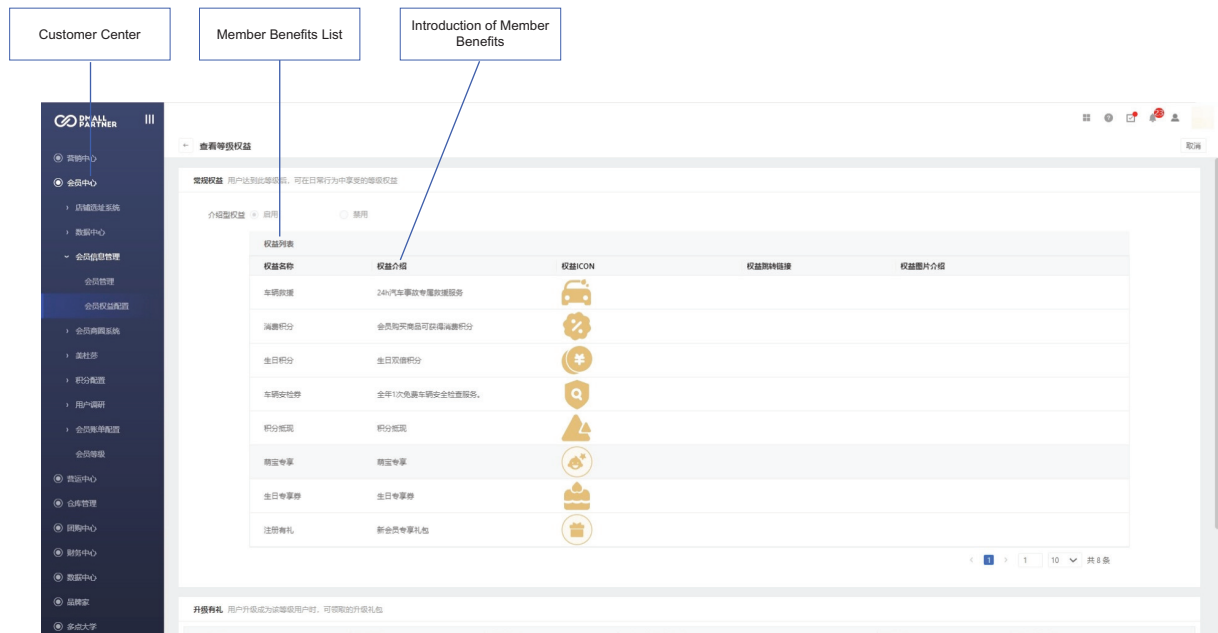
未推送商品

烧麦	鱼子福袋	三文鱼寿司
单价: 2.00 当前成本库存: 12 原料最大可转换数: 20 早餐时段已加工数: 4 加工数: 0 建议制作数: 0	单价: 2.00 当前成本库存: 12 原料最大可转换数: 20 早餐时段已加工数: 4 加工数: 0 建议制作数: 0	单价: 2.00 当前成本库存: 12 原料最大可转换数: 20 早餐时段已加工数: 4 加工数: 0 建议制作数: 0

(e) Consumer membership management

The Dmall OS system helps retailers to create their own private traffic pool using our customer membership module, which allow them to better retain customers and increase their purchase frequency via a variety of loyalty programs. As consumers browse products or make purchases, such as ordering grocery deliveries or using our self-checkout services in store, the module automatically synchronizes and updates member profiles with information such as credits, purchase history, membership rights and gift vouchers, and payment records across multiple platforms and systems. This allows retailers to gain a more comprehensive understanding of their consumer behaviors, and apply such valuable insights in their product selection. After adopting our consumer membership management module, from July 2020 to July 2021, 7-Eleven (Guangdong) increased its members by 20%.

Set forth below is an illustration of our consumer membership management system:



(f) Headquarters management

Our headquarters management module enables enterprise retailers to achieve timely and efficient coordination between their headquarters and their offline retail locations. With a large network of offline stores, enterprise retailers suffer from steep communication barriers and lack of information transparency when their central management seeks to implement specific actions at storefront. The headquarters management module is a real-time, data-driven solution for these retailers to optimize their top-down workflow and bottom-up feedback.

This module allows retailers to centralize their decision-making process and streamline storefront management tasks. With the support of contemporaneous data collection and analysis of the Dmall OS system, retailer headquarters can make well-informed decisions on how to maximize profits and business opportunities. For instance, once Dmall OS captures certain storefronts' merchandise arrangements, the headquarter could in turn decide to auction remaining available retail space to suppliers. At the same time, the retailer headquarters may dispatch its decision to make any storefront adjustments to the responsible store staff as real-time tasks in the Dmall OS system, eliminating delay in communication and reducing misunderstanding of headquarter directives at the storefront level. The retailer headquarter, as a result, could expedite its network-wide execution of central commands promptly and accurately.

The module also provides a retailer headquarter with visualized, quantitative feedback on the actual execution of its directives. The headquarter could monitor each task's progress with the corresponding responsible store staff; the module helps the headquarter to control for delayed or incomplete tasks by automatically elevating the issue for management review. The headquarter could further assess each task's completion with the Dmall OS system's visual data analysis tool, which equips the headquarter with detailed knowledge on the performance of its retail network for future decision-making scenarios.

BUSINESS

Set forth below is an illustration of our headquarters management module:



(g) Distributed e-commerce system

Our distributed e-commerce system enables retailers and brand owners to seamlessly create and operate their online stores, including developing their own Apps, creating mini-programs, and operating online stores on third-party platforms.

Our distributed e-commerce system provides retailers and brand owners with four comprehensive sub-systems covering the full cycle of online store development and operation:

Online Marketplace System: Develop and deploy user-friendly, visually appealing, and fully functional online stores at ease.

Store Operation System: Manage online representation of a brand or product, including product information, pricing, images, and reviews, in the e-commerce environment (i.e. digital shelf). Manage promotional activities, orders and inventory. This enhances user experience, helping retailers expand their user base.

Order Fulfillment System: Automatically and intelligently process orders and route action requests to appropriate retail store staff at the right time. For example, the system provides precise instructions to staff regarding the timing for picking up and packaging orders to ensure the preservation of the food quality of refrigerated items. By doing so, the system optimizes the fulfillment process by coordinating the handling of orders in a way that improves employee staffing efficiency and minimizes the exposure of perishable items to ambient conditions.

Delivery System: Manage and arrange delivery information for online orders. Leveraging the delivery system, retailers can efficiently arrange own staff or connect with third party delivery providers for delivery of online order.

Our distributed e-commerce system helps retailers and brand owners to establish a strong online presence, effectively connecting with a wide and diverse consumer audience.

BUSINESS

Please refer to the table below for a comparison of the major services under the distributed e-commerce system and the e-commerce service cloud solutions.

	Distributed e-commerce system	E-commerce service cloud solution
Services		
System	We help retailers develop their own e-commerce trading platform and provide online systems, store operation systems, order fulfillment systems, and delivery systems, or offer the above systems to help retailers integrate and go live on third-party platforms.	We require retailers to on board Dmall app, and we used online systems, store operation systems, order fulfillment systems, and delivery systems to provide e-commerce services.
Operation	N/A	We also handle the day-to-day operations of virtual stores on behalf of retailers. This includes providing consumer support to address queries and resolve issues, managing orders and inventory, maintaining the e-commerce platform, and keeping product listings up-to-date.
Delivery	N/A	We engage logistics service providers for delivering orders for consumers.
Customer types		
	Retailers	Retailers and consumers
Pricing		
To retailers	We charge retailers a take-rate-based fee. The take rate we charge retailers for the distributed e-commerce system is generally lower than the take rate we historically charged under our e-commerce service cloud solutions, as we do not provide delivery services under the distributed e-commerce system.	We charge retailers a take rate based fee for our O2O platform services.
To consumers	N/A	We charge consumers a delivery fee and packaging fee upon the completion of each delivery order. Delivery fee is determined based on factors such as size, weight, distance and location characteristics of the delivery order.

(h) AIoT solutions

Our domestic retail cloud business is divided into two categories: retail core operating system, a digital infrastructure that generally has a lower fee compared to the retailers' existing IT spendings and value-added services that create value by way of cost reduction, efficiency improvement, and revenue increase for retail enterprises. The AIoT solution is a typical value-added service provided by us. According to Frost & Sullivan, for domestic brick-and-mortar retail enterprises, the annual

BUSINESS

comprehensive IT expenditure accounts for only about 1% of their annual revenue, while expenditures on labor, energy, and losses account for approximately 15% of their annual revenue. Among them, labor costs alone make up about 10% of the annual revenue of retail enterprises, according to Frost & Sullivan. Our value-added services focus on this 15% cost budget. Through our powerful digital capabilities and intelligent devices, a new retail business management model driven by data, task assignment, hierarchical problem-solving, and real-time response has been created. This model quantifies and highly leverages the work of a large number of retail employees, significantly improving operational efficiency and helping retail enterprises optimize their cost structure. In return, we receive service fees. This new model is a combination of systems and manpower, and we need stronger control over manpower during the launching period of our AIoT solutions to effectively promote it. Therefore, there may be an increase in the use of outsourcing service providers and related outsourcing and other labor costs during the initial stage of promoting and launching our AIoT solutions with our customers. Once the AIoT solutions business matures, we will adopt a model based on system services combined with the retail enterprise's own employees, or continue to provide comprehensive services including both our intelligent devices and outsourced labor support based on the retail enterprise's needs.

Through our AIoT solutions, retailers can build digitally integrated retail locations that improve in-store management efficiency and enhance personalized shopping experiences for consumers. Our main AIoT solutions include digitalized smart tags, AIoT-enabled shopping carts, Scan-and-Go solutions and intelligent loss prevention solutions. For example, we replaced paper price tags with digitalized smart tags in offline stores, allowing retailers to more swiftly adjust prices on different types of products in response to consumer demand changes and promotions. Our AIoT solutions also work together with our Dmall OS system to track inventory level, provide real-time updates and automatically initiate re-stocking orders when the inventory level drops under a certain threshold. Leveraging the proprietary AIoT-enabled shopping carts, retailers can also trace the footprints of consumers in physical stores, collect and analyze important information such as trending product location, user movement patterns, most visited shelf location, and items that are most likely to be bought together. As such, we enable retailers to record, retain and analyze these data from physical stores just as e-commerce platforms would from online shoppers. We sell smart hardware products, such as digitalized smart tags, AIoT-enabled shopping carts and intelligent loss prevention lamp post (lamp post that leverages visual AI algorithms to identify unusual activities) and adopt a cost-plus pricing. The listing price takes into account the cost of hardware procurement, system development and integration, delivery, and business coordination. Each transaction is priced on a case-by-case basis using the cost plus method.

Our AIoT solutions also help retailers to improve checkout management with our proprietary smart Scan-and-Go solutions to improve their checkout efficiency. Consumers using such Scan-and-Go solutions can choose to use self-checkout services without wasting time in lines and dealing with cashiers. Data gathered during the self-checkout process helps retailers to develop more comprehensive consumer profile. This allows retailers to adopt more tailored marketing strategy that captivate consumer interest and provide more personalized shopping experience. We charge our Scan-and-Go solutions based on take rate. In addition, we launched intelligent customer services that assign customer service personnel to handle consumer complaints and provide intelligent customer service quality assessment. Customer services we provide include addressing consumer complaints and responding to pre-sale and post-sale enquiries from consumers relating to their purchases from our retailer customers. Addressing a common pain point in the retail sector, we have also improved how customer service quality is assessed. Traditionally, quality checks involved manually listening to each customer service call and subjectively scoring them, a process that was not only time-consuming but

BUSINESS

also lacked objectivity and required substantial manpower for comprehensive coverage. We automate the quality assessment process by categorizing calls into specific scenarios and establishing standardized scoring criteria, leveraging our AI capabilities.

We also launched intelligent loss prevention products and related services in 2022. Our intelligent loss prevention solution is an integrated solution that replaces currently labor intensive and ineffective manual monitoring process in retailers' checkout area, with a cost efficient digital approach leveraging hardware, software, artificial intelligence and services. The solution contains surveillance cameras installed on self-checkout machines that shoot consumer checkout video. Our intelligent loss prevention solution analyzes consumer checkout behavior using both the video and consumer order and payment information provided by our self-checkout system and warns retailers of suspicious transactions. After using our AIoT solutions, Wumei Group replaced 285 regular checkout counters requiring manual labor with 628 self-checkout counters. As of August 2021, Wumei Group reduced the need of more than 500 cashiers, and saved labor costs. We also launched intelligent cleaning solutions, intelligent merchandise replenishment solutions, intelligent package sorting solutions, intelligent cashier solutions and intelligent delivery solutions. The table below sets forth the key features of our major new AIoT initiatives.

<u>New AIoT Initiatives</u>	<u>Description</u>	<u>Pricing</u>
Intelligent loss prevention solutions	<p>An integrated solution that replaces currently labor intensive and ineffective manual monitoring process with a cost-efficient digital approach leveraging Internet of Things, artificial intelligence and big data. Major products include</p> <ul style="list-style-type: none"> • Remote surveillance: support remote viewing and monitoring the stores with customized monitoring scenes • Intelligent inspection: support a variety of online and offline inspection methods • Self-service night collection: replace the night duty personnel for door watching & opening, effectively saving labor cost • Safety channel blockage monitoring: effectively prevent potential safety hazards and trace abnormal situations • Smoke and flame alarm: identify the fire point in real time and sound alarms automatically to minimize potential hazard-related damages • Intelligent anti-loss light poles: automatically identify abnormal checkout orders for self-service purchases 	<p>Subscription based fee: subscription fee depends on factors such as store area, service content, and city location</p>
Intelligent cleaning solutions	<p>An integrated cleaning solution combining digital devices and labor force for offline retail scenarios such as supermarkets. Services include leasing of sweeping robot, and cloud-based management of cleaning devices and</p>	<p>Subscription based fee: subscription fee depends on factors such as store area, the number of cleaning</p>

BUSINESS

New AIoT Initiatives

<u>New AIoT Initiatives</u>	<u>Description</u>	<u>Pricing</u>
	<p>related operation services. It helps schedule, monitor, and optimize cleaning tasks throughout retail spaces. This solution enhances store cleanliness efficiency while reducing overall cleaning costs. The system addresses several longstanding pain points in traditional store cleaning practices: previously, staff scheduling was rudimentary, work accountability was difficult to trace, there was a lack of detailed task planning, and staff often had overlapping responsibilities, resulting in poor overall efficiency. By implementing this smart system, retailers can overcome these challenges, ensuring a more organized, efficient, and cost-effective approach to maintaining store cleanliness, ultimately improving both the shopping environment and operational productivity.</p>	<p>staff required, and the type and quantity of robots needed</p>
Intelligent merchandise replenishment solutions	<p>This solution digitalizes the product replenishment process, integrating cameras and specialized software with restocking algorithms and a task triggering system. The system incorporates various data collection methods, including new stock arrival tracking, sales calculations, and out-of-stock detection. It then automatically distributes replenishment tasks to employees based on this data. As a result, the solution achieves automated and quantifiable inventory management, streamlining the entire restocking process and improving overall operational efficiency in retail environments. Besides, by applying this replenishment function, the customers could perform real-time monitoring on merchandise replenishment, and optimize the payroll structure and offer better incentive plan to the workers to improve operating efficiency, which would also help the customer on their cost decreasing and benefit increasing program.</p>	<p>Subscription based fee: subscription fee determined by the average daily sales of the store</p>
Intelligent package sorting solutions	<p>A holistic package sorting service solution including setting up intelligent shelves for retailer's O2O business. Leveraging advanced big data algorithms and modeling techniques, the system identifies and locates products based on order priority and inventory status. It then utilizes automated equipment for sorting and distribution. This process optimizes the route for sorting personnel from shelves to packing stations, enhancing overall package sorting efficiency. By streamlining the entire workflow from product identification to final</p>	<p>Fixed fee per item</p>

BUSINESS

New AIoT Initiatives

<u>New AIoT Initiatives</u>	<u>Description</u>	<u>Pricing</u>
	packaging, this solution enables retailers to meet the demands of modern e-commerce while improving operational productivity and accuracy	
Intelligent cashier solutions	Compared to our scan-and-go solutions which enhance customer checkout experiences, our intelligent cashier solutions focus on optimizing internal operations to streamline the checkout process, improving overall efficiency. Our system implements smart scheduling for cashiers based on customer traffic patterns. It visualizes employee work content for easier tracking and provides AI-powered scheduling and dispatch to assign tasks to individual employees, aligning human resource arrangements with staffing needs. The system also tracks detailed performance metrics, including piece-rate work volumes and performance bonuses. In addition, we help customers tags employee efficiency and skills, creating comprehensive profiles for each employee of the customers.	Subscription based fee: subscription fee determined by the average daily sales of the store
Intelligent delivery solutions	For delivery services where we station service riders full-time at supermarkets and stores of our customers (see Type B of the delivery service agreement): Based on the scale and profile of the retailer's orders, our intelligent delivery solutions provide a comprehensive fulfillment plan that includes a delivery system, dynamic route planning algorithms, dispatching, and aggregated delivery services. The solution arranges efficient and timely delivery through analyzing various factors including traffic conditions, anticipated demand fluctuations, delivery windows and delivery capacity. The order assignment algorithm developed by us assigns orders based on the type of rider, order urgency, distance, and the rider's current status and availability. Riders are also graded based on their performance, reliability, and consumer feedback. Those with higher ratings and consistent service quality are given priority for order assignments. The delivery service, including the recruitment and management of riders, is handled by third-party logistic providers which we collaborate with. Our solutions reduce operational costs for retailers and enhance consumer satisfaction by providing accurate delivery estimates to consumers and minimizing delays.	Subscription based fee: subscription fee determined by the number of orders delivered for the retailers and the price per order

BUSINESS

New AIoT Initiatives

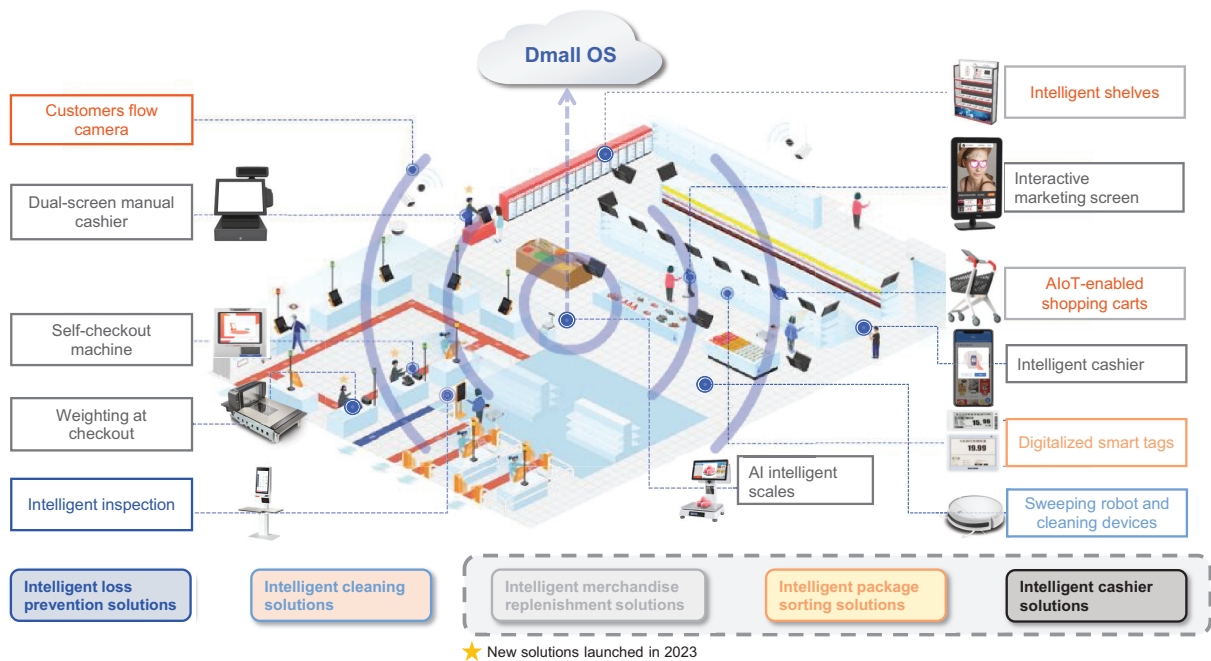
Description

Pricing

We offer a supplementary delivery service collaborating with third-party logistics service providers where the riders assigned and route plannings are conducted by such third party logistics service providers using their own system. (see Type A of the delivery service agreement). We have developed a logistics management platform that connects retailers' delivery orders with logistics service providers. This platform allows retailers to conveniently and independently select their preferred logistics provider. Under this arrangement, customers submit service requests through our logistics management platform to the logistic service provider, and the logistics service provider handles order assignment and route planning. This option is primarily employed when customers occasionally require additional riders to fulfill temporary high volume delivery demands, have minimal delivery requests or prefer using logistic services on an as-needed basis.

We do not employ or have any contractual relationship with riders under either type of delivery arrangement. The riders are provided by third-party logistics service providers.

The graphic below illustrates the interconnectivity between our Dmall OS system and AIoT solutions:



BUSINESS

The following reflects the key terms of the two types of delivery service agreements we have entered into with third-party logistics service providers for our intelligent delivery solutions:

Key Terms	Descriptions
Type A	
Service type	In cities and regions that are within the logistic provider's delivery capacity coverage, we submit service requests on the logistic provider's designated platform and the logistic service provider shall provide delivery services. The logistic provider shall pick up parcels and deliver to the consumers. The logistic provider may engage third-party contractors for such delivery services, provided that it shall ensure that such services meet the standards agreed under this agreement.
Pricing terms	<p>Delivery service fee of an order is generally calculated based on the city/ region where the order is placed, distance and weight. We are charged an additional fee for orders placed around the time of Spring Festival. The calculation method also applies to parcels returned from the consumers and confirmed by us.</p> <p>We have the option to cancel orders, while delivery service fees are still charged for orders cancelled after the logistic provider or its third-party contractors have picked up the parcel. We are generally entitled to file complaints on the logistic provider's designated platform and receive refunds from the logistic provider under agreed circumstances.</p> <p>We shall pay delivery service fees and receive refunds on a monthly basis. We are generally granted a credit term of 30 days.</p>
Term and renewal	Generally one year subject to automatic renewal.
Termination	This agreement may be terminated either by mutual consent or due to a failure to reach a consensus on updated pricing terms proposed by the logistic provider from time to time.
Penalty	Either party may be liable for penalty if the other party breaches the agreement, in the amount equal to damages incurred by the non-breaching party. We may be liable for penalty if we delay in delivery service fee payment.
Type B	
Service type	<i>O2O delivery service.</i> The logistic service provider is required to station its delivery service riders full-time at supermarkets and stores as designated by us. The logistic provider and its riders shall provide delivery services and to deliver parcels on our behalf.
Pricing terms	The delivery service fee for an order typically comprises a base fee predetermined for each supermarket and store under this agreement, plus additional fees for overweight parcels. We provide service fees only for successful deliveries. Service fees will not be paid for deliveries that are not completed, such as those resulting from consumer rejection. We will verify incomplete deliveries with the logistics service providers before making payments. During promotional periods, such as the Spring Festival, summer, and winter, we may also provide subsidies to the logistic provider. The logistic provider is required to compensate us with policy-based penalties for any breaches of contract, such as delayed deliveries, according to the criteria established in this agreement.

BUSINESS

Key Terms	Descriptions
	The pricing terms may be subject to quarterly adjustments, provided the logistic provider gives prior notice and we give our consent or are deemed to have consented.
	The delivery service fee shall be settled on a monthly basis.
Term and renewal	Generally one year. Parties may negotiate to determine whether to renew the agreement 30 days prior to the expiration of the contract.
Termination	Either party may terminate the agreement upon breaching by the other party under certain circumstance.
Penalty	Either party may be liable for penalty if the other party breaches the agreement, in the amount equal to damages incurred by the non-breaching party.

(i) Others

The Dmall OS system also features a wide range of other functionalities, including site selection for new stores, rebate vouchers processing, and franchising management, helping retailers of varying needs to optimize their operational management. In addition, we provide text messaging services to our customers which involve distribution of product and promotion information through non Internet channels to consumers. The distribution of information is carried out by third party service providers that are engaged by us. We have developed a messaging management service platform that offers SMS API development, technical support, and a data transmission dashboard, enhancing message delivery rates. We charge our customers based on the number of messages sent. We provide retailers with a tax invoice management system that integrates business settlement statements with the invoicing process. This system automatically assists retailers in invoice splitting, amount calculation, and can directly connect to the retailer's system for invoice issuance. Furthermore, it offers features including invoice verification, authentication, and statistical query. We also provide diversified software development services to warehouse supermarkets, department stores and convenience stores, and aim to expand our services in lower tier cities through our subsidiary, Shenzhen Enjoy.

E-commerce service cloud

During the Track Record Period, we provided integrated services under our e-commerce service cloud to retailers, encompassing the establishment of virtual storefronts, as well as the operational support for their online stores and delivery services.

As our customers have grown more accustomed to e-commerce operations, they have shown a tendency to bring the operation of their e-commerce business in-house, where they manage their own day-to-day O2O operations, while still requiring technical support to establish their online presence and manage day-to-day operations. In light of these shifts in our customers' business models and to continue advancing our goal of enabling retailers to carry out online and offline omnichannel operation, we have been providing the distributed e-commerce system module under our retail core service cloud solutions.

By the end of 2023, all our customers under the e-commerce service cloud solutions had transitioned to in-house O2O operation, where they manage their own day-to-day O2O operations. As a result of our customers opting for in-house O2O e-commerce business, we ceased to provide system

BUSINESS

and delivery services under the e-commerce service cloud solutions for those customers accordingly, but we provide distributed e-commerce system and other services to them if they decide to subscribe to such services. Consequently, the bulk of the services we provided under the e-commerce service clouds during the Track Record Period, such as the operational support for their online stores and delivery services, had been phased out. As we phased out the bulk of services provided under the e-commerce service clouds by the end of 2023, the remaining services we provided under the e-commerce service cloud solutions did not generate material revenue in 2024. After the Restructuring, we do not operate any business under the e-commerce service cloud.

Others

During the Track Record Period, the services we provided under our other business segment primarily included offline marketing services, offline marketing products and the provision of discounts and coupons.

Set forth below is a summary of typical terms of the framework offline marketing agreements we enter into with our customers under which we are responsible for the design and execution of offline marketing activities.

Key Terms	Description
Tenure	Ranging from one year to three years.
Service Type	Design and execution of offline marketing activities.
Pricing	The price of each marketing event to be separately negotiated and agreed between parties prior to each marketing event.
Payment Terms	Settlement is required after the completion of each marketing event.
Termination	The agreement shall be terminated in the event of bankruptcy, liquidation, dissolution, force majeure or otherwise as required by laws and regulations. The agreement may also be terminated by the non-breaching party upon the breaching party's failure to cure a breach of contract. Termination of the agreement would not affect payment already made under the agreement.
Standard Terms and Conditions	Other standard terms and conditions form part of the agreement, which stipulate issues including representations and warranties of both parties, intellectual property rights and dispute resolutions.

Marketing Resource Collaboration Agreement with Chongqing Department Store

On November 30, 2022, Dmall (Shenzhen) Digital entered into a marketing resource collaboration agreement (the “**Marketing Resource Collaboration Agreement**”) with Chongqing Department Store (for itself and on behalf of the other group members of Chongqing Department Store Group).

BUSINESS

Pursuant to the Marketing Resource Collaboration Agreement, Dmall (Shenzhen) Digital agrees to assist Chongqing Department Store Group's marketing activities by gathering marketing resources from third party market participants (including but not limited to brand owners, payment solution operators, banks and other businesses or organizations) during the service period from January 1, 2023 to December 31, 2025. The value of the marketing resources is based on the amount of the marketing subsidies (including but not limited to payments or coupons) used by Chongqing Department Store Group from such market participants. We determined a RMB50 million threshold for each calendar year comprising the service period based on the amount of merchandise coupon resources we estimated we could gather in 2023, multiplied by the estimated merchandise coupon usage rate. Separate agreement may be entered into for each specific collaboration among Dmall (Shenzhen) Digital, Chongqing Department Store and the relevant third party market participant which will set out the precise scope and format of the collaboration.

The collaboration typically takes place in the following manner: we liaise with third party market participants, such as brand owners, payment solution operators or banks, to gather marketing resources, such as product discounts, bank coupons, other promotional coupons, cash vouchers and so on. We then pass these marketing resources to Chongqing Department Store Group, so that Chongqing Department Store Group could make these marketing resources available as promotional materials or shopping rewards in its e-store to the shoppers and customers. Hence these marketing resources support Chongqing Department Store Group's marketing efforts by providing shopping subsidies to attract and retain customers and potential customers.

Reasons for the transactions

Due to the nature of our businesses, we have business relations with a large number of high calibre brand operators, payment channel operators and other businesses and enterprises which may bring quality marketing business and opportunities. However, as we are not retailers, we are not able to use or directly benefit from these marketing resources; we are only able to monetize these marketing resources if we direct them to retailers (such as Chongqing Department Store Group) who are able to make use of these marketing resources. As such, we entered into this performance-based agreement with Chongqing Department Store Group to explore new collaborative approaches which represents a unique arrangement in our business operations. This exclusive collaboration underscores our commitment to exploring innovative business models that create mutual value and drive growth. It allows us to utilize our marketing resources to expand our potential source of revenue while providing shopping and other subsidies to Chongqing Department Store Group to help it attract and retain consumers. We do not have similar performance-based contracts with other retailers, nor do we currently plan to enter into such agreements with other retailers.

Pricing terms

The pricing terms of the marketing resource collaboration are that, if, in a calendar year, (i) Chongqing Department Store Group used marketing resources that Dmall (Shenzhen) Digital have gathered of more than RMB50 million in value (the part in excess of RMB50 million, the "**Value Surplus**"), Chongqing Department Store shall pay 50% of the Value Surplus to Dmall (Shenzhen) Digital; (ii) Chongqing Department Store Group used marketing resources that Dmall (Shenzhen) Digital have gathered of less than RMB50 million in value (the part short of RMB50 million, the "**Value Shortage**"), Dmall (Shenzhen) Digital shall pay the Value Shortage to Chongqing Department Store. As mentioned above, the value of the marketing resources is based on the amount of the

BUSINESS

marketing subsidies (such as the value of the discount, coupon, cash voucher etc.) in aggregate used by consumers of Chongqing Department Store Group pursuant to the Marketing Resource Collaboration Agreement. For the avoidance of doubt, RMB50 million is merely the threshold for determining the Value Surplus and the Value Shortage and is not the target transaction value under the Marketing Resource Collaboration Agreement.

The pricing and other terms in the Marketing Resource Collaboration Agreement were determined based on arm's length negotiation between the parties, with reference to factors such as the Company's expectation as to the marketing resource it may gather during the collaboration period. The threshold of RMB50 million was accepted by the Company during the negotiation as it was the minimum amount of marketing resources that the Company estimated, just before the time of entering into the Marketing Resource Collaboration Agreement (i.e. in late 2022), it could gather in the 2023 year; it also estimated that the amount should follow a growing trend beyond 2023. The Directors consider the terms and conditions of the Marketing Resource Collaboration Agreement are fair and reasonable and based on normal commercial terms, and that the Marketing Resource Collaboration Agreement and the transactions contemplated thereunder is in the best interests of our Company and the Shareholders as a whole. According to Frost & Sullivan, it is not uncommon for parties to enter into this type of agreement. These contingent payment agreements are used in various business collaboration contexts. We and Chongqing Department Store are currently using the value of marketing resources gathered as a payment criterion.

The following table reflects the key terms of the Marketing Resource Collaboration Agreement:

<u>Key Terms</u>	<u>Descriptions</u>
Service type	We shall leverage our business relations with third party market participants, such as brand owners, payment solution operators and banks, to gather marketing resources for Chongqing Department Store Group. Such marketing resources will be used as promotional materials or shopping rewards in Chongqing Department Store Group's virtual stores.
Pricing terms	If there is a Value Surplus, Chongqing Department Store shall pay us 50% of the Value Surplus. If there is a Value Shortage, we shall reimburse Chongqing Department Store an amount equal to the Value Shortage.
Term and renewal	Three years, from January 1, 2023 to December 31, 2025. If we decide not to renew the agreement, we shall provide a written notice to Chongqing Department Store at least one year before the expiration of the contract.
Termination	Neither party could unilaterally terminate the agreement without the written consent of the other party or unless otherwise provided in the agreement.
Penalty	Any direct or indirect violation of any terms of this agreement, or failure to undertake, or timely and adequately undertake any obligations under this agreement constitutes a breach of contract. The non-breaching party has the right to issue a written notice demanding that the breaching party rectify the breach and take

BUSINESS

Key Terms	Descriptions
	<p>sufficient, effective, and timely measures to eliminate the consequences of the breach and compensate the non-breaching party for any losses incurred due to the breach.</p> <p>If Chongqing Department Store fails to pay 50% of the Value Surplus to us in time, a penalty of 0.05% per day of such overdue amount will be imposed.</p> <p>If we fail to pay Chongqing Department Store the Value Shortage in time, a penalty of 0.05% per day of such overdue amount will be imposed.</p>
Standard Terms and Conditions	Other standard terms and conditions form part of the agreement, which stipulates issues about confidentiality obligation, intellectual property rights, data protection and dispute resolutions.

In 2023, we paid an amount of RMB18.9 million to Chongqing Department Store which represent the equivalent value shortage of marketing resources. The lower merchandise coupon usage rate in 2023 was primarily due to the decrease in consumers' willingness to spend. Based on our projections, we anticipate falling short of the RMB50 million threshold in 2024. Consequently, we recorded a negative revenue, representing the estimated equivalent value shortage of marketing resources to be paid to Chongqing Department Store, of RMB13.2 million for the six months ended June 30, 2024.

Transition of Online Advertising Services

To facilitate the termination of our collaboration with advertising customers for online advertising services and transfer the business to Dmall Fresh (Beijing), we entered into an agency cooperation agreement with Dmall Fresh (Beijing). The following reflects the salient terms of the agreement:

Key Terms	Descriptions
Service type	We may acquire advertising customers in our own name, enter into agreements with them, and collect fees. Upon establishing cooperation with brands or brand partners, we will notify Dmall Fresh (Beijing) of the brand information in writing and remit the relevant marketing fees to Dmall Fresh (Beijing). Dmall Fresh (Beijing) shall execute the relevant marketing activities per the agreed terms.
Pricing terms	Upon receiving payment from the advertising customer, we will retain 1% of the service fee as an agency fee, and the remaining amount will be paid to Dmall Fresh (Beijing) as marketing activity execution fees. Our payment to Dmall Fresh (Beijing) is contingent upon receiving full payment from the advertising customer. If, for any reason, we are required to refund such fee, Dmall Fresh (Beijing) shall return the corresponding amount to us.
Term and renewal	The agreement will terminate on December 31, 2024, or upon the expiration of our contracts with our advertising customers, whichever is earlier.

BUSINESS

Key Terms	Descriptions
Penalty	Any direct or indirect violation of any terms of this agreement, or failure to undertake, or timely and adequately undertake any obligations under this agreement constitutes a breach of contract. The non-breaching party has the right to issue a written notice demanding that the breaching party rectify the breach and take sufficient, effective, and timely measures to eliminate the consequences of the breach and compensate the non-breaching party for any losses incurred due to the breach.

This arrangement is covered under the Dmall Fresh Marketing Resource Framework Agreement as disclosed more particularly under the section headed “Connected Transactions — F3. Dmall Fresh Marketing Resource Framework Agreement”.

Discontinued Operations

During the Track Record Period, we offered online marketing and advertising services that allow customers to market their products and services through advertising on our Dmall mobile app and mini-programs. In April 2024, we conducted a series of restructuring transactions to divest all of our equity interests in Dmall Fresh (Beijing), our former VIE, to minimize the underlying legal and regulatory risks. The Restructuring led to the divestment of the online advertising services and the cessation of the operation of the Dmall app and mini programs. See “Summary—Recent Developments” and “History, Reorganization and Corporate Structure—Acquisitions and Disposals.

BUSINESS SUSTAINABILITY & PATH TO PROFITABILITY

	For the Year Ended December 31,			For the Six Months Ended June 30	
	2021	2022	2023	2023 <i>(unaudited)</i>	2024
Growth of revenue	—	56.6%	19.4%	—	22.9%
Gross margin ⁽¹⁾	20.4%	38.0%	35.0%	36.3%	38.3%
Net margin ⁽²⁾	(213.2%)	(67.8%)	(47.3%)	(76.9%)	(51.3%)
Adjusted net margin from continuing operations (non-IFRS measure) ⁽³⁾	(111.0%)	(26.8%)	(14.7%)	(18.8%)	(6.0%)

Notes:

- (1) Equals gross profit for the year/period divided by revenue for the year/period and multiplied by 100%.
- (2) Equals loss for the year/period from continuing operations divided by revenue for the year/period and multiplied by 100%.
- (3) Equals adjusted loss from continuing operations (non-IFRS measures) for the year/period divided by revenue for the year/period and multiplied by 100%.

In 2015, we began our journey by assisting retailers in setting up and operating e-commerce platforms, responding to the burgeoning demand for online retail. This initiative served as a pivotal entry point for achieving our broader goal of helping retailers digitalize all facets of their operations. By 2017, we introduced AIoT solutions, combining hardware and software to enhance retail efficiency in specific scenarios, such as intelligent price tags that automatically update merchandise prices. In 2018, we launched the core services now offered under the Dmall OS system, including product management, product procurement process management, and supply chain management. In 2019, we launched our proprietary Dmall OS system that addresses the full range of operation needs of retailers. As our customers have become more accustomed to e-commerce operations, they have shown a tendency to bring the operation of their ecommerce business in-house, where they manage their own

BUSINESS

day-to-day O2O operations, while still requiring technical support to establish their online presence and manage day-to-day operations. In light of these shifts in our customers' business models, we introduced the distributed e-commerce system module in 2022 and intelligent delivery service solution in 2023. We expect to continue to strategically focus on the growth and development of our retail core service cloud. During the Track Record Period, we have demonstrated our ability to generate revenue and progress towards achieving profitability. We achieved strong revenue growth as our revenue grew by 56.6% from RMB848.2 million in 2021 to RMB1,328.3 million in 2022, and further increased by 19.4% to RMB1,585.4 million in 2023. Our revenue increased by 22.9% from RMB764.0 million in the six months ended June 30, 2023 to RMB939.2 million in the six months ended June 30, 2024. We have also improved our gross margin during the Track Record Period. Our gross margins were 20.4%, 38.0%, 35.0%, 36.3% and 38.3% in the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. Our net margin from continuing operations improved from negative 213.2% in 2021 to negative 67.8% in 2022, negative 47.3% in 2023 and improved from negative 76.9% in the six months ended June 30, 2023 to negative 51.3% in the same period in 2024.

In 2021, 2022, 2023, and the six months ended June 30, 2023 and 2024, we recorded net losses from continuing operations of RMB1,808.0 million, RMB900.0 million, RMB749.0 million, RMB587.9 million and RMB482.2 million, respectively. Our net losses from continuing operations decreased from RMB1,808.0 million for the year ended December 31, 2021 to RMB900.0 million for the year ended December 31, 2022, primarily attributable to our continued gross profit improvement associated with our ongoing strategic focus on our retail core service cloud solutions as well as the decreases in our selling and marketing expenses attributable to the decrease in promotional incentives to retail consumers for our e-commerce service cloud solutions and our general efforts to control costs and optimize our operational efficiency in 2022. Our net losses from continuing operations decreased from RMB900.0 million for the year ended December 31, 2022 to RMB749.0 million for the year ended December 31, 2023, primarily attributable to the decrease in our loss from operations due to our concerted efforts to control costs and optimize our operational efficiency. Our net losses from continuing operations decreased from RMB587.9 million in the six months ended June 30, 2023 to RMB482.2 million in the six months ended June 30, 2024, primarily attributable to the decrease in our loss from operations due to our concerted efforts to control costs and optimize our operational efficiency and the cessation of the e-commerce service cloud solutions. We had adjusted net losses from continuing operations (non-IFRS measure) of RMB941.6 million, RMB355.9 million and RMB233.3 million in 2021, 2022 and 2023, respectively, primarily attributable to expenses incurred in line with the growth and development of our business, including significant investment in research and development to support the continued development of our proprietary operating system and marketing resources to grow our customer base for our retail core service cloud solutions as well as logistic costs for our integrated e-commerce service. We recorded adjusted net losses from continuing operations (non-IFRS measures) of RMB143.9 million and RMB56.4 million in the six months ended June 30, 2023 and 2024, primarily attributable to our continuing investment in research and development to strengthen our technological and research and development capabilities and expenses associated with general and administration due to the growth of our AIoT solutions business. Our adjusted net margin from continuing operations (non-IFRS measure) significantly improved from negative 111.0% in 2021 to negative 26.8% in 2022, and further to negative 14.7% in 2023. Our adjusted net profit margin from continuing operations (non-IFRS) measures improved from negative 18.8% in the six months ended June 30, 2023 to negative 6.0% in the same period in 2024.

BUSINESS

We recorded net liabilities of RMB4,739.2 million, RMB6,077.4 million, RMB6,765.1 million, and RMB7,053.6 million, as of December 31, 2021, 2022, 2023 and June 30, 2024 respectively. The net liabilities were primarily attributable to the convertible redeemable preferred shares of RMB5,137.2 million, RMB6,378.7 million, RMB6,965.5 million and RMB7,407.2 million as of December 31, 2021, 2022, 2023 and June 30, 2024, respectively, issued pursuant to our pre-IPO fundraising. The convertible redeemable preferred shares will be redesignated from liabilities to equity as a result of automatic conversion into ordinary shares upon the Listing such that the net liabilities position would turn into a net asset position.

Our net cash used in operating activities were RMB1,274.7 million, RMB205.5 million, RMB179.2 million, RMB192.7 million and RMB56.7 million for the years ended December 31, 2021, 2022, 2023 and for the six months ended June 30, 2023 and 2024, respectively. These were primarily attributable to loss for the year. Based on our financial performance during the Track Record Period, our management considers that we are striding towards achieving profitability. However, our future profitability is uncertain and subject to various factors, including our ability to effectively monetize our product and service offerings and sustainably grow revenues in a cost-effective way. Despite our expanding business scale, we may continue to incur net losses and net operating cash outflow in the foreseeable future as described above. See “Financial Information—Non-IFRS Measure” and “Risk Factors—We incurred significant net losses and generated net operating cash outflows in the past and we may continue to do so in the future” in this document for more information.

Our accumulated losses of RMB3,446.9 million before the start of Track Record Period were primarily attributable to costs and expenses associated with our e-commerce services and AIoT solutions, as well as investment in research and development of our operating system, as we work towards designing and improving our offerings to customers in the local retail industry and laying a strong foundation for our business operations. We recorded accumulated losses of RMB5,199.4 million, RMB6,008.2 million, RMB6,601.5 million and RMB6,836.4 million as of December 31, 2021, 2022, 2023, and June 30, 2024, respectively. Our loss-making position was attributable to expenses incurred in line with the growth and development of our business, including significant investment in research and development to support the continued development of our proprietary operating system, additional headcount across our internal functions consistent with our accelerated growth, and marketing resources to grow our customer base and stimulate consumer traffic for our e-commerce platform as well as logistic costs for our integrated ecommerce service. Our accumulated loss before and our loss-making position during the Track Record Period occurred during a time when we were growing rapidly and invested in developing high quality products and services to pave the way for our profitability in the long run.

We recorded a substantial decrease in adjusted net losses from continuing operations (non-IFRS measure) and operating cash outflows during the Track Record Period, primarily attributable to our continued gross profit improvement benefitting from new business under our retail core service cloud solutions as well as our concerted efforts to control costs and optimize our operational efficiency, including but not limited to, labor structure optimization and non-extension of certain office leases.

According to Frost & Sullivan, the local retail industry is one of the largest industries in the world with its market share in Asia increasing from RMB30.0 trillion in 2018 to RMB31.1 trillion in 2023, at a CAGR of 0.8%. The market size of the local retail industry in China increased from RMB12.2 trillion in 2018 to RMB13.4 trillion in 2023, achieving a CAGR of 1.8%. In terms of revenue, the market size of the retail digitalization solution industry in China increased from RMB4.8 billion in 2018 to RMB18.7 billion in 2023, at a CAGR of 31.0 % and is expected to further grow at a

BUSINESS

CAGR of 27.7 % in the period from 2024 to 2028, reaching RMB61.8 billion in 2028. Driven by the recovery of consumption after the COVID-19 pandemic, it is estimated that the market size of the local retail industry by sales value in Asia and China will rebound and regain growth at a similar rate as pre-pandemic levels.

Significant market opportunity arises as the local retail industry's retail digitalization rate remains low. As of today, retailers still face many pain points that remain unsolved such as increasing needs for data-driven business decision making, lack of omni-channel service capabilities, lack of robust security system and lack consumer insights hence high consumer acquisition costs for brand owners. However, due to the complex nature and the large size of the local retail industry in Asia and in China, the digitalization rate of the local retail industry is relatively low. According to Frost & Sullivan, retailers' digitalization rate in China and Asia was 3.1% and 4.5% in 2023, respectively, and significantly lower than that of 13.3% in the U.S. Retail digitalization solutions assist retailers and brand owners in the local retail industry to achieve digital transformation in their daily operations and address pain points in urgent need. The industry is in hope to have an full-spectrum omni-channel retail digitalization solution that could solve their pain points and cover their functions such as supply chain management, product management, store management and consumer membership management, which makes retail digitalization solution provider like us have great potential.

We developed our solutions specifically for the local retail industry. Our full-spectrum omni-channel retail digitalization solutions have been a proven success for retailers of various sizes and formats. We focus on offering our products and services to warehouse clubs, supermarkets and convenience stores in the local retail industry. Full-spectrum coverage refers to our capability to address retailers' needs across all critical parts of their operations. Our retail digitalization solutions enable retailers to standardize operations, drive revenue growth, reduce costs, and prosper in a market environment that demands advanced digitalized retail management and improved digital retail consumer experience. The functions and advantages of our solutions comport with the operational needs of enterprise retailers operating warehouses, supermarkets and convenience stores to streamline their internal operations and provide quality service to consumers in all their stores. Supported by our lighthouse examples in the local retail industry and our improving industry know-how, we expect to deepen and widen our coverage of different retail formats and reach additional enterprise retailers, including forecourt retail and specialty retail. As digital systems and data-driven management tools help retailers better navigate problems such as complex supply chain, regional differences and varieties of sales channels, the retailers' digitalization-related IT spending is expected to increase at a CAGR of 5.7% from 2024 to 2028 as compared to that of 2.6% in the U.S. during the same period. We expect our current and potential customers will allocate more resources to invest in IT upgrades and purchase new IT products and services. To fully capture this growing opportunity, we have been focusing on developing a comprehensive and growing slate of products and services that would lay a strong foundation for our long-term development and profitability, instead of seeking immediate financial returns.

We operate in the retail digitalization solution industry, which has maintained sustainable growth and is expected to continue to grow in the near future with favorable policies, well-established cloud infrastructure and growing digitalization demands. We have successfully expanded our businesses to other countries and regions in Asia, comprising Hong Kong SAR, Cambodia, Singapore, Malaysia, Macau SAR, Indonesia, the Philippines and Brunei. The historical market share improvement showcases our ability to out pace our peers in taking up white market space. The penetration rate of retail digitalization solutions is also expected to grow in both Asia and China,

BUSINESS

driven by the evolution of retail digitalization solutions, technology-driven innovation and growing needs of digitalization. In terms of revenue, the market size of the retail digitalization solution industry in China increased from RMB4.8 billion in 2018 to RMB18.7 billion in 2023, at a CAGR of 31.0%. In terms of revenue, the market size of the retail digitalization solution industry in Asia increased from RMB8.8 billion in 2018 to RMB31.0 billion in 2023, at a CAGR of 28.5%. The market size of the retail digitalization solution industry in both Asia and China in terms of revenue is expected to grow further at a steady rate.

We compete in the retail digitalization solution industry in which almost all of the current market participants are loss-making after 10 years of establishment. We have shown faster revenue growth than our peers competing in this industry, which have generally only achieved an average revenue growth rate of 30% from 2020 to 2021, and an average revenue growth rate of 11% from 2021 to 2022. To sustain our business operations and work towards achieving profitability, we refine our products offerings and establish our strong market foundation through collaboration with leading retailers. We test and improve our solutions' functionalities when working closely with Wumei Group and its complex operations, and we develop deep industry know-how through such practice, allowing us to differentiate ourselves from other market participants competing in the same industry. Additionally, we have secured contracts with well-known international retailers such as DFI Retail Group and Metro Group, making us one of the first Chinese SaaS companies with a successful overseas expansion. Our successful collaboration with major international customers demonstrate the strength and adaptability of our solutions. Our relationship with Independent Customers continues to allow us to build our market reputation outside our shareholders group and achieve business results. As a result, we distinguish ourselves from our industry peers through (i) our ability to provide a comprehensive suite of product offerings, accompanied with our persistent improvement of our products, to address retailers' evolving needs across different scenarios of the local retail industry. This broad scope of offerings have the advantage of breaking operational silos to achieve real-time data synchronization across different sales channels for our customers, allowing our customers to manage their operations in an efficient manner. In comparison, our peers do not have a comprehensive and in-depth understanding of customer needs because they generally offer function-specific products and services such as warehouse management software or customer relationship management alone. Such products and services cannot fully integrate into all aspects of a retailer's operations and may result in a retailer missing sales opportunities due to lack of comprehensive data analysis; (ii) our market reputation as an early-mover in the retail digitalization solution industry, which is strengthened by our focus on needs of the industry since our initial collaboration with Wumei Group. Our devotion to the retail digitalization solution industry since our inception distinguishes our offerings to retailers as compared to our competitors, and has created a high barrier to entry for other players entering the market, and (iii) our collaboration with leading enterprise retailers in the local retail industry, which deepened our know-hows and continues to facilitate our development of new modules and incorporate new industry practices. Our lighthouse collaborations help us to retain existing customers and attract new independent customers. Our experience servicing large retailer customers gives us a competitive edge as compared to our industry competitor, who generally serve small to mid-size retailers.

Our competitive market position is illustrated further by our collaboration with Maidelong Entities, which adopted our operating system and related products and services because (i) the overall cost of our Dmall OS system is low as compared to their self-developed system, (ii) Dmall OS system enables Maidelong Entities to integrate online and offline operations in a smooth and efficient manner. Maidelong Entities would have to adopt multiple solutions from different suppliers to manage different segments of its operations without Dmall OS system, and (iii) Dmall OS system continues to update its

BUSINESS

functions and modules, which is compatible with their evolving needs and demands and helps them to rapidly launch new functions and keep up with market changes.

Going forward, we plan to achieve long-term profitability and improve our cash flow position in view of our net operating cash outflows as of June 30, 2024 with our overall increase in revenue and through a series of cost control and efficiency enhancement measures, including: (i) refining our organizational structure to maximize employee potential and streamline responsibilities, (ii) upgrading our IT infrastructure to improve performance while managing cloud operations costs, and (iii) re-designing our office space to reduce our lease expense.

Based on our current business model, as well as our market outlook, our revenue growth and profitability primarily rely on: (i) increasing our business scale, which is in turn driven by (a) the continued expansion of our customer base, and (b) the increased spending from our customers, and (ii) achieving higher margin through better operational efficiency and improving our cost structure.

Increasing our business scale

Expanding our customer base

The opportunity from local retail digitalization is massive and there is a strong demand for digital transformation among retailers. Driven by a need to adapt to the rapidly changing market dynamics, retailers are embracing digital transformation and increasing relevant technology infrastructure spending. Our total number of customers in 2021, 2022, 2023 and in the six months ended June 30, 2023 and 2024 was 236, 436, 533, 413 and 444, respectively.

	Year Ended December 31,			Six Months Ended June 30,	
	2021	2022	2023	2023	2024
Number of customers⁽¹⁾					
- Retail core service cloud	231	432	527	409	430
- <i>Operating system</i>	164	300	324	251	283
- <i>AIoT solutions</i>	84	188	281	214	184
- E-commerce service cloud*	40	35	29	29	*
- Others	3	4	4	2	19
Total number of customers⁽²⁾	236	436	533	413	444

Notes:

* The e-commerce cloud service solutions has been immaterial in 2024. By the end of 2023, all our customers had transitioned to in-house O2O operation, where they manage their own day-to-day O2O operations. As a result of our customers opting for in-house O2O e-commerce business, we ceased to provide system and delivery services under the e-commerce service cloud solutions for those customers accordingly, but we provide distributed e-commerce system and other services to them if they decide to subscribe to such services. Consequently, the bulk of the services we provided under the e-commerce service clouds during the Track Record Period, such as the operational support for their online stores and delivery services, had been phased out by the end of 2023. The remaining services we provided under the e-commerce service cloud solutions did not generate material revenue in 2024. In April 2024, we completed the Restructuring, which led to the divestment of the Dmall app. After the Restructuring, we do not operate any business under the e-commerce service cloud. See “Summary—Recent Development,” “Business—Retail Core Service Cloud Solutions—Distributed e-commerce system” and “Business—E-commerce service cloud.”

(1) Number of customers that have contributed revenue to us in a given year/period, including number of customers we serve through Shenzhen Enjoy as a result of our acquisition of Shenzhen Enjoy in November 2021. If we remove the number of customers solely using Shenzhen Enjoy’s products from the calculation, in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, we had retail core service cloud solutions customer of 86, 162, 259, 213 and 183, respectively, including (i) operating system customer of 23, 39, 60, 47 and 60, respectively, (ii) AIoT solutions customers of 75, 142, 217, 182 and 136, respectively. The number of customers does not include those from our tax invoice management system services, which was launched in 2023 and generated revenue of RMB10 thousand in 2023 and RMB2.3 million in the six months ended June 30, 2024. We had 14 and 930 tax invoice customers in the second half of 2023 and the six months ended June 30, 2024, respectively.

(2) Many of our customers use more than one of our cloud service solutions. Therefore eliminations are made to avoid double counting.

BUSINESS

We regard the number of customers as a key operating metric for measuring the scale of our business operations. During the Track Record Period, the number of customers under our retail core services cloud increased due to new customers associated with the acquisition of Shenzhen Enjoy in November 2021 as well as our successful efforts to attract, retain and cooperate with enterprise retailer customers through expanded business development channels, relying on the Company's brand and reputation. The number of customers adopting our operating system increased from 164 in 2021 to 300 in 2022, and further increased to 324 in 2023. The number of customers adopting our operating system increased from 251 in the six months ended June 30, 2023 to 283 in the six months ended June 30, 2024; further, the number of customers adopting our AIoT solutions increased from 84 in 2021 to 188 in 2022, and further increased to 281 in 2023. The number of customers adopting our AIoT solutions decreased from 214 in the six months ended June 30, 2023 to 184 in the six months ended June 30, 2024, primarily due to the decrease in the sales of smart hardware products. The decrease was primarily due to the non-recurring nature of these purchases. Customers typically do not need to buy these products repeatedly, leading to a natural decline in sales over time. We will continue to build a pipeline of potential customers for our new AIoT solutions. We expect to attract more customers for our AIoT solutions through our successful lighthouse collaborations with Wumei Group and Maidelong Entities in which our solutions assist customers to monitor their operations and enhance operational efficiency through our equipment powered by artificial intelligence analysis.

We plan to further expand our customer base, relying on our well-established market recognition and our continuously upgraded products and services to meet the latest customer needs in the local retail market. Since our incorporation, we have had the early opportunity to work with leading enterprise retailers in the local retail industry. Our collaborations with major retailers such as Wumei Group, Maidelong Entities, Chongqing Department Store Group and Yinchuan Xinhua Group, become our lighthouse examples and help us build a strong market reputation, which then help attract more customers for our business. We signed new contracts with retail leaders to provide our Dmall OS system, including Xuchang Pangdonglai Commerce & Trade Co., Ltd., a leading regional retailer in Henan province, Henan Dennis Department Store Co. Ltd., a department store chain operating in the Chinese mainland and a subsidiary of Dongyu Group, which is a business conglomerate headquartered in Taiwan, China, Lianhua Supermarket Holdings Co., Ltd., a retailer that operates hypermarkets, supermarkets and convenience stores in the Chinese mainland, Harbin Churin Leaderfoods Co., Ltd. a well-known retailer enterprise with a history of 120 years, Lishui Wanjiahui, a renowned supermarket chain based in Zhejiang province, Better Life Group, a leading retail enterprise that operates in multiple business formats, is deeply rooted in the retail industry and is dedicated to digital transformation, and Luosen (China) Investment Co., Ltd. (“**Luosen**”), a convenience store franchise chain company headquartered in Japan with extensive store network in China. For details, see “Business—Business Sustainability & Path to Profitability—Software Technology Services Framework Agreement with Luosen (China) Investment Co., Ltd.” Leveraging our successful lighthouse examples in implementing the Dmall OS system with leading retailers in China, we also expect to further onboard regional enterprise retailers that will drive our long-term financial growth. We plan on continuing to grow the number of independent third-party customers and to strengthen our brand and reputation within the retail digitalization solution industry. We continue to build initial business relationships, especially for our retail core service cloud solutions. We work towards understanding the technological needs and operational demands of such potential new customer through on-going pilot of our operating system and expect to enter into a long-term strategic partnership moving forward.

BUSINESS

New customers integrating our operating system into their retail operations would lead to new streams of GMV processed through our operating system, which in turn increases our revenue generated from our retail core service cloud solutions. With our accumulated industry know-how, we also plan to expand into new retail formats, broaden our sales network and collaborate with more players in the retail value chain to increase customer touchpoints and selling opportunities. Specifically, we expect to design and implement new AIoT solutions to create new streams of revenue. We will introduce expanded marketing channels as we launch offline marketing and promotional services with partner stores, and banks. Leveraging our market-proven business model and slate of products, we further plan on expanding our regional coverage and establish new relationships with retailers both in China and overseas. In particular, we plan to replicate our business model and expand our footprint in overseas markets in Asia. We are focused on promoting our operating system with customers to expand our product's coverage in retail stores across Hong Kong SAR, Cambodia, Singapore, Malaysia, Poland, Macau SAR, Indonesia, Philippines and Brunei. For instance, we plan to implement our operating system for DFI Retail Group in Southeast Asia and Metro Group in Europe. As a result, revenue contribution from our business operations outside of the Chinese mainland is expected to grow. We are also exploring strategic partnerships opportunities to allow us to reach additional customers.

Increasing spending of our customers

Our ability to increase spending of our customers is primarily driven by our customers' deepening engagement with our product offerings through retail core service cloud. The dollar-based net retention ratio for our customers was 184% in 2021, 158% in 2022, 117% in 2023 and 123% in the twelve months ended June 30, 2024, as calculated by revenues generated in the given period by recurring customers (excluding consumers) with the prior period divided by revenues generated in the prior period by all customers (excluding consumers). Dollar-based net retention ratio measures the ability of our Company to retain and expand its existing customer base over time and indicates the level of loyalty among customers and their willingness to continue paying for our offerings. We onboarded several major customers for deployment of our Dmall OS system in 2021. Our dollar-based net retention rate declined in 2022 and 2023, though remaining robust at above 100%. This underscores our ability to further increase customer spending.

We have also built a diversified and evolving slate of product offerings, which allows us to deepen our relationship with our existing customers. For instance, some of our customers are expected to pay higher take rates over the years of our cooperation as they adopt an increasingly comprehensive set of our products and modules in their business operations. Additionally, we enhance customer engagement with our products by cross-selling additional modular functions that cater to our customers' needs. For instance, we continue to serve existing Dmall OS customers by delivering additional modules that would streamline various aspects of a customer's retail operations and new AIoT solutions that inject greater efficiency to a customer's retail locations. Further, we also included modules to support our customers' in-house e-commerce operations in our Dmall OS system to continue to meet our customers' demand to enhance their online retail operations. We plan on enhancing our product and module portfolio to increase our penetration of existing customers to increase the customers' GMV processed through our operating system.

BUSINESS

	Year Ended December 31,			Six Months Ended June 30,	
	2021	2022	2023	2023	2024
GMV processed through our system⁽¹⁾ (in RMB billions)					
- Retail core service cloud					
- Operating system ⁽²⁾	95.1	123.3	141.9	69.1	76.1 ⁽⁵⁾
- Take rate customers ⁽³⁾	58.5	106.3	113.5	56.8	48.8
<i>Related Parties</i>	50.9	81.1	76.7	39.5	28.0
<i>Other Related Party</i>	6.9	22.0	32.8	15.3	19.2
<i>Independent Customers</i>	0.7	3.1	4.0	2.0	1.6
- AIoT Solutions	14.2	12.6	10.2	5.5	4.9
- E-commerce service cloud ⁽⁴⁾	6.9	8.2	4.4	2.4	—
<i>Related Parties</i>	5.5	7.5	4.3	2.3	—
<i>Other Related Party</i>	0.2	0.1	—	—	—
<i>Independent Customers</i>	1.1	0.5	0.2	0.1	—

Notes:

* The e-commerce cloud service solutions has been immaterial in 2024. By the end of 2023, all our customers had transitioned to in-house O2O operation, where they manage their own day-to-day O2O operations. As a result of our customers opting for in-house O2O e-commerce business, we ceased to provide system and delivery services under the e-commerce service cloud solutions for those customers accordingly, but we provide distributed e-commerce system and other services to them if they decide to subscribe to such services. Consequently, the bulk of the services we provided under the e-commerce service clouds during the Track Record Period, such as the operational support for their online stores and delivery services, had been phased out by the end of 2023. The remaining services we provided under the e-commerce service cloud solutions did not generate material revenue in 2024. In April 2024, we completed the Restructuring, which led to the divestment of the Dmall app. After the Restructuring, we do not operate any business under the e-commerce service cloud. See “Summary—Recent Development,” “Business—Retail Core Service Cloud Solutions—Distributed e-commerce” and “Business—E-commerce service cloud.”

- (1) Refers to the GMV processed by our retail core service cloud and e-commerce service cloud. The provision of other revenue is not directly associated with GMV as we do not charge our advertising customers based on the GMV processed.
- (2) Refers to the GMV processed through our Dmall OS system.
- (3) Take rate customers for a given year/period refers to customers that contributed revenue under the take rate fee model in the given year/period, excluding customers that subscribe only to the membership and product sales management module under the take rate fee model. GMV from customers that are not take rate customers (i.e. customers that pay fixed subscription fee) accounted for the difference between GMV attributable to the operating system and take rate customers. The membership and product sales management module is specifically designed to help large retailers manage consumer profiles and arrange the sales of certain high-value hot sellers. We charge customers that subscribed to this module a take rate of no less than 1% compared to other modules that have an average take rate ranging from 0.3% to 0.5% during the Track Record Period to account for the system’s complexity. We exclude the GMV from subscriptions to our purchase membership and product sales management module that are made on a standalone basis due to (i) the module’s higher take rate could distort our operating metrics, and (ii) the GMV from these standalone subscriptions is not material to our overall performance.
- (4) The decrease in GMV in 2023 compared to that of 2022 was primarily due to (i) certain customers opt to operate O2O e-commerce business in-house, where they manage their own day-to-day O2O operations, (ii) the cessation of our O2O e-commerce business we used to provide to DFI Retail Group along with our disposal of DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited in April 2022 and (iii) our strategic decision to not aggressively expand our e-commerce business. For details, see “Summary—Business Sustainability & Path to Profitability” and “History, Reorganization and Corporate Structure—Acquisitions and Disposals—(4) DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited.”
- (5) The overall increase in operating system GMV was primarily driven by more customers subscribing to our operating system and our customers subscribing to additional modules and integrating our services into more stores. We experienced a decline in operating system GMV from take-rate customers as some Wumart supermarket transitioned to a subscription-based fee model.

GMV is a core operating metric in terms of revenue recognition for our operations. The GMV processed through our operating system increased from approximately RMB95.1 billion in 2021 to RMB123.3 billion in 2022, and further increased to RMB141.9 billion in 2023. The GMV processed through our operating system increased from RMB69.1 billion in the six months ended June 30, 2023 to RMB76.1 billion in the six months ended June 30, 2024. We plan to grow the GMV processed through our operating system given our strategic focus on international expansion in Southeast Asia, our continued expansion into new types of retail and our deepened relationship with existing customers by enhancing our product and module portfolio. Specifically, we have expanded and expect to expand further into types of retail in which we previously had limited market presence, including convenience stores, as illustrated by our recent partnership with Luosen, and specialty retail, as illustrated by our

BUSINESS

strategic partnership with Guoquan Shihui. The GMV processed through our e-commerce service cloud decreased since 2023 primarily attributable to our strategic decision to not expand our O2O business and certain customers opt to operate O2O e-commerce business in-house, where they manage their own day-to-day O2O operations. As a result of our customers opting for in-house O2O e-commerce business, we ceased to provide system and delivery services under the e-commerce service cloud solutions for those customers accordingly, but we provide distributed e-commerce system and other services to them if they decide to subscribe to such services. We do not conduct any business under the e-commerce service cloud after the Restructuring.

	Year Ended December 31,			Six Months Ended June 30,	
	2021	2022	2023	2023	2024
	RMB	RMB	RMB	RMB	RMB
GMV per customer under the retail core service cloud (in RMB millions)					
—Operating system ⁽¹⁾	4,135.9	3,161.5	2,365.4	1,470.2	1,269.0
—AIoT solutions ⁽²⁾	235.9	238.0	276.1	149.4	408.1

Notes:

- (1) Our operating system GMV per customer is calculated by dividing the GMV processed through our Dmall OS system with the number of customers using our operating system.
- (2) Our AIoT solutions GMV per customer is calculated by dividing the GMV processed through our Scan-and-Go module with the number of customers using our Scan-and-Go solutions.

Further, our operating system GMV per customer were RMB4,135.9 million, RMB3,161.5 million, RMB2,365.4 million RMB1,470.2 million and RMB1,269.0 million in 2021, 2022, 2023, and the six months ended June 30, 2023 and 2024, respectively. The decrease in our GMV per customer for the operating system during the Track Record Period is mainly attributable to an increasing number of customers adopting our operating system who are smaller in business scope and generate less sales in comparison to our early customers such as Wumei Group. We expect our operating system GMV per customer to grow, in line with the expected growth of our total GMV as we focus on international expansion in Southeast Asia, continued expansion of our customer base into new types of retail and deepening relationship with existing customers by enhancing our product and module portfolio.

	Year Ended December 31,			Six Months Ended June 30,	
	2021	2022	2023	2023	2024
	Average take rate of the retail core service cloud (%)				
—Take rate customers operating system	0.3	0.4	0.4	0.4	0.5

Our ability to increase spending of our customers during the Track Record Period is also illustrated by our average take rate, calculated as revenue generated from the take rate pricing model of a business segment divided by GMV processed through our system. For our operating system under our retail core service cloud solutions, customers can choose to pay a take rate based fee based on a percentage of the customer's GMV processed through our system. As our customers deepen their engagement with our product offerings, such as adopting a greater number of modules in their use of our operating system or broadening the scope of their adoption of our products and services, we are able to increase the take rate we charge such customers and generate greater revenue from these customers. Consequently, our average take rate generally indicates increased customers spending on our products and services.

Our operating system had an average take rate of approximately 0.3%, 0.4%, 0.4%, 0.4% and 0.5% in 2021, 2022, 2023, and the six months ended June 30, 2023 and 2024 respectively. The

BUSINESS

increase in the average take rate of our operating system was primarily driven by charging customers a higher take rate when adopting more operating system modules and expanding customer demand for our complex one-stop digitalization solutions.

Our collaboration with Chongqing Department Store Group is one of the examples that demonstrates our ability to accelerate customer success and increase the spending of our customers. Chongqing Department Store Group is an enterprise retailer that operates multiple types of retail and adopted our retail core service cloud solutions in its supermarket segment. It successfully accumulated over 14 million members through our Dmall OS system. In October 2022, we began delivering additional operation digitalization modules to Chongqing Department Store Group in all business segments, including its headquarter, supermarkets, department stores, and electronic appliance and car trade businesses. The additional operation digitalization modules include functions on sales management, consumer membership management, coupon management, headquarter management and cross-segment integration. The Chongqing Department Store Group applied such digitalized sales and marketing tools and solutions to reach its members in all business segments. The full integration of our operating system with all retail segments of Chongqing Department Store Group resulted in the pooling of consumer traffic across different retail segments and allowed it to efficiently use marketing resources to reach online and off-line consumers to increase sales in multiple segments of its operations. Chongqing Department Store Group adopted our Dmall OS system to achieve high digitalization of its retail business and augmented its ability to provide a full range of local retail services. Additionally, Chongqing Department Store achieved the full digitalization of its electronic appliance sales and car trade businesses using our comprehensive modules for the Dmall OS system. After Chongqing Department Store Group broadened its adoption of our retail core service cloud solutions, we entered into additional contract with annual amount of RMB29 million. Chongqing Department Store Group's increasing integration with our retail core service cloud solutions indicates that our ability to provide omni-channel services covering all key aspects of retail operation management for our customers, together with our industry know-how across various types of retail, allows us to continue to retain our customers and increase their spending on our products and services.

Our ability to increase customer spending is reflected in the revenue we generate per customer. We aim to continually improve gross profit and decrease operating expenses per customer as we gradually achieve economies of scale.

	Year Ended December 31,			Six Months Ended June 30,	
	2021	2022	2023	2023	2024
Revenue per customer (in RMB millions)					
—Retail core service cloud	1.9	2.0	2.5	1.5	2.2
—Operating system	1.8	2.1	2.1	1.3	1.5
—AIoT solutions	1.8	1.4	2.2	1.3	2.8
—E-commerce service cloud	10.2	12.8	10.3	5.5	*
—Others	0.0	0.1	(3.3)	0.6	0.1
Total Revenue	3.6	3.0	3.0	1.8	2.1
Gross profit per customer (in RMB millions)					
—Retail core service cloud	1.1	1.1	1.0	0.6	0.9
—E-commerce service cloud	(2.2)	0.3	1.1	0.4	*
—Others	0.0	0.1	(4.5)	(0.3)	(0.6)
Total gross profit	0.7	1.2	1.0	0.7	0.8

BUSINESS

	Year Ended December 31,			Six Months Ended June 30,	
	2021	2022	2023	2023	2024
Operating expense per customer (in RMB millions)					
—Cost of revenue	2.9	1.9	1.9	1.2	1.3
—Research and development expenses	2.5	1.3	1.0	0.6	0.5
—Selling and marketing expenses	1.9	0.5	0.3	0.2	0.1
—General and administrative expenses	0.9	0.6	0.5	0.3	0.3
Total operating expenses	8.1	4.4	3.7	2.3	2.2

Note:

* E-commerce service cloud was immaterial in the six months ended June 30, 2024. By the end of 2023, all our customers had transitioned to in-house O2O operation, where they manage their own day-to-day O2O operations. As a result of our customers opting for in-house O2O e-commerce business, we ceased to provide system and delivery services under the e-commerce service cloud solutions for those customers accordingly, but we provide distributed e-commerce system and other services to them if they decide to subscribe to such services. Consequently, the bulk of the services we provided under the e-commerce service clouds during the Track Record Period, such as the operational support for their online stores and delivery services, had been phased out by the end of 2023. The remaining services we provided under the e-commerce service cloud solutions did not generate material gross profit in 2024.

Revenue per customer is calculated as the business segment’s revenue divided by the segment’s number of customers. Revenue per customer for our operating system were RMB1.8 million, RMB2.1 million, RMB2.1 million, RMB1.3 million and RMB1.5 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. Revenue per customer for our AIoT solutions was approximately RMB1.8 million in 2021, RMB1.4 million in 2022, RMB2.2 million in 2023, RMB1.3 million in the six months ended June 30, 2023, and RMB2.8 million in the six months ended June 30, 2024. The decrease from 2021 to 2022 was mainly attributable to the significant increase in the number of our AIoT customers from 84 in 2021 to 188 in 2022. We expect our revenue per customer for AIoT solutions to increase as (i) existing customers pay more as they adopt additional functionalities; and (ii) new revenue generated from new AIoT initiatives starting from 2022. We launched and continue to launch new and improved product offerings to enhance customer engagement and increase our revenue per customer. For instance, we are working on rolling out new modules and functions, and diversifying and expanding our AIoT solutions, such as intelligent loss prevention solutions, intelligent energy saving solutions, intelligent merchandise replenishment solutions, intelligent package sorting solutions and intelligent cashier solutions, which all provide customers with a combined solution of AIoT hardware and services. We launched our intelligent loss prevention solutions in 2022 and our intelligent merchandise replenishment solutions, intelligent package sorting solutions and intelligent cashier solutions in 2023 with Wumei Group. We expect accelerated business and financials growth from these new AIoT initiatives based on initial feedback we receive from early adopters of these solutions. For details on intelligent loss prevention solutions and other AIoT initiatives we launched, see “Business—Retail Core Service Cloud—Service Components—AIoT Solutions.” We began the trial implementation of our intelligent energy saving solutions with Wumei Group and Maidelong Entities. The intelligent energy saving solutions is an integrated solution that connects to the energy systems and terminal devices of our customers to ensure their energy consumption data can be visualized and analyzed in real time, allowing our customers to consume energy as needed and on demand, which improves energy-use efficiency, reduces energy consumption and facilitates low-carbon operation. Our AIoT solutions can help retailers, especially existing Dmall OS customers, reduce costs and increase efficiency. We are also working to improve the gross margin of our AIoT solutions. We continue to build a pipeline of potential customers in relation to these new initiatives.

Revenue per customer for our e-commerce service cloud were RMB10.2 million, RMB12.8 million and RMB10.3 million in 2021, 2022 and 2023, respectively. The decrease from 2022 to 2023 was mainly due to (i) certain customers opt to operate O2O e-commerce business in-house,

BUSINESS

where they manage their own day-to-day O2O operations, (ii) the decrease in GMV processed and number of delivery orders placed through our platform for certain retailer customer and (iii) the cessation of our O2O e-commerce business we used to provide to DFI Retail Group along with our disposal of DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited in April 2022. We do not conduct any business under the e-commerce service cloud after the Restructuring.

The gross profit per customer for our retail core service cloud solutions decreased from 2022 to 2023 was primarily due to the continued growth of our operating system customer base which includes customers of smaller size, which led to smaller gross profit generated from such customers in comparison to our early customers who are major retailers with substantial business size. Our total gross profit per customer increased from RMB0.7 million in 2021 to RMB1.2 million in 2022. The total gross profit per customer decreased slightly from RMB1.2 million in 2022 to RMB1.0 million in 2023, primarily due to the continued growth of our operating system customer base which includes customers of smaller size. The total gross profit per customer increased from RMB0.7 million in the six months ended June 30, 2023 to RMB0.8 million.

Improving our operational efficiency

We believe our improving gross margins demonstrate the effectiveness of our product mix development and cost control measures. During the Track Record Period, our gross profit margins were 20.4%, 38.0%, 35.0%, 36.3% and 38.3% in the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. We have strategically shifted towards high gross profit contribution business and focused on generating greater revenue from our retail core service cloud solutions. Revenues generated from our retail core service cloud solutions as percentages of our revenue were 51.7%, 66.3%, 81.9%, 78.8% and 99.4% in the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. We expect revenue contribution from our retail core service cloud to remain at a high level. The retail core service cloud solutions segment had a gross profit margin of 59.3%, 56.2%, 41.7% and 39.5% in 2021, 2022, 2023 and six months ended June 30, 2024 respectively. The decrease was primarily driven by increased sales from our AIoT solutions with relatively lower gross margins, in comparison to other components of our retail core service cloud solutions. We expect our gross margin to improve given economics of scale and operation efficiencies and as result of the cessation of our e-commerce service cloud solutions which had lower gross margins. The gross profit contributed by our AIoT solutions is expected to enhance our overall profitability.

During the Track Record Period, we conducted a series of product optimizations to further align our product and service offerings with our objective of promoting our retail digitalization solutions, which have always been the primary focus of our business. The e-commerce service cloud solutions segment had a gross margin of negative 21.4%, 2.3%, 10.3%, 7.8% and 39.9% in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively. The increase in gross margin was primarily driven by a higher take rate we charged for customers using our e-commerce service cloud, and a decrease in logistics cost, mainly due to the introduction of our delivery service bidding process as well as customers transitioning to an in-house delivery model in lieu of using our on-demand delivery service. We do not conduct any business under the e-commerce service cloud after the Restructuring.

We have also adopted a range of strategies to enhance our performance, including retaining key staff who demonstrate exceptional productivity and possess a comprehensive understanding of the entire

BUSINESS

business cycle, from research and development to implementation. Additionally, we constantly refine and improve the cross-function collaboration among our different business groups—including business development, implementation, and research and development—in a more collaborative and efficient manner, reducing costs and expenses while simultaneously achieving substantial revenue growth.

The following table sets forth details of our selling and marketing expenses both in absolute amount and as a percentage of our revenue for the years/periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>									
	<i>(unaudited)</i>									
Expenses of promotion and marketing										
activities	245,246	28.9	118,358	8.9	48,002	3.0	29,737	3.9	2,075	0.2
Employee benefit expenses	177,243	20.9	101,806	7.7	80,980	5.1	44,832	5.9	30,108	3.2
Others	22,416	2.7	18,405	1.4	21,941	1.4	10,044	1.3	10,782	1.2
Total	444,905	52.5	238,569	18.0	150,923	9.5	84,613	11.1	42,965	4.6

We expect reduced selling and marketing expenses as a percentage of our revenue as we focus on developing our relationship with enterprise retailer. Our selling and marketing expenses as a percentage of revenue decreased from 52.5% in 2021 to 18.0% in 2022, and further to 9.5% in 2023, and decreased from 11.1% in the six months ended June 30, 2023 to 4.6% in the same period in 2024. Specifically, our expenses for promotion and marketing activities as a percentage of revenue decreased from 28.9% in 2021 to 8.9% in 2022 and further to 3.0% in 2023, and decreased from 3.9% in the six months ended June 30, 2023 to 0.2% in the same period in 2024, as a result of (i) the decrease in promotion and marketing expenses due to reduced promotional incentives to retail consumers and our strategic decision to limit investment in our O2O operations and (ii) the decrease in employee benefit expenses due to our efforts to control costs and optimize our operational efficiency. Promotion and marketing expenses experienced a major decline as we completed the Restructuring and substantially reduced promotion and marketing expenses as a result of the divestment of the online marketing service. We expect to continue to expand our business by developing and maintaining our relationship with major customers and limit selling and marketing expenses used for attracting new customers, and we expect our selling and marketing expenses as a percentage of our revenue to continue to decrease. Going forward, we expect to continually evaluate and monitor the cost-efficiency of our marketing spending as we have achieved strong network effects among customers.

The following table sets forth a breakdown of our general and administrative expenses both in absolute amount and as a percentage of our revenue for the years/periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>									
	<i>(unaudited)</i>									
Employee benefit expenses	126,855	15.0	145,910	11.0	185,373	11.7	73,645	9.6	86,473	9.2
Depreciation and amortization	30,503	3.6	23,489	1.8	15,686	1.0	7,888	1.0	6,112	0.7
Professional fees	34,370	4.1	54,709	4.1	34,572	2.2	18,672	2.4	23,649	2.5
Expenses relating to short-term leases and leases of low-value assets ⁽¹⁾	5,977	0.7	4,312	0.3	3,852	0.2	1,924	0.3	1,234	0.1
Outsourcing and other labor costs	715	0.1	8,069	0.6	1,856	0.1	411	0.1	8,503	0.9
Others	10,151	1.1	15,210	1.1	18,074	1.2	7,977	1.1	7,280	0.8
Total	208,571	24.6	251,699	18.9	259,413	16.4	110,517	14.5	133,251	14.2

BUSINESS

Note:

- (1) Expenses relating to short-term leases and leases of low-value assets are internally allocated to different functions for their respective uses and are respectively recorded under cost of revenue, general and administration expenses, research and development expenses, or selling and marketing expenses, if any.

Our general and administrative expenses as a percentage of revenue decreased from 24.6% in 2021 to 18.9% in 2022, and further to 16.4% in 2023. Our general and administrative expenses as a percentage of revenue decreased from 14.5% in the six months ended June 30, 2023 to 14.2% in the same period in 2024. The decrease in our general and administrative expenses as a percentage of total revenue was primarily due to our continuous efforts to enhance cross-functional management efficiency by optimizing our labor structure and consolidating employee responsibilities.

The following table sets forth a breakdown of our research and development expenses both in absolute amount and as a percentage of our revenue for the years/periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>									
	<i>(unaudited)</i>									
Employee benefit expenses . . .	531,312	62.6	535,104	40.3	472,980	29.8	240,441	31.5	183,460	19.5
Cloud service, bandwidth and server custody fees	16,736	2.0	13,967	1.1	17,186	1.1	7,925	1.0	6,300	0.7
Depreciation and amortization	18,572	2.2	17,492	1.2	11,850	0.7	7,671	1.0	5,952	0.6
Expenses relating to short-term leases and leases of low-value assets ⁽¹⁾	6,746	0.8	7,564	0.6	6,080	0.4	3,441	0.5	2,064	0.2
Outsourcing and other labor costs	2,553	0.3	1,590	0.1	1,939	0.1	1,356	0.2	128	*
Others	12,692	1.5	10,613	0.8	10,852	0.8	5,253	0.6	5,623	0.7
Total	588,611	69.4	586,330	44.1	520,887	32.9	266,087	34.8	203,527	21.7

Note:

- (1) Expenses relating to short-term leases and leases of low-value assets are internally allocated to different functions for their respective uses and are respectively recorded under cost of revenue, general and administration expenses, research and development expenses, or selling and marketing expenses, if any.

Our research and development expenses as a percentage of revenue decreased from 69.4% in 2021 to 44.1% in 2022, and further to 32.9% in 2023. Our research and development expenses as a percentage of revenue decreased from 34.8% in the six months ended June 30, 2023 to 21.7% in the same period in 2024. We expect our research and development expenses as a percentage of our revenue to decline because we have accumulated technological capabilities through prior investments and are able to replicate and upgrade our product offerings without significant further investments.

As a result, we witnessed an improvement in our net margin from continuing operations from negative 213.2% in 2021 to negative 67.8% in 2022. Further, due to the decrease in fair value change of convertible redeemable preferred shares and our continued gross profit improvement as well as our concerted efforts to control costs and optimize our operational efficiency, our net margin from continuing operations improved from negative 67.8% in 2022 to negative 47.3% in 2023. Our net margin from continuing operations improved and from negative 76.9% in the six months ended

BUSINESS

June 30, 2023 to negative 51.3% in the same period in 2024. Our adjusted net profit margin from continuing operations (non-IFRS measures) improved from negative 111.0% in 2021 to negative 26.8% in 2022 and negative 14.7% in 2023 given our increasing gross profit and cost optimization in our sales and marketing expenses, research and department and general and administrative expenses. Our adjusted net profit margin from continuing operations (non-IFRS measures) further improved from negative 18.8% in the six months ended June 30, 2023 to 6.0% in the same period in 2024.

In summary, as demonstrated during the Track Record Period, the above measures have proven to be generally effective in improving our profitability. We will continue to focus on growing our retail core service cloud solutions after the Restructuring and the adoption of additional cost control measures throughout our operations to contribute to the improvement to our net profit and help us achieve positive cash flow. With our improving profitability, we also expect our operating cash flow to improve concurrently, and to achieve positive cash flow from operating activities as our business scale continues to expand and our revenue continues to ramp up.

We expect to incur net loss for the year ending December 31, 2024 primarily due to fair value changes of convertible redeemable preferred shares and fair value change in financial assets measured at FVPL as a result of the decreased valuation of Guoquan, in which we made an equity investment. Guoquan Shihui is a home meal products brand in China owned by Guoquan, offering a variety of ready-to-eat, ready-to-heat, ready-to-cook and prepared ingredients, with a focus on at-home hotpot and barbecue products. See “Financial Information—Discussion of Certain Key Items of Consolidated Statements of Financial Position—Other Financial Assets.” Additionally, we anticipate net cash outflows in 2024.

The forgoing forward-looking statements on our business sustainability and profitability forecast are based on assumptions regarding our present and future business strategies and the economic environment in which we operate. Our future financial position and results of operations may be affected by complicated factors and may be subject to risks and uncertainties discussed in the section headed “Risk Factors” in this document, many of which are beyond our control.

Working Capital Sufficiency

As of June 30, 2024, we had cash and cash equivalents of RMB469.5 million, unutilized bank loan facilities of RMB266.5 million and current financial assets measured at fair value through profit or loss of RMB11.2 million. Taking into account the financial resources available to us, including the estimated net proceeds from the Global Offering, cash flow generated from operations, bank facilities available to us, cash and cash equivalents on hand, financial assets at fair value through profit or loss, and after due and careful enquiry, our Directors are of the view that we and our subsidiaries have sufficient working capital to meet our present needs and for the next 12 months from the date of this document. We also proactively review and adjust our cash management policy and working capital needs according to general economic conditions and our short-term business plans. In addition, in view of our net cash outflows and net losses during the Track Record Period, as well as the expected net operating cash outflows after the Listing, we plan to ensure our working capital sufficiency by taking advantage of above-mentioned measures to narrow down our net loss and improve our profitability. Further, as evidenced by our historical equity financing activities, we are able to obtain investment from well-known institutions. This also signifies the confidence of prominent investors in our Company. We believe that potential external financing sources, including those to which we will gain access after the Listing, will provide additional funding to fuel our business operation and expansion

BUSINESS

until we achieve profitability. Taking into account the above, as well as based on the written confirmation from our Company in respect of working capital sufficiency, the financial due diligence conducted on the financial information of our Group during the Track Record Period and the discussion with our Directors, the Joint Sponsors concur with our Directors' view that we and our subsidiaries have sufficient working capital to meet our present needs and for the next 12 months from the date of this document.

OUR TECHNOLOGIES

Strong Research and Development Capabilities

We have invested heavily in research and development, and have achieved tangible results showcasing technology leadership. As of June 30, 2024, we had five research and development centers with 908 R&D staff. We conduct research and development in house. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our research and developments expenses amounted to RMB588.6 million, RMB586.3 million, RMB520.9 million, RMB266.1 million and RMB203.5 million, representing 69.4%, 44.1%, 32.9%, 34.8% and 21.7% of our revenues, respectively. The core technology team has rich industry experience from leading technology companies based in China and abroad.

Robust, Scalable, and Easily Deployable Technology Architecture

Our Dmall OS system is cloud-based, modularized, and open-platform in nature, which allows it to have highly configurable and flexible functionalities with easy deployment and upgradability. Our Dmall OS system are adopted by retailers of various sizes, formats, and types and at different organizational levels. Such modularized design makes our operating system widely adaptable to a diverse range of retailers compared to a traditional monolithic design. It also allows us to provide customized solutions with minimal need to customize our project for each customer. We also provide an open application programming interface (API) for our customers, which makes our solutions highly flexible and extensible. To adopt our solutions, customers can use the open API to conveniently integrate modules of the Dmall OS system into their existing technology systems. Finally, any new retail know-how obtained from our customers can be easily reflected in the existing module updates or new SaaS module rollouts. These traits allow us to grow with our customers, constantly upgrade their full spectrum of operational capabilities, and stay competitive in their respective market verticals.

Powerful Data Insights

Our multi-dimensional big data analytics capabilities have enabled us to develop powerful data insights and consistently improve the service capabilities of the Dmall OS system. According to Frost & Sullivan, we enjoy significant data advantages in terms of breadth, depth, relevance, and continuity over our competitors. By continually serving and partnering with retailers, we are able to reach a wide spectrum of transactional data, whether online or offline, current or historical, while our competitors normally only focus on online data sources. Based on the frequent, high-quality interactions consumers have with our retailer customers, we have developed a comprehensive data depositary and gained data insights from such interactions. As a result of these data insights, we are able to engage in targeted data analytics for the specific retailer, achieving a level of granularity that is otherwise hard to achieve for our retailer customers. We have also leveraged our data collection and analytics capabilities and our team of engineers that have been heavily involved in retail businesses to

BUSINESS

optimize system performance for our customers. By utilizing the on-the-ground experiences of our engineers, we are able to make the most of our massive data depository and gain deeper insights that drive targeted solutions for our retailer customers.

SALES AND MARKETING

We generate customer leads and promotes our brand awareness primarily through brand reputation established through cooperation with top retailer customers and online and offline marketing activities. As of June 30, 2024, we had a sales and marketing team of 103 personnel. We have a dedicated sales team, customer success team, and a business development team that leverage existing customer relationship and industry reputation to convert sales leads into paying customers and to create selling opportunities. Our sales, marketing and brand promotion efforts primarily include: (i) sponsorships and participation in industry conferences, executive events and trade shows; (ii) online search engine marketing; (iii) public relations and social media initiatives; and (iv) cooperative marketing efforts with customers, including channel marketing campaigns and joint seminars.

Our sales and marketing strategies are highly scalable, and we rely on both new customer acquisition and “land and expand” strategies. With the “land and expand” strategy, we expand customer base by establishing reputation with key customers. Over time, as we develop closer relationship with our customers built on value creation, trust, and great customer experience, we understand these customers better, in terms of the challenges they face during their day-to-day operations and the solutions they need to address the problems. We are thus able to provide better and more tailored services as we upgrade our product and service offerings. We will also use this as a foundation for us to identify new opportunities and expand our customer reach. We will also expand our coverage in new retail formats such as DTC and discount stores to expand market opportunities. We have also worked closely with consulting companies, such as cloud service providers and ISVs to increase customer touch point. For retail core service cloud solutions, we also provide free or low-cost trial modules to acquire customers and demonstrate our value, and then help the customers install the Dmall OS system. The majority of the contracts we entered into with customers of the Dmall OS system are three years or longer. We believe our high quality services bring selling opportunities among our product and service offerings across modules and different cloud solutions.

INTELLECTUAL PROPERTY

We highly values our intellectual property rights, which are fundamental to our success and competitiveness. Our intellectual property includes trademarks, trademark applications, patents, and patent applications related to our brands and services, software copyrights and other intellectual property rights and licenses. We rely on a combination of copyright and trademark law, trade secret protection and confidentiality agreements with employees to protect our intellectual property rights. As of the Latest Practicable Date, we held 282 registered trademarks, 142 registered patents, 298 software copyrights and 10 domain names.

We did not have any material disputes or any other pending material legal proceedings regarding intellectual property rights with third parties during the Track Record Period and up to the Latest Practicable Date.

OUR RELATIONSHIP WITH THE RELATED PARTIES

During the Track Record Period, we recognized a substantial portion of our revenue from our cooperation with the Related Parties. Related Parties contributed revenue of RMB598.9 million, RMB965.6 million, RMB1,202.0 million and RMB734.6 million in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively.

BUSINESS

Despite the relatively high revenue contribution from the Related Parties to our Group during the Track Record Period, there is no undue reliance on the Related Parties to conduct our business. We believe the business relationship between our Group and the Related Parties is mutually beneficial and dependent. Through extensive collaboration with the Related Parties, we have developed a profound understanding of their retail operations. Leveraging this knowledge, we offer customized solutions via our proprietary Dmall OS system to address various operational challenges. Furthermore, our Dmall OS system is capable of continuous enhancement. Given the magnitude and intricacy of the Related Parties' operations, we believe they are reliant on our system and services. It also would pose significant challenges and incur substantial expenses for the Related Parties to find an alternative retail digitalization solution provider to replace us. This is primarily because the process would involve disruptive transitions, extensive training expenditures, and a considerable amount of time to complete. In addition, we have maintained close and stable business relationship with the Related Parties and do not expect any material adverse change in such relationship.

Other than the Related Parties, we have entered into cooperation agreements with other leading retailers in China, other parts of Asia and Europe. The recognition by these leading retailers of our service capabilities and quality has created a solid foundation for our Group to attract many more retailer customers outside of the Related Parties.

The Related Parties

As of June 30, 2024, our Related Parties include Wumei Group, MDL Wholesale Group, Chongqing Department Store Group, Yinchuan Xinhua Group, B&T Entities and Dmall Fresh (Beijing):

- (a) Wumei Technology Group, Inc. (物美科技集團有限公司), a company incorporated in the PRC with limited liability (“**Wumei Technology**”) was founded by Dr. Zhang in 1994 and an associate of Dr. Zhang;
- (b) MDL Wholesale Limited (“**MDL Wholesale**”, together with its subsidiaries, “**MDL Wholesale Group**”) is a subsidiary of Wumei Technology, and hence it (including its subsidiaries) is an associate of Dr. Zhang;
- (c) Yinchuan Xinhua Commercial (Group) Co., Ltd. (銀川新華百貨商業集團股份有限公司) (Shanghai Stock Exchange: 600785) (“**Yinchuan Xinhua**”, together with its subsidiaries, the “**Yinchuan Xinhua Group**”), which is an associate of Dr. Zhang;
- (d) Chongqing Department Store Co., Ltd. (重慶百貨大樓股份有限公司) (Shanghai Stock Exchange: 600729) (“**Chongqing Department Store**”, together with its subsidiaries, the “**Chongqing Department Store Group**”), which is a former associate of Dr. Zhang;
- (e) Entities that manage and operate stores bearing the brand of B&T (百安居) in the PRC (collectively, “**B&T Entities**”), which is an associate of Dr. Zhang; and
- (f) Dmall Fresh (Beijing), our former VIE, which is an associate of Mr. Zhang.

Wumei Group, MDL Wholesale Group and B&T Entities operate their business mainly under three brands: (a) Wumart (物美), which focuses on supplying fresh food and fast-moving consumer goods to local communities and consumers, (b) Maidelong (麥德龍), which targets middle- and upper-middle class consumers and business customers and provides them with value-for-money merchandise including fresh foods and fast-moving consumer goods with private label merchandise and imported merchandise, and (c) B&T (百安居), a home decor and building materials retailer. Dr. Zhang, through his intermediary companies, holds approximately 97% of the equity interest in Wumei Technology as of June 30, 2024.

BUSINESS

Yinchuan Xinhua Group is mainly engaged in the business of department stores, supermarkets and electronics retail. It has department stores, supermarkets and electronics stores, mainly located in the Ningxia Hui Autonomous Region and surrounding provinces such as Shaanxi, Gansu, Inner Mongolia and Qinghai. Yinchuan Xinhua was listed on the Shanghai Stock Exchange in 1997. Wumei Group holds approximately 42.1% of the equity interest in Yinchuan Xinhua as of June 30, 2024.

Chongqing Department Store Group is mainly engaged in the business of department stores, supermarkets, electrical appliances and automobile trade. Chongqing Department Store Group owns famous brands and trademarks such as Chongqing Department Store (重慶百貨) and New Century Department Store (新世紀百貨). It has shopping malls and stores with a wide geographical coverage in China, including in Chongqing, Sichuan, Guizhou, Hubei and so on. Chongqing Department Store was listed on the Shanghai Stock Exchange in 1996. Dr. Zhang is a director and the chairman of the board of directors of Chongqing Department Store. Chongqing Department Store was held as to approximately 51.4% by Chongqing General Trading (Group) Company Limited (重慶商社(集團)有限公司), which was in turn held as to 44.5% by Wumei Group as of December 31, 2023. As of March 9, 2024, Chongqing Department Store was held as to 24.89% by Wumei Group.

Dmall Fresh (Beijing) is mainly engaged in the provision of online marketing and advertising services and the operation of the Dmall app. Mr. Zhang and Ms. LU Yuxin holds approximately 51% and 49%, respectively, of the equity interest in Dmall Fresh (Beijing) as of June 30, 2024.

Cooperation with the Related Parties

We have engaged in substantial business transactions with the Related Parties for the Track Record Period and expects to continue our business relationship with them in the future. In line with the arrangements with our customers, we have entered into cooperation agreements with the Related Parties. For further information, see “—Customers.”

During the Track Record Period, we recognized a substantial portion of our revenue from our cooperation with the Related Parties. The following table sets out the historical revenue contribution of the Related Parties, Other Related Party and Independent Customers in absolute amount and as percentage of our revenue during the Track Record Period:

	Year Ended December 31,						Six Months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(RMB in thousands except for percentages)</i>									
	<i>(unaudited)</i>									
Revenue contribution										
Wumei Group	384,055	45.3	561,579	42.3	821,047	51.8	396,454	51.9	484,459	51.6
MDL Wholesale Group**	86,618	10.2	258,246	19.4	259,471	16.4	125,347	16.4	183,819	19.6
Yinchuan Xinhua Group	38,052	4.5	30,676	2.3	54,944	3.5	27,416	3.6	32,521	3.5
Chongqing Department Store Group	90,153	10.6	115,094	8.7	62,781	4.0	39,627	5.2	27,684	2.9
B&T Entities	—	—	—	—	3,721	0.2	1,101	0.1	5,971	0.6
Dmall Fresh (Beijing)	—	—	—	—	—	—	—	—	126	*
Related Parties	598,878	70.6	965,595	72.7	1,201,964	75.9	589,945	77.2	734,580	78.2
Other Related Party	28,198	3.3	95,380	7.2	138,986	8.8	67,815	8.9	79,725	8.5
Independent Customers	221,116	26.1	267,289	20.1	244,407	15.3	106,243	13.9	124,857	13.3
Revenue	848,192	100.0	1,328,264	100.0	1,585,357	100.0	764,003	100.0	939,162	100.0

* Less than 0.1%

** Refers to Maidelong Entities prior to the MDL Reorganization.

BUSINESS

The revenue contribution from Related Parties increased at a higher pace than that from Independent Customers primarily due to the expansion of our new AIoT solutions. Since these Related Parties are larger in scale, they contributed more revenue when adopting the new AIoT services. We gain valuable experience, insights, and constructive feedbacks which are essential for refining and enhancing its AIoT offerings from these Related Parties, as they typically operate a broader range of retail formats, manage more complex operations, and have diverse needs. This diversity and complexity enable us to better understand various operational challenges and optimize its solutions accordingly. We anticipate accelerated business and financial growth from these new AIoT initiatives based on the initial feedbacks we receive from early adopters of these solutions. As these offerings mature and demonstrate proven success in complex retail environments, we expect to attract a larger number of Independent Customers to adopt our AIoT solutions, thereby broadening our market reach and revenue.

Relationship with the Related Parties

Mutually beneficial and dependent business relationship

Our cooperation with the Related Parties is the natural result of our and the Related Parties' positions in our respective markets. We have successfully expanded our businesses to other countries and regions in Asia, comprising Hong Kong SAR, Cambodia, Singapore, Malaysia, Macau SAR, Indonesia, the Philippines and Brunei. Such unique market positioning makes us the go-to choice for the local leading retailers such as the Related Parties. The Related Parties, on the other hand, are among the top retailers in China, with thousands of malls and stores across China and owning a wide array of well-known brands and trademarks in China.

We believe the business relationship between our Group and the Related Parties is mutually beneficial and dependent for the following reasons:

- *Deep understanding of retail operations.* With substantial business cooperation with the Related Parties, we have accumulated deep understanding of the Related Parties' retail operations, and have provided transformative solutions based on such understanding to the Related Parties regarding various aspects of their operations through our proprietary Dmall OS system. These solutions include developing mobile applications and mini-programs for the Related Parties, designing and enhancing their marketing and promotional campaigns and efforts, optimizing their merchandise selection and display, and otherwise improving their digitalized operational capabilities in terms of store operations (including payment), supply chain (including coordination between retailers and their suppliers), and consumer interaction and traffic, among others. Our retail know-how and in-depth understanding of the Related Parties' business operations have allowed us to provide better services to and deepen our collaboration with the Related Parties. This is demonstrated through (i) the increase in GMV processed through our solutions and (ii) the increase in take rate reflecting the increase in the number of and the complexity of the SaaS solutions we provide. In addition, our new service offerings designed and launched based on our in-depth understanding of the needs of our customers have allowed the Company to deepen the collaboration with customers. For example, we launched the intelligent loss prevention solutions in 2022 to help retailers access video, image and order information to detect theft and protect retailers' assets.
- *Advanced system catering to complex retail operations.* Our Dmall OS system is modularly configured to support constant upgrade in response to the increasingly complex

BUSINESS

organizational and technological infrastructure of retailers. The scale and complexity of operations of the Related Parties render them reliant on our system and services.

- *High switching cost.* As a retail digitalization solution provider, our services are deeply integrated into the day-to-day operations of the Related Parties. Replacing our system would result in significant disruptions that could lead to substantial loss in revenue and reputation for Related Parties. Additionally, training all the relevant staff to operate a new system would require additional costs and time. The learning curve associated with a new system can be steep, leading to decreased productivity during the transition period. Moreover, any replacement SaaS system would also require time to reach a desirable level of stability, potentially causing further delays and disruptions. Furthermore, the data-driven algorithms that we have helped the Related Parties develop and maintain are crucial for their business strategies. These algorithms provide valuable insights and support decision-making processes. Discontinue cooperation with us could hinder their ability to execute their strategies effectively. In addition, operational modules provided by us are fully adapted to customers' system and may not be adapted to systems or modules provided by other providers. Incompatibility between systems and modules may cause problems such as data silos, instead reducing operational efficiency. When a customer wants to replace a specific module, it may even need to replace the entire operating system, which is a very high switching cost for the customer. On the other hand, we have in-depth understanding of our customers' needs and business requirements before providing products and services. After changing retail digitalization solution providers, customers need to spend a lot of time again to communicate with the provider in detail about their needs, and the time and labor costs incurred are higher. Considering these factors, it would be difficult and costly for the Related Parties to replace us as their retail digitalization solution provider. The disruption, training costs, and time required to reach stability would have a significant impact on their operations, revenue, and overall reputation.

Long-term strategic business relationship

We have maintained close and stable business relationship with the Related Parties. We first started to provide services to (a) the Wumei Group in 2015, (b) the Maidelong Entities in 2018, (c) the Yinchuan Xinhua Group in 2018; (d) the Chongqing Department Store Group in 2019; (e) B&T Entities in 2022; and (f) Dmall Fresh (Beijing) after the Restructuring.

The majority of the business contracts currently in effect between our Group and the Related Parties have a term of three years or above. The contracts may be terminated in one or more of the following scenarios: (a) by either party in writing where there is a force majeure event that lasts for an extended period and the parties could not reach agreement over whether to continue the performance of the contract; (b) by either party in writing where the contract is unable to be performed for no fault of either party and the situation could not be remedied after an agreed period; (c) by the party not in breach of the contract if the other party commits a breach of the contract; and (d) by mutual agreement of the parties. No business contracts with the Related Parties have been terminated to date.

In view of the long-standing and complementary business relationship between our Group and the Related Parties, our Directors currently do not expect any material adverse change in such relationship and the risk of termination of the relationship is remote. See "Risk Factors—Risks

BUSINESS

Relating to Our Business and Industry—We currently have a relatively concentrated customer base with a limited number of major customers. The loss of one or more of our major customers, a failure to renew our agreements with one or more of our major customers, or a failure to expand our customer base, could negatively affect our results of operations and ability to market our services.”

Our continuously expanding customer base

Despite the relatively high revenue contribution from the Related Parties to our Group during the Track Record Period, there is no undue reliance on the Related Parties to conduct our business. Other than the Related Parties, we have entered into cooperation agreements with other leading retailers in China, other parts of Asia and Europe. The recognition by these leading retailers of our service capabilities and quality has created a solid foundation for our Group to attract many more retailer customers outside of the Related Parties. We are able to provide similar transformative solutions provided to the Related Parties to new customers. We have developed deep industry know-how and expertise working with top retailers, including the Related Parties, and are able to translate such know-how into standard SaaS modules that offer the same functions that can be easily adopted by all of our customers and further customized based on individualized operating needs.

We have achieved rapid growth in revenue from Independent Customers. Our revenue increased by 56.6% from RMB848.2 million in 2021 to RMB1,328.3 million, by 19.4% from RMB1,328.3 million in 2022 to RMB1,585.4 million in 2023 and by 22.9% from RMB764.0 million in the six months ended June 30, 2023 to RMB939.2 million in the six months ended June 30, 2024. Our revenue from Independent Customers was RMB221.1 million, RMB 267.3 million, RMB 244.4 million, RMB 106.2 million and RMB 124.9 million in 2021, 2022, 2023, the six months ended June 30, 2023 and 2024, respectively. The number of our customers grew from 236 in 2021 to 436 in 2022, and further to 533 in 2023. The number of our customers increased from 413 in the six months ended June 30, 2023 to 444 in the same period in 2024. By leveraging the deep retail know-how, technology, and abundant experience cooperating with top retailers, we have acquired a sizeable number of new Independent Customers. The number of our Independent Customers grew from 233 for 2021 to 433 for 2022 and 530 for 2023 and 440 for the six months ended June 30, 2024.

In particular, we reached a strategic cooperation with Zhongbai in 2017. Through adoption of the supplier auction module, Zhongbai achieved measurable improvements in its 2022 Chinese New Year supplier acquisition event by exceeding its transaction volume target by approximately 7% (or an increase of approximately 20% on a year-over-year basis). Our supplier auction module helps it create a fairer and more transparent auction process compared to its traditional offline auction model, enabling a convenient process that supported 285 suppliers of Zhongbai to publicly submit their bids at the same time. The same module also enabled Zhongbai to review 776 bid proposals, automatically rank and screen the highest bidder, helping it to automate and expedite its supplier selection process.

We entered into cooperation agreement with 7-Eleven (Guangdong) and became its sole digital service provider in 2020. We provide it with solutions relating to logistics management, warehouse management and consumer membership management etc. We helped 7-Eleven (Guangdong) improve the operation efficiency of their delivery service. Within the six months after adopting our service module in logistics management, as of June 2022, 7-Eleven (Guangdong) was able to achieve an increase over 300% of single day takeaway orders. We also help it with warehouse management. After using our products and services, 7-Eleven (Guangdong) experienced an improvement in its warehouse management efficiency. For example, our products and services played an important role in the Foshan

BUSINESS

warehouse expansion, doubling the amount of stores it supplied from over 500 stores to over 1,000 stores as of June 2022. Additionally, the implementation of our solution assisted in achieving the reduction in the frozen goods sorting time by 28% per hour, and a 30% increase in frozen warehouses utilization.

Retailer A, one of the Company's Independent Customer, established cooperation with the Company and launched OS system in May 2021, with revenue contribution of approximately RMB360 thousand per year. We successfully deepen the business cooperation with and increase the revenue contribution from Retailer A. Retailer A adopted our warehouse management module in June 2021, with revenue contribution of approximately RMB130 thousand per year. In August 2022, Retailer A launched another new module with revenue contribution of approximately RMB53 thousand per year. In February, 2023, Retailer A launched intelligent loss prevention with revenue contribution of approximately RMB680 thousand per year.

In 2023, we entered into contracts with new Independent Customers including Xuchang Pangdonglai Commerce & Trade Co., Ltd., a leading regional retailer in Henan Province, Henan Dennis Department Store Co. Ltd., a department store chain operating in the Chinese mainland and a subsidiary of Dongyu Group, which is a leading business conglomerate headquartered in Taiwan, China, Lianhua Supermarket Holdings Co., Ltd., a retailer that operates hypermarkets, supermarkets and convenience stores in the Chinese mainland, Harbin Churin Leaderfoods Co., Ltd. a well-known retailer enterprise with a history of 120 years and Luosen.

In addition, we are making good progress with exporting our digitalization solutions in overseas markets in Asia and Europe. We have established Retail Technology Asia with DFI Retail Group Management Limited to provide technology solutions and services for retailers outside China to help them with the digital transformation of operational processes and marketing, supply, payment and merchandise management since 2019. And we also expanded our business into the European market by cooperating with the Metro Group. In August 2023, SM Group became one of our customers.

JOINT VENTURE AGREEMENT OF RETAIL TECHNOLOGY ASIA

On December 3, 2019, Dmall HK and DFI Retail Group Management Limited (“**DRGML**”, formerly known as Dairy Farm Management Limited) entered into a joint venture agreement (“**Initial Agreement**”) pursuant to which Dmall HK and DRGML agreed to form a joint venture for the purpose of providing technology solutions and services for retailers outside China to help them with the digital transformation of operational processes and marketing, supply, payment and merchandise management. The Initial Agreement was further amended and restated on April 1, 2022 together with Retail Technology Asia becoming a party to that agreement (the “**JV Agreement**”). Pursuant to the JV Agreement, the board of the joint venture is responsible for the overall management of the joint venture, which consists of seven directors, of which Dmall HK may appoint four directors and DRGML may appoint three directors. In respect of Dmall HK, Dmall HK may appoint the chief executive officer, chief financial officer and the chief technology officer of the joint venture.

Pursuant to the Initial Agreement, Retail Technology Asia was incorporated in Hong Kong on January 14, 2020 to provide retailers technology solutions and services for retailers with a digital retail platform relating to the digital transformation of customer experiences including operational processes, marketing, supply, payment, and merchandise services. The territorial scope of the services provided by Dmall HK to DRGML and its affiliates (“**Territories**”) is limited to Brunei, Cambodia, Hong Kong

BUSINESS

SAR, Indonesia, Laos, Macau SAR, Malaysia, Myanmar, the Philippines, Singapore, Taiwan, Thailand, and Vietnam, and for the avoidance of doubt specifically excludes the Chinese mainland. At the time of incorporation, Retail Technology Asia was held by Dmall HK as to 50% and DRGMSL as to 50%, respectively.

DFI Retail Group Management Services Limited (“**DRGMSL**”; formerly known as Dairy Farm Management Services Limited) and Retail Technology Asia entered into a master retail user services agreement dated January 1, 2021, which was amended and restated with effect from April 1, 2022, for the efficient procurement of technology solutions and services from the Company to DRGMSL and its affiliates (each a “**DFI Group Member**”) in the Territories (the “**DFI Master Agreement**”). From time to time, DRGMSL may invite Retail Technology Asia to discuss potential services required by DFI Group Members in the Territories. Upon such request, the parties shall promptly proceed to discuss and, if mutually agreeable, the parties will direct and procure the appropriate DFI Group Member and Retail Technology Asia and/or its affiliates, as the case may be, to negotiate and execute a local country retail user services agreement (the “**LCA**”) and/or statements of work (the “**SOW**”), based on the terms and conditions as stated in the DFI Master Agreement. The following reflects the salient terms of the DFI Master Agreement between Retail Technology Asia and DRGMSL.

<u>Key Terms</u>	<u>Descriptions</u>
Service type	Retail core service cloud solutions, including services relating to the enhancement and optimisation of the efficiency and effectiveness of the warehousing and retail operations of DFI Group Members (including POS, Store Ops, WMS and ERP modules). Each SOW shall set out the details of the services to be provided by Retail Technology Asia and the other applicable commercial terms.
Pricing terms	Each SOW shall specify fees and payment schedule, subscription term (if applicable), including whether fees will be charged on the basis of fixed price, time and materials or a subscription service or take rate, which shall be calculated based on the rates agreed in an SOW or as set forth in the schedule of the DFI Master Agreement.
Term and renewal	The DFI Master Agreement has a term of five years, and shall automatically renew (i) for an additional consecutive five-year period unless terminated by DRGMSL upon at least 90 days written notice to Retail Technology Asia prior to the end of the initial term, and (ii) for an additional consecutive one-year period after the first renewal term unless terminated by either party upon at least 90 days written notice to the other party prior to the end of the first renewal term or any subsequent renewal term, as applicable. Each LCA/SOW will be subject to its own term/subscription period as specified in the LCA/SOW. The standard term for any subscription services is six years but subject to each party’s rights of termination under the LCA/SOW.
Termination	Either party may terminate the DFI Master Agreement without incurring further liability of any kind at any time if at such time there have been no current SOWs in effect in the preceding period of 24 consecutive months, by delivering written notice to the other party. DRGMSL may also terminate the DFI Master Agreement in the event that (i) Retail Technology Asia becomes insolvent or unable to pay its debts as they fall due; (ii) any LCA(s) or SOW(s) in the Territories is/are terminated by the relevant DFI Group Member as a result of a material breach by the relevant affiliate of Retail Technology Asia and the losses incurred by the relevant DFI Group Member(s) caused by such material breach(es) represent a material loss to DRGMSL and its affiliates in the

BUSINESS

<u>Key Terms</u>	<u>Descriptions</u>
	<p>context of the aggregate revenue under all the LCAs and SOWs then in effect in the territories; (iii) Retail Technology Asia commits any material breach of the DFI Master Agreement which (if capable of cure) is not cured within 30 days of written notice from DRGMSL.</p> <p>Retail Technology Asia may also terminate the DFI Master Agreement in the event that (i) DRGMSL becomes insolvent or unable to pay its debts as they fall due; (ii) DRGMSL commits any material breach of the DFI Master Agreement which (if capable of cure) is not cured within 30 days of written notice from Retail Technology Asia.</p> <p>Each LCA/SOW will be subject to its own termination rights as specified in the LCA/SOW.</p>
Penalty	<p>In the event that any affiliate of Retail Technology Asia (“OpCo”) fails to perform the services, provide relevant deliverables or comply with any of its other obligations in accordance with the timetable or other requirements set out in an SOW (“JV Non-Performance”), then upon DRGMSL’s written demand:</p> <p>(a) Retail Technology Asia shall perform the services and/or other obligations in question (or procure such performance by an approved sub-contractor) as soon as commercially practicable; and</p> <p>(b) Retail Technology Asia shall indemnify DRGMSL and the relevant DFI Group Member against all losses, liabilities, claims, damages, costs and expenses howsoever arising out of the JV Non-Performance, provided always that the liability of Retail Technology Asia herein shall be subject to:</p> <p>(i) the same limitations, exclusions and caps as applicable to the liability of the OpCo under the applicable service terms, the applicable LCA and relevant SOW; and</p> <p>(ii) any damages already recovered by the relevant DFI Group Member from the relevant OpCo.</p> <p>Retail Technology Asia hereby waives any right available to it under any applicable law which might otherwise require DRGMSL or the relevant DFI Group Member to proceed against the OpCo prior to exercising its rights set forth herein.</p>

The DFI Master Agreement is legally binding and does not provide any minimum purchase amount.

In May 2022, Retail Technology Asia bought back 4,358,974 of its shares from DRGML and canceled those shares. The financial statements of Retail Technology Asia has been consolidated into our financial statements since its establishment. In 2021, 2022, 2023 and the six months ended June 30, 2024, our revenue generated from Retail Technology Asia was RMB20.3 million, RMB74.4 million, RMB113.8 million and RMB65.3 million, respectively. In November 2024, DRGML and Dmall HK entered into a share purchase agreement, pursuant to which DRGML shall transfer, and Dmall HK shall purchase shares of Retail Technology Asia (the “**Acquisition**”). See “History, Reorganization and Corporate Structure—Our Corporate Development—Recent Expansion in Asia—(1) Retail Technology Asia.” After the completion of the Acquisition and as of the date of this prospectus, Retail Technology Asia is held by Dmall HK as to 69.5% and DRGML as to 30.5%, respectively. See “History, Reorganization and Corporate Structure—Our Corporate Development—Recent Expansion in Asia—(1) Retail Technology Asia.”

BUSINESS

Software Technology Services Framework Agreement with Luosen (China) Investment Co., Ltd.

We entered into a software technology services framework agreement (the “**Software Technology Services Agreement**”, hereinafter referred to as the “**Framework Agreement**”) with Luosen (China) Investment Co., Ltd. (“**Luosen**”), a convenience store franchise chain company headquartered in Japan, in December 2022. Pursuant to the Framework Agreement, we undertake to develop and implement software upon the request of Luosen. The Framework Agreement generally provides for the obligations, conditions, and representations and warranties between us and Luosen in furtherance of delivering software technology to Luosen, with a term of one year and including an annual automatic extension provision for one additional year. We may enter into individual implementation agreements (each agreement, an “**Implementation Agreement**”) with Luosen under the Framework Agreement to deliver software as requested by Luosen. Each Implementation Agreement shall provide for the specific payment terms and performance period for each software requested.

The Framework Agreement could be terminated if (i) there has been a breach of contract and the breaching party fails to cure the breach, (ii) either party’s property and assets have been foreclosed or a judgment against the party has been enforced, (iii) either party undergoes bankruptcy, dissolution, merger or suspension of relevant business licenses by the government authorities, (iv) either party’s conduct materially undermines commercial trust and honesty with the other party, or (v) either party suspends operations or dissolves. Luosen may also terminate the Framework Agreement upon payment of corresponding fees to us based on progress made in delivering the software.

We entered into the first Implementation Agreement with Luosen in 2022 to implement the first phase of our collaboration. The following reflects the salient terms of this Implementation Agreement:

<u>Key Terms</u>	<u>Descriptions</u>
Service type	Retail core service cloud solutions, including services relating to the design, implementation and maintenance of the Dmall OS system for Luosen (the “ OBP Program ”).
Pricing terms	Customization, implementation, software development and maintenance fee charged to Luosen for the design, testing, and delivery of the OBP Program to Luosen, payable in four installments.
Term and renewal / Service Period	Approximately ten months, which could be extended upon mutual agreement by us and Luosen until the delivery of the OBP Program.
Termination	The first Implementation Agreement is legally binding and may be terminated by mutual agreement upon completion of payment by Luosen for the corresponding progress made on the development of the OBP Program. It may also be terminated for force majeure reasons.
Penalty	Either party may be liable for penalty if either party breaches the agreement resulting in damages to the non-breaching party, in the amount equal to damages incurred by the non-breaching party. Luosen may be liable for penalty if there is a delay in payment; we may be liable for penalty if there is a delay in delivering the software. The total amount of penalty we may be liable to shall not exceed revenue derived from Luosen for the 12 months immediately preceding the event leading to the penalty.

The Framework Agreement and the first Implementation Agreement do not provide any minimum purchase amount.

BUSINESS

CUSTOMERS

We have a close business relationship and have engaged in substantial business transactions with the Related Parties. Dr. ZHANG Wenzhong, our founder, senior advisor and our Controlling Shareholder is a prominent leader in the local retail industry in China and founder and a controlling shareholder of Wumei Technology Group, Inc., the holding company of Wumei Group. Our customers are primarily retailers and brand owners. Revenues generated from our five largest customers for each of the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024 accounted for 79.4%, 83.3%, 87.2% and 89.6%, respectively, of our revenue during the same years/period. Revenue generated from each of our largest customer for the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024 accounted for 60.0%, 64.0%, 71.9% and 75.3%, respectively, of our revenue during the same years/period. See “—Our Relationship with the Related Parties.”

The following table sets forth the details of our five largest customers during each year/period of the Track Record Period:

Customer	Principal business	Approximate years of relationship	Revenue amount (RMB'000)	Revenue from the customer as % of our revenue	Nature of revenue	Cost and expenses paid to the customer (RMB'000)	Cost and expenses paid to the customer as % of our cost of sales and expenses from	Nature of purchase
<i>Six Months Period Ended June 30, 2024</i>								
Entities controlled by Dr. Zhang ⁽¹⁾⁽²⁾	Operates department stores, supermarkets, household electrical appliances, home appliances and home decoration materials.	9 years	706,770	75.3%	Retail core service cloud; E-commerce service cloud and Others	7,936	0.8%	Promotion, leases and others
DFI Retail Group	Operates under a number of well-known brands across food, health and beauty, home furnishings, restaurants and other retailing.	5 years	79,725	8.5%	Retail core service cloud	—	—	—
Chongqing Department Store Group	Operates department stores and supermarkets, as well as the wholesale and retail of electrical appliances. It is also involved in hotel, food, electronic device and labor protection businesses.	6 years	27,684	2.9%	Retail core service cloud; E-commerce service cloud and Others	—	—	—
Customer A	Operates internet information services; personal business services; Internet data services; network technology services; software development; value-added telecommunications business, etc.	1 year	14,764	1.6%	Retail core service cloud	—	—	—

BUSINESS

Customer	Principal business	Approximate years of relationship	Revenue amount (RMB'000)	Revenue from the customer as % of our revenue	Nature of revenue	Cost and expenses paid to the customer (RMB'000)	Cost and expenses paid to the customer as % of our cost of sales and expenses from	Nature of purchase
Customer B	Operates professional cleaning, washing and disinfection services; housekeeping services; property management; landscape and greening engineering construction; machinery and equipment rental; urban greening management; electronic and mechanical equipment maintenance, etc.	1 year	12,052	1.3%	Retail core service cloud	—	—	—
<i>Year Ended December 31, 2023</i>								
Entities controlled by Dr. Zhang ⁽¹⁾⁽²⁾	Operates department stores, supermarkets, household electrical appliances, home appliances and home decoration materials.	9 years	1,139,183	71.9%	Retail core service cloud and E-commerce service cloud	29,353	1.5%	Logistics, promotion, marketing services, leases and others
DFI Retail Group	Operates under a number of well-known brands across food, health and beauty, home furnishings, restaurants and other retailing.	5 years	138,986	8.8%	Retail core service cloud	—	—	—
Chongqing Department Store Group ⁽²⁾	Operates department stores and supermarkets, as well as the wholesale and retail of electrical appliances. It is also involved in hotel, food, electronic device and labor protection businesses.	6 years	62,781	4.0%	Retail core service cloud; E-commerce service cloud and Others	32	*	Promotion and Marketing services
Customer C	Operates development, production, processing, sales and engineering services of electronic products, communication system equipment, financial terminal equipment, intelligent robots, security equipment; research and development, production, processing and sales of medical devices, etc.	4 years	20,642	1.3%	Retail core service cloud	—	—	—

BUSINESS

Customer	Principal business	Approximate years of relationship	Revenue amount (RMB'000)	Revenue from the customer as % of our revenue	Nature of revenue	Cost and expenses paid to the customer (RMB'000)	Cost and expenses paid to the customer as % of our cost of sales and expenses from	Nature of purchase
Customer D ⁽²⁾	Operates e-commerce, e-payment, payment settlement and clearing system technology development	6 years	18,758	1.2%	Retail core service cloud	20,318	1.0%	Payment processing costs
<i>Year ended December 31, 2022</i>								
Entities controlled by Dr. Zhang ⁽¹⁾⁽²⁾	Operates department stores, supermarkets, household electrical appliances, home appliances and home decoration materials.	9 years	850,501	64.0%	Retail core service cloud and E-commerce service cloud	25,796	1.4%	Logistics, promotion, marketing services, leases and others
Chongqing Department Store Group	Operates department stores and supermarkets, as well as the wholesale and retail of electrical appliances. It is also involved in hotel, food, electronic device and labor protection businesses.	6 years	115,094	8.7%	Retail core service cloud and E-commerce service cloud	—	—	—
DFI Retail Group ⁽²⁾	Operates under a number of well-known brands across food, health and beauty, home furnishings, restaurants and other retailing.	5 years	95,380	7.2%	Retail core service cloud and E-commerce service cloud	10,186	0.5%	Consultancy services, customer services, logistic and others

BUSINESS

Customer	Principal business	Approximate years of relationship	Revenue amount (RMB'000)	Revenue from the customer as % of our revenue	Nature of revenue	Cost and expenses paid to the customer (RMB'000)	Cost and expenses paid to the customer as % of our cost of sales and expenses from	Nature of purchase
Zhongbai Holdings Group Co., Ltd	Owns and operates several department stores and supermarkets. As well as operating pharmaceuticals manufacturing, real estate development, and property management through its subsidiaries, the Company also.	7 years	24,996	1.9%	Retail core service cloud and E-commerce service cloud	—	—	—
Customer E	Operates food sales; liquor business; food internet sales; supply chain management services, etc.	2 years	20,306	1.5%	Retail core service cloud	—	—	—
<i>Year ended December 31, 2021</i>								
Entities controlled by Dr. Zhang ⁽¹⁾⁽²⁾	Operates department stores, supermarkets, household electrical appliances, home appliances and home decoration materials.	9 years	508,725	60.0%	Retail core service cloud and E-commerce service cloud	50,746	2.6%	Logistics, promotion, marketing services, leases and others
Chongqing Department Store Group ⁽²⁾	Operates department stores and supermarkets, as well as the wholesale and retail of electrical appliances. It is also involved in hotel, food, electronic device and labor protection businesses.	6 years	90,153	10.6%	Retail core service cloud and E-commerce service cloud	1,610	0.1%	Logistic and others

BUSINESS

Customer	Principal business	Approximate years of relationship	Revenue amount (RMB'000)	Revenue from the customer as % of our revenue	Nature of revenue	Cost and expenses paid to the customer (RMB'000)	Cost and expenses paid to the customer as % of our cost of sales and expenses from	Nature of purchase
DFI Retail Group	Operates under a number of well-known brands across food, health and beauty, home furnishings, restaurants and other retailing.	5 years	28,198	3.3%	Retail core service cloud and E-commerce service cloud	—	—	—
Zhongbai Holdings Group Co., Ltd	Owns and operates several department stores and supermarkets. As well as operating pharmaceuticals manufacturing, real estate development, and property management through its subsidiaries, the Company also.	7 years	24,083	2.8%	Retail core service cloud and E-commerce service cloud	—	—	—
Customer D ⁽²⁾	Operates e-commerce, e-payment, payment settlement and clearing system technology development	6 years	22,606	2.7%	Retail core service cloud	42,592	2.2%	Payment processing costs

Note:

* Less than 0.1%.

(1) Entities controlled by Dr. Zhang include Wumei Group, MDL Wholesale Group, Yinchuan Xinhua Group and B&T Entities.

(2) Overlapping customers and suppliers, (i.e. who served as both our customers and suppliers) in a specified year/period.

For further details of our overlapping customers and suppliers, see “—Overlapping Customers and Suppliers” in this section.

Save as disclosed in “—Our Relationship with the Related Parties,” none of our Directors, their associates or any of our shareholders (who owned or to the knowledge of Directors had owned more than 5% of our issued shares) had any interest in any of our five largest clients during the Track Record Period and up to the Latest Practicable Date. See “Risk Factors—Risks Relating to Our Business and Industry—We currently have a relatively concentrated customer base with a limited number of major customers. The loss of one or more of our major customers, a failure to renew our agreements with one or more of our major customers, or a failure to expand our customer base, could negatively affect our results of operations and ability to market our services.”

We typically enter into cooperation agreements with our customers, including Related Parties. The agreements cover various terms including contracting parties, tenure, scope of services, fee rate

BUSINESS

(typically with reference to standardized pricing, but is also frequently customized based on circumstances and preferences of each customer), and payment terms, among other things. The following reflects the salient terms of the cooperation agreements:

<u>Key Terms</u>	<u>Description</u>
Service	<i>Retail core service cloud solutions</i> : provide retail digitalization solution package containing modules that customers can subscribe.
Pricing	With reference to standardized pricing for the relevant services or fee rates otherwise agreed between the parties, subject to the following adjustments: <ul style="list-style-type: none">• Potential additional service fees if customization required• Fee adjustments upon force majeure We adopt the same pricing policies for Independent Customers, Related Parties and Other Related Party.
Payment terms	settlement period ranging from monthly, quarterly to annually
Term and renewal	Ranging from one year to five years, subject to automatically renewal unless objected by either party.
Termination	May be terminated by either party upon 30-day notice under certain circumstances

SUPPLIERS

Our suppliers primarily include labor outsourcing companies, logistics service providers, payment processing service providers, AIoT product providers, text messaging service providers, cloud service providers, customer service providers and marketing support providers. Personnel outsourced from labor outsourcing companies are used by us to support (i) our AIoT solutions, which involve in-store personnel deployment in addition to digital services, and (ii) our e-commerce service cloud solutions where we stimulated traffic for our O2O platform via offline promotions. Amounts paid to our five largest suppliers for each of the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024 accounted for 14.8%, 15.4%, 27.7% and 37.4% respectively, of our total purchases from continuing operations during the same years/period. Amounts paid to our largest suppliers for each of the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024 accounted for 6.5%, 7.8%, 15.3% and 20.6% of our total purchases from continuing operations during the same years/period, respectively.

BUSINESS

The following table sets forth the details of our five largest suppliers during each year/period of the Track Record Period:

Supplier	Principal business	Approximate years of relationship	Purchase amount RMB'000 (excluding value added tax)	Purchase amount as % of our total purchase	Type of products/ services	Revenue from the supplier	Revenue from the supplier as % of our revenue	Nature of revenue
<i>Six Months Period Ended June 30, 2024</i>								
Supplier A	Operates employment intermediary services, construction labor subcontracting, human resources services, etc.	2 years	198,032	20.6%	Outsourcing and other labor costs	—	—	—
Supplier B	Operates technology promotion, technical services, labor dispatch, employment intermediary, foreign labor cooperation	7 years	94,296	9.8%	Outsourcing and other labor costs	—	—	—
Supplier C	Operates urban delivery and transportation services, road freight transportation, general warehousing services, etc.	4 years	25,035	2.6%	Outsourcing and other labor costs	—	—	—
Supplier D	Operates human resources services, labor services, software outsourcing services, etc.	1 years	24,943	2.6%	Outsourcing and other labor costs	—	—	—
Supplier E	Operates value-added telecommunications business, software development, technical services, etc.	1 years	17,196	1.8%	SMS cost incurred for OS customers	—	—	—
<i>Year Ended December 31, 2023</i>								
Supplier A	Operates employment intermediary services, construction labor subcontracting, human resources services, etc.	2 years	299,242	15.3%	Outsourcing and other labor costs	—	—	—
Supplier B	Operates technology promotion, technical services, labor dispatch, employment intermediary, foreign labor cooperation	7 years	146,178	7.5%	Logistics costs	—	—	—

BUSINESS

Supplier	Principal business	Approximate years of relationship	Purchase amount RMB'000 (excluding value added tax)	Purchase amount as % of our total purchase	Type of products/ services	Revenue from the supplier	Revenue from the supplier as % of our revenue	Nature of revenue
Supplier F	Operates employment intermediary services, labor dispatch services, foreign labor cooperation	2 years	41,769	2.1%	Outsourcing and other labor costs	—	—	—
Entities controlled by Dr. Zhang ⁽¹⁾⁽²⁾	Operating department stores, supermarkets, home appliances, home decoration and home building materials	9 years	29,353	1.5%	Logistics, promotion, marketing services, leases and others	1,139,183	71.9%	Retail core service cloud and E-commerce service cloud
Supplier G	Operates labor dispatch, labor subcontracting, labor outsourcing, human resource information consulting, human resource services and management services, etc.	3 years	25,560	1.3%	Outsourcing and other labor costs	—	—	—
<i>Year Ended December 31, 2022</i>								
Supplier B	Operates technology promotion, technical services, labor dispatch, employment intermediary, foreign labor cooperation	7 years	147,677	7.8%	Logistics costs	—	—	—
Customer D ⁽²⁾	Operates e-commerce, e-payment, technical development of payment settlement and clearing systems	6 years	41,336	2.2%	Payment processing costs	17,559	1.3%	Retail core service cloud and E-commerce service cloud
Supplier H ⁽²⁾	Operates research and development, production and sale of electronic price tags, smart shelves, self-service cash registers, intelligent equipment, computer hardware and auxiliary equipment, and communication equipment.	2 years	40,372	2.1%	AIoT product costs	84	*	Retail core service cloud

BUSINESS

Supplier	Principal business	Approximate years of relationship	Purchase amount RMB'000 (excluding value added tax)	Purchase amount as % of our total purchase	Type of products/ services	Revenue from the supplier	Revenue from the supplier as % of our revenue	Nature of revenue
Supplier I ⁽²⁾	Operates mobile telecommunications, broadband network technology services; computers, software and auxiliary equipment, communications equipment	5 years	35,710	1.9%	Cloud services, bandwidth and server custody fees & SMS platform service and customer services support fees	6	*	Retail core service cloud
Entities controlled by Dr. Zhang ⁽¹⁾⁽²⁾	Operating department stores, supermarkets, home appliances, home decoration and home building materials	9 years	25,796	1.4%	Logistics, promotion, marketing services, leases and others	850,501	64.0%	Retail core service cloud and E-commerce service cloud
Year Ended December 31, 2021								
Supplier B	Operates technology promotion, technical services, labor dispatch, employment intermediary, foreign labor cooperation	7 years	124,959	6.5%	Logistics costs	—	—	—
Entities controlled by Dr. Zhang ⁽¹⁾⁽²⁾	Operating department stores, supermarkets, home appliances, home decoration and home building materials	9 years	50,746	2.6%	Logistics, promotion, marketing services, leases and others	508,725	60.0%	Retail core service cloud and E-commerce service cloud
Customer D ⁽²⁾	Operates e-commerce, e-payment, technical development of payment settlement and clearing systems	6 years	42,592	2.2%	Payment processing costs	22,606	2.7%	Retail core service cloud
Supplier I	Operates mobile telecommunications, broadband network technology services; computers, software and auxiliary equipment, communications equipment	5 years	42,448	2.2%	Cloud services, bandwidth and server custody fees & SMS platform service and customer services support fees	—	—	—
Supplier J ⁽²⁾	Operates internet payment, mobile phone payment, bank card acceptance, issuance and acceptance of prepaid cards	5 years	24,624	1.3%	Payment processing costs	7,472	0.9%	Retail core service cloud

Note:

* Less than 0.1%.

BUSINESS

⁽¹⁾ Entities controlled by Dr. Zhang included Wumei Group, MDL Wholesale Group, Yinchuan Xinhua Group and B&T Entities.

⁽²⁾ Overlapping customers and suppliers, (i.e. who served as both our customers and suppliers) in a specified year/period.

We believe we have sufficient alternative suppliers for our business that can provide us with substitutes of comparable quality and prices. During the Track Record Period, we did not experience any disruption to our business as a result of any significant shortage or delay in supply of the related logistics resources.

During the Track Record Period and up to the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned or to the knowledge of our Directors had owned more than 5% of our issued shares) had any interest in our five largest suppliers other than entities controlled by Dr. Zhang.

OVERLAPPING CUSTOMERS AND SUPPLIERS

In 2021, 2022, 2023 and the six months ended June 30, 2024, to the best knowledge and belief of our Directors, three, two, three and one of our top five customers were also our suppliers in the respective years. During the same years/periods, our purchases from such customers accounted for 4.9%, 1.9%, 2.5% and 0.8%, respectively, of our total purchases from continuing operations, and our total sales to such customers accounted for 73.3%, 71.2%, 77.1% and 75.3%, respectively, of our revenue. During the Track Record Period, the services we provided to such customers mainly included retail core service cloud, e-commerce service cloud and others, and the nature of our purchases from them mainly included logistics, promotion, marketing services, leases, payment processing, consultancy services, customer services, and others. See “—Customers.”

In 2021, 2022, 2023 and the six months ended June 30, 2024, to the best knowledge and belief of our Directors, three, four, one and nil of our top five suppliers were also our customers in the respective years. During the same years/periods, our purchases from such suppliers accounted for 6.1%, 7.6%, 1.5% and nil, respectively, of our total purchases from continuing operations and our sales to these suppliers accounted for 63.6%, 65.3%, 71.9% and nil of our revenue, respectively. See “—Suppliers.”

According to Frost & Sullivan, it is a market practice in the retail industry that retailers, retail digitalization solution providers and payment processing suppliers transact with each other as suppliers and customers. Our Directors confirmed that negotiations of the terms of our purchases from and sales to these suppliers and customers were conducted separately and as a result, the purchases and sales were neither connected with nor conditional upon each other.

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

We do not operate any production facilities. We are not subject to significant health, work safety, social or environmental risks. To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary, adjust our human resources policies to accommodate material changes to relevant labor and work safety laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance in relation to health, work safety, social or environmental regulations, and have not had any accident, or claim for personal or property damage made by our employees which had materially and adversely affected our financial condition or business operations.

BUSINESS

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

We are dedicated to corporate social responsibilities, environmental awareness, and long-term sustainable development. Being a socially responsible company is an integral part of our business and has been our core value since our inception. We have taken various initiatives and practices to promote our value.

ESG Governance

We plan to further improve the robustness of our ESG governance framework and policies.

Our Board of Directors, more than one-third of whom are independent directors, is responsible for the setting up, implementation and monitoring of our overall ESG-related policies, strategies, action plans and mitigating measures, and overseeing the compliance with ESG reporting requirements, to ensure the effectiveness of our ESG governance and its alignment with our core ESG values.

We expect to establish an ESG team, which comprises of senior management and staff with insightful understanding of the evolving ESG topics and standards. The ESG team will report to and communicate with the Board on ESG-related matters, and is expected to assist the Board to (i) engage with our stakeholders and assess the ESG materiality of certain topics, in order to identify important subject areas for our Company, (ii) evaluate ESG-related risks and opportunities relating to our business and industry, (iii) set ESG goals and objectives, both qualitative and quantitative, and coordinate internally to formulate strategies and mitigating measures with recommended actions to take, (iv) review, monitor and manage ESG goals, and (v) make appropriate updates to ESG policies, strategies, action plans and mitigating measures from time to time to reflect the latest development of our business, industry standards and regulatory requirements. Upon Listing, we will publish an ESG report annually to comprehensively disclose, discuss and analyze our ESG-related policy implementation, performance, and other important matters of the respective year.

We also plan to engage with relevant regulatory authorities to seek clarification on any regulatory changes and requirements on a regular basis.

ESG Risk Identification and Assessment

We actively identify and monitor the actual and potential ESG-related risks to our business and financial condition. We take these risks into consideration of our overall strategies. We may also engage independent external advisors to evaluate ESG-related risks and review our existing strategy, targets, and internal control measures. We intend to implement necessary improvements to mitigate or transfer any significant ESG-related risks identified. The ESG team will be responsible for the continual assessment of ESG-related risks on a regular basis and the implementation of our ESG policies.

Potential climate-related risks and opportunities

We recognize the importance of preserving the natural environment, conserving natural resources and protecting global ecosystems to create a sustainable society for our future generations. We endeavor to reduce any negative impact on the environment through our commitment to energy saving and sustainable development. Since we do not operate in a highly-polluting industry, during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or

BUSINESS

other penalties due to non-compliance in relation to health, work safety or environment regulations and had not had any incident, or received any claim for personal or property damage made by our employees which had materially and adversely affected our financial condition or business operations. It is also expected that the climate-related risks such as extreme weather conditions would not have a material impact on our operation in the short, medium and long term. Nonetheless, our management have been assessing and managing business risks and opportunities as we understand that the adverse impact of the global climate change may eventually impact our business operations. As such, we have identified the following ESG-related risks and opportunities over the short, medium and long term that may impact our business and our responses and measure we may implement to mitigate these risks.

Short-term risks: energy usage leading to higher operational costs

Many businesses in some countries or regions are coping with shortage of energy and a significant increase in the operational costs associated therewith. The global temperature may further increase due to the climate change, leading to a higher consumption level of electricity, which may result in, among others, an increase in our operating costs associated with electricity usage. Our customers may also have to deal with rising costs due to climate change.

To combat climate-related risks, we have implemented internal policies to reduce our carbon footprint through a number of measures. See “environmental protection” below for more information.

Middle-term risks: policy changes leading to compliance and reputation risks

We face potential risks related to the overall trend into a lower-carbon economy, which can be prompted by, for example, changes in climate policies, technology, or market sentiment. The laws and regulations on environmental protection may change from time to time, and any change may increase our compliance costs and litigation risks in our operations. If we are in breach of any environmental laws and regulations, or face any threatened claims in this regard, our business and reputation could be adversely affected. Additionally, global investors and the general public are increasingly concerned about environmental performance, climate change and other topics. As a top player in the retail cloud solution industry, any inaction or slow response to the environmental performance could affect our reputation among the investors and the general public, which may have a material and adverse impact on our business, financial performance and results of operation.

Since we do not operate in a highly-polluting industry, we believe our exposure to such middle-term risks is limited. Nevertheless, to proactively address such risks, we have analyzed climate-related risks and studied the possible impact on reputation and taken the next steps. Our legal team has also stayed abreast of the latest laws and regulations on environmental protection and will organize company-wide training sessions on any changes in the laws and regulations on environmental protection to proactively address ESG-related and compliance risks.

Long-term risks: extreme weather conditions leading to operational disruptions or loss of assets

The global temperature increase may also result in more unpredictable weather conditions, such as frequent and severe occurrences of typhoons, hurricanes, droughts, flooding, and increased rainfall. Climate change may lead to operation instability and higher costs in the long term. Under certain circumstances, extreme weather conditions may result in suspension of our operations.

During the Track Record Period, we were not aware of any actual climate-related risks or damages that had adversely affected our business, results of operations and financial condition. Our

BUSINESS

Directors will continue to exert their efforts on environmental protection and mitigating climate-related risks to our business operations.

Other ESG-related risks and opportunities

In addition to the climate-related risks, we have also identified the following ESG-related risks and opportunities in relation to our business.

Employee welfare. We face the risk of losing talents and increased recruitment costs if we fail to promote the welfare of our employees, which may further lead to the risk of losing productivity and innovation that are essential to the sustainable development of our business in the medium and long term. We strive to attract and retain talents and cultivate their skills by providing them with reasonable career development paths, adequate training and fairly evaluating their performance. We also strive to provide employees with a safe and healthy work environment.

Business Ethics and Anti-Corruption. We face regulatory risks associated with maintaining good business ethics and avoiding corruption. Outstanding business ethics may promote healthy competition in the market and yield a positive business image for us, whereas failure to uphold ethical practices may damage our brand reputation, cause the loss of growth opportunities and may even incur litigation costs in the short and medium term.

Data Security and Privacy Protection. We face risks of the leakage of data and personal information of users, which may damage our brand reputation, financial condition and business operations in the short and medium term. The Dmall OS system has obtained the record certificate of network system security level protection supervised by the Ministry of Public Security of the People's Republic of China on June 15, 2022. We have leveraged our technological capabilities and have established stringent internal protocols to strengthen data security and privacy protection and mitigate such risks.

ESG Opportunities and Initiatives. We believe our solutions present significant ESG opportunities by optimizing energy consumption and promoting sustainable practices in retail stores. This is an area where we will continue to devote efforts, thereby not only controlling our own consumption but also helping more enterprises meet their ESG goals. By evaluating the energy usage of air conditioning, refrigeration, lighting, and electronics, our system visualizes and analyzes consumption trends, identifying high-energy facilities and generating efficient solutions. This not only reduces energy waste but also ensures the automatic control of air conditioners for optimal comfort and real-time monitoring of refrigerators for food safety. Moreover, we champion the reduction of paper usage through our innovative e-receipt feature and encourage in-store pick-up options while reminding consumers to bring reusable bags. Our efforts extend to packaging reduction, advocating for minimal bag usage and the adoption of alternatives like ropes for tying products. These initiatives collectively enhance our ESG profile, demonstrating a commitment to environmental stewardship, social responsibility, and governance.

Metrics and Targets

The ESG team will set targets for each important subject area at the beginning of each financial year in accordance with the disclosure requirements of Appendix C2 to the Listing Rules and other relevant rules and regulations upon the Listing. The relevant targets on important subject areas will be

BUSINESS

reviewed by the Board on an annual basis to ensure that they remain suitable to the sustainable development of our business and align with our core ESG values. In order to set measurable, balanced and consistent targets, we aim to take into account the respective historical levels of the quantitative metrics in each subject area and consider prudently our business plans and the latest ESG trends of the industry.

The primary resources we utilize include electricity and water consumed during our ordinary course of business which does not include consumptions of our leased data centers and servers, as such consumption is borne directly by the lessor. The table below sets forth our energy and water consumption for the periods indicated.

	Year Ended December 31,			Six Months Ended
	2021	2022	2023	June 30, 2024
Energy consumption (MWh)	681	888	969	388
Energy consumption per unit of revenue (MWh/RMB in million)	0.80	0.67	0.61	0.41
Water consumption (tons)*	4,044	4,002	6,230	1,763**
Water consumption per unit of revenue (tons/RMB in million)*	4.77	3.01	3.93	1.88**

Notes:

- * The water usage figures exclude the Chengdu office's consumption due to shared water metering with other companies in the building, making individual tracking unfeasible.
- ** The water usage figure for the six months ended June 30, 2024 also does not include the water consumption of the Shenzhen office due to the relocation of the Shenzhen office in January 2024.

We intend to keep the level of our energy and water consumption between 80% and 120% of that in 2023 and the level of our energy and water consumption per unit of revenue between 60% and 100% of that in 2023.

We are committed to fostering a disability-inclusive workplace. The table below sets forth the number of employees with disabilities during the Track Record Period.

	As of December 31,			As of June 30,	
	2021	2022	2023	2024	
Number of employees with disabilities (as percentage of total employees) . .	21 (0.8%)	20 (0.9%)	13 (0.7%)	13	(0.8%)

We encourage employees to host and attend virtual meetings instead of physical ones which we believe contributes to our ESG practice. By minimizing the need for business travel, virtual meetings directly reduce our carbon footprint. In addition to environmental benefits, promoting virtual meetings supports the social aspect of our ESG goals. Virtual meetings enable greater inclusivity and accessibility, allowing employees from different geographical locations to actively participate in discussions and decision-making processes. This inclusive approach fosters diversity and equality within our workforce, aligning with our social responsibility objectives and contributing to a more equitable and inclusive work environment. The table below sets forth the total duration of employee participation in online meetings during the Track Record Period.

BUSINESS

	Year Ended December 31,			Six Months Ended June 30,	
	2021	2022	2023	2024	
Total duration of employee participation in online meetings* (minutes) (average employee participation in online meetings)	—	19,877,878 (8,768)	14,924,580 (8,232)	5,356,274	(3,262)

Note:

* Based on meetings participated by employees through the video meeting app subscribed by us. Such information is unavailable for 2021.

Social Responsibility

We are committed to promoting social responsibility and incorporating social values as an integral part of our business and corporate culture. We believe social responsibility is vital to our ability to create sustainable value for our stakeholders. We have launched a number of initiatives aiming to support our employees and the community.

Employee caring

We have been committed to creating a safe, inclusive and equal working environment for our employees, protecting their rights and interests and facilitating their career development.

We support individual development of our employees by providing them with both on-boarding and regular trainings and clear promotion channels to support their growth and upward mobility. We also advocate for balanced working culture through organizing recreational and sports activities from time to time so that our employees have the opportunity to explore and pursue their hobbies. We conduct employee assessments regularly and provide promotion as appropriate based on their performance.

We are committed to creating a fair and equal workplace to protect our employee’s rights and interests promote diversity and inclusivity within our workforce. We have in place internal policies in compliance with applicable laws and regulations with regard to the employees’ labor rights and interests. We have also implemented policies requiring that each employee treated equally and fairly in employment, compensation and promotion, regardless of their background.

We are also deeply committed to fostering a disability-inclusive workplace that not only accommodates but also appreciates the diverse needs and contributions of all our employees, including those with disabilities. We encourage open, respectful communication and aim to create a culture where every employee feels valued and supported.

Public welfare/ Charitable efforts

We actively participate in socially responsible projects which align with our core value and utilize our technology offerings to serve the community at large. We believe it is our responsibility to stand out in difficult times and our commitment to society is embodied in our efforts during the COVID-19 outbreak.

Together with Zhongbai Holdings Group Co., Ltd., we initiated contactless delivery services and launched service models such as community-based delivery, a model that suits people’s community group-buying needs, under which residents at the same address band together to bulk

BUSINESS

purchase groceries from retailers. We have served more than 100 communities since the outbreak of the COVID-19 pandemic. In addition, we partnered with the All-China Women's Federation to donate and deliver necessities and other supplies to family members of the front line healthcare workers during the lockdown.

Corporate Governance

We are committed to fostering a culture of inclusivity and robust decision-making. We have a board comprising four independent directors and two female directors with multifaceted backgrounds. This includes directors with substantial experience in running businesses in multinational corporations across diverse sectors, as well as individuals with a technical and finance background, enriching the board's expertise and insights. Recognizing the pivotal role of a diverse board in enhancing internal governance, we are steadfast in our commitment to prioritizing diversity within our board. This commitment underscores our belief in the value of varied perspectives and experiences in driving effective decision-making processes and fostering strategic guidance.

Environmental protection

We monitor environmental, social and climate-related risks and opportunities that may impact on our business, strategy and financial performance and evaluate the magnitude of resulting impact over the short, medium and long-term horizon. We take these issues into account when developing our business strategy and may adjust our strategy in a particular region or city in response to changing environmental, social and climate-related landscape.

We recognize the importance of contributing to sustainable development for the benefit of our society and environment. With this in mind, we strive to minimize the impact of our operations on the environment and promote sustainability and environmental awareness at all levels of our organization. We are committed to sustainability as part of our corporate strategy, and we strive to cultivate a sustainable mindset among our employees and work environment. We have conducted a series of campaigns that aim to reduce waste and carbon emissions of both our company and our employees, including trash-sorting in all of our offices, water reduction, and carbon emission reduction. We have established several protocols in our offices in our effort to reduce water usage. We placed signs to remind our employees to reduce their water usage.

Though we believe our exposure to climate-related risks is limited, we are committed to carbon mitigation measures and will continue to explore ways to further improve energy efficiency. We ask our employees to be mindful of the environment when consuming office supplies, such as using double-sided printing and only printing when necessary. In our offices, we have internal policies for when and how air conditioners are to be used, based on temperature and time. We do not expect to incur significant costs for the compliance with applicable environmental protection rules and regulations in the future.

We also help our retail customers conserve energy through energy management solutions. Our solutions operating on an integrated energy monitoring system which evaluates the energy consumption of air conditioning, refrigeration, lighting and electronics in retail stores. Through visualizing the energy consumption data of retail stores, the system automatically traces high energy consumption facilities and analyzes the energy consumption trend and generates energy efficient solutions. Our solutions ultimately help retail stores automatically control air conditioners to keep store temperature at a comfortable level, monitor the refrigerators in real-time to ensure food safety and automatically adjust lighting according to the diurnal pattern.

BUSINESS

In addition, we present financial data related to the energy consumption of stores and provide graded alarms based on the level of consumption of each facility to identify energy inefficiencies in real time. We also generate weekly report summarizing energy and sustainability data for easy tracking and prompt recording. As a result, we are able to help our customers improve ESG performance, lower energy costs and reach their sustainability goals through our integrated solutions. For example, we stored devices onto more than 1,200 energy meters of retailer B, a leading warehouse-styled supermarket stores, covering approximately all of the stores. Sensor data is fed through our proprietary system to produce actionable and benchmarkable insights into retailer B's energy usage patterns. The prompt monitor and report of energy use data have helped retailer B form concrete insights into how its business is performing in terms of energy use and formulate and execute strategies to lower energy consumption. We also help retailers to reduce paper usage in its day-to-day operations. For example, we developed the e-receipt feature which allows retailers to issue receipt to consumers through Weixin or Alipay. We have also digitalized document workflows for retailers. For example, we provide real-time inventory information that can be accessed by all relevant employees on their phones or tablets, which reduced the needs for printing. The adoption of our services have helped retailer B reduce paper spending of more than RMB500,000 on an annual basis for its eight warehouses. We also introduced digitalized smart tags that are connected to retailers' computer database through wireless network. Digitalized smart tags display the latest price information of the items accurately in real time, reducing the needs for constant changing of paper tags.

We have been a strong advocate for reducing single-use plastics and packaging. We recommend retailers to provide in-store pick-up options and remind consumers to bring their own baskets or bags to the store. We also assist retailers to identify opportunities to reduce packaging in their operations and find viable alternatives. For example, we request retailers to limit the number of bags used by avoiding over packaging and tying products with ropes when possible. In addition, we are working on setting standards for the use of shopping bags. In particular, we target to adopt measures to prohibit the use of over-sized bags for product packaging to reduce waste. We will continue to promote the use of reusable bags and recommend retailers to provide in-store pick-up options. Many retailers we collaborate with have also started to use non-woven shopping bags of various sizes, which are biodegradable and can be easily washed and re-used.

COMPETITION

The retail digitalization solution industry is highly competitive, fast-evolving and fragmented. We compete with other service providers on, and continually strengthen our advantages in, the following principal factors, including (i) quality of user experience; (ii) trust and brand recognition; (iii) data analytics capabilities and technology infrastructure; and (iv) ability to attract and retain customers.

We primarily compete with traditional ERP provider and retail SaaS provider. Traditional ERP provider and retail SaaS provider mainly offer retail SaaS services including limited functional module that partially cover the specific scenarios of local retail. We face competition from our peers in various aspects, including customer acquisition and retention, technology innovation, product pricing, and talent pool. However, we believe we can effectively compete against them due to our unique strengths, including our full-spectrum service capacity and omni-channel coverage of solutions.

Full-spectrum service capacity. Our one-stop Dmall OS system provides full-spectrum service capacity, covering the full range of operational needs across the local retail business chain. This is in contrast to traditional software providers who offer point solutions that are siloed and disconnected

BUSINESS

across different systems. Our integrated full-spectrum platform increases overall operational efficiency for customers, improves their experience, and enhances customer stickiness.

Omni-channel coverage. Additionally, our solutions cover traditional offline stores and online channels, providing omni-channel coverage that distinguishes us from our peers. Our approach allows us to aggregate, connect, and analyze transaction information holistically across all retail channels for retailers to make informed business decisions, improve productivity, and reduce costs. See “Risk Factors—Risks Relating to Our Business and Industry—We face increasingly intense competition, and if we fail to compete effectively against current and future competitors, our business and results of operations may be adversely affected.” For more information of the competitive landscape of our industries, see “Industry Overview.”

EMPLOYEES

We had a total of 1,642 employees and most of them are located in China as of June 30, 2024. The following table sets forth the numbers of our full-time employees categorized by function as of June 30, 2024.

<u>Function</u>	<u>Number of Employees</u>	<u>Percentage</u>
Sales and marketing	103	6.3%
Research and development	908	55.3%
Operations	416	25.3%
General and administrative	215	13.1%
Total	1,642	100.0%

Our success depends on our ability to attract, motivate, train and retain qualified personnel. We adopt high standards in recruitment with strict procedures to ensure the quality of new hires. We use various methods for our recruitment, including campus recruitment, online recruitment, internal recommendation and recruitment through headhunter firms or agents, to satisfy our demand for different types of talents.

We believe we offer our employees competitive compensation packages and an environment that encourages self-development and creativity. We provide training programs for our employees in order to enhance their professional and technical skills and understanding of our industry. We design and offer different training programs for employees at different positions and departments based on their differing needs. As a result, we have generally been able to attract and retain qualified personnel. Our employees are not currently represented by any labor union. We believe that we maintain a good working relationship with our employees, and we have not experienced any work stoppages due to labor disputes in the past.

As required by regulations in China, we participate in various employee social insurance plans that are organized by applicable municipal and provincial governments for our PRC-based employees, including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing insurance. We are required under PRC law to make contributions from time to time to employee benefit plans for our PRC-based employees at specified percentages of the salaries, bonuses and certain allowances of such employees, up to a maximum amount specified by the local governments in China. Bonuses are generally discretionary and based in part on employee performance and in part on the overall performance of our business. We have granted, and plan to

BUSINESS

continue to grant, share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development.

We enter into standard employment agreements with our employees. We also enter into standard confidentiality agreements with our senior management in accordance with market practice.

Social Insurance and Housing Provident Fund

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) and other relevant regulations, we are required to provide our employees with welfare schemes covering social insurance. According to the Administrative Regulations on Housing Provident Funds (住房公積金管理條例), we are required to make housing provident fund for our employees. During the Track Record Period, we failed to make contributions to the social insurance and housing provident funds in full amount as required by the relevant PRC laws and regulations. This non-compliance incident occurred primarily because of: (i) inadvertent oversight of the relevant PRC laws and regulations; and (ii) inconsistent interpretation by local authorities in the PRC of the relevant laws.

Under PRC laws and regulations, we might be subject to late fees and fines for not making social insurance contributions in full amount in a timely manner. If any competent government authority is of the view that the social insurance payments we made for our employees do not satisfy the requirements under relevant PRC laws and regulations, we might be ordered to pay the unpaid amount within a certain period and a late fee that equals to 0.05% of the total unpaid amount per day. For the years ended December 31, 2021, 2022 and 2023, we recorded provisions of RMB0.4 million, RMB3.9 million, and RMB0.5 million for social insurance and housing provident fund shortfall, respectively. If we fail to pay the unpaid amount or the late fee, we may be subject to a fine ranging between one to three times of the total unpaid amount of the social insurance fund contribution. The aggregate maximum penalty for social insurance shortfall was RMB0.9 million, RMB9.3 million, and RMB1.1 million for the years ended December 31, 2021, 2022 and 2023, respectively. The increase in the amount of the shortfall in social security and housing fund contributions in 2022 reflected Shenzhen Enjoy's shortfall after our acquisition of Shenzhen Enjoy in November 2021. If any competent government authority is of the view that the housing provident funds we made for our employees do not satisfy the requirements under relevant PRC laws and regulations, we might be ordered to pay the unpaid amount within a certain period. If we fail to do so upon the expiration of the abovementioned time limit, further application will be made to the People's Court for compulsory enforcement. If we were ordered to make payment for inadequate social insurance and/or housing provident contribution, we will do so promptly and within the prescribed time period. We have completed rectifying non-compliant issues relating to social security and achieved compliance in July 2023.

In addition, certain of our PRC subsidiaries and consolidated variable interest entities have engaged our other PRC operating entities and/or third-party human resources agencies to make social insurance and housing fund contributions for some of their employees (the "**Third-Party Arrangement**") in the past. Due to our lack of branch offices or subsidiaries in certain regions, we were unable to make social security and housing provident fund contributions for those employees under relevant laws and regulations. As of December 31, 2021, we had 170 employees whose social security and housing provident fund contributions were made through Third-Party Arrangement, representing 6.4% of our total employees. The employees subject to the Third-Party Arrangement mainly came from our acquisition of Shenzhen Enjoy in November 2021. Social security and housing provident fund contributions made by our other PRC operating entities and/or third-party human

BUSINESS

resources agencies were RMB2.1 million and RMB1.1 million in 2021 and 2022, respectively. As of December 31, 2022, we had rectified such non-compliance. Such Third-Party Arrangement although not uncommon in China, was not in strict compliance with relevant PRC laws and regulations. If the Third-Party Arrangement is challenged by government authorities, we may be deemed to fail to discharge our obligations in relation to the payment of social insurance and housing provident funds through our own accounts as an employer, and we may be ordered by the relevant authorities to make up for employee benefit plans contributions and we may be subject to fines and legal sanctions in relation to our noncompliance. Nevertheless, uncertainties still exist in relation to whether and/or how such Third-Party Arrangement would be penalized or fined under the PRC laws and regulations in practice, we may face uncertainties as to the application and implementation of laws and regulations in this regard and thus may not be practical for us to estimate the maximum potential fine or penalty quantitatively. If we were ordered to make such payment, we will do so promptly and within the prescribed time period. See “Risk Factors—Risks Relating to Doing Business in China—Failure to fully comply with PRC laws and regulations on various employee benefit plans as required by PRC regulations may subject us to penalties.”

Dispatched Workers

We also dispatched workers from employment agencies in the PRC during the Track Record Period. We entered into service agreements with certain independent human resources service providers to engage dispatched workers. According to the service agreements, the individuals dispatched by the service providers are employees of such providers. The service providers are therefore required to bear the costs of salaries, social insurance and housing provident funds or other employee benefits of these dispatched workers, while we are responsible for paying service fees to such employment agencies. We have entered into agreements with labor dispatch agencies. We consistently conduct job training for dispatched workers as per the agreement. We evaluate the performance of the dispatched workers during their probationary period and monitor for any violations during their service period, including serious breaches of our rules or behavior that significantly impacts the work assigned to us. In such instances, we have the option to inform the labor dispatch agency to terminate the collaboration with the dispatched worker.

During the Track Record Period, the number of dispatched workers engaged by us had exceeded the 10% regulatory threshold. The non-compliance was the result of a genuine mistake in interpreting the legal requirements for calculating the percentage of dispatched workers for the branch office of a subsidiary. According to the Interim Provisions on Labor Dispatch (勞務派遣暫行規定, the “**Interim Provisions**”) issued on January 24, 2014 and implemented on March 1, 2014 by the Ministry of Human Resources and Social Security, the number of the dispatched workers shall not exceed 10% of the total number of the employees. As a result, we may be ordered to rectify the non-compliance by entering into written employment contracts with those who are willing to do so among our dispatched workers, and if we fail to rectify within the time period specified by the labor authority, we might be subject to a penalty ranging from RMB5,000 to RMB10,000 per dispatched worker. The average number of our dispatched workers above the regulatory threshold per month was 2 for April and May 2020, 72 between February 2021 to December 2021 and 76 for January and February 2022. We were in full compliance with laws and regulations on dispatched workers for the rest of the Track Record Period and up till the Latest Practicable Date. The number of the aggregate maximum penalty of the Company for the non-compliance relating to dispatched workers is RMB1.0 million. If we were ordered to make such payment, we will do so promptly and within the prescribed time period. See

BUSINESS

“Risk Factors—Risks Relating to Doing Business in China—Evolving PRC laws and regulations on labor dispatch may expose us to potential penalties.”

To rectify the situation, we have minimized labor dispatch activities under the labor dispatch agreements with our employment agents. As of the Latest Practicable Date, the dispatched staff under the labor dispatch agreements with our PRC subsidiaries accounted for less than 10% of the total number of the staff thereof. As of the Latest Practicable Date, we continue to deploy a small number of dispatched workers to regions without established subsidiaries or branches. This helps provide supplemental after-sales and operational maintenance of system services, ensuring more convenient customer service and seamless communication with the headquarters. Additionally, opting to deploy dispatched workers in these regions, rather than establishing physical companies, allows us to effectively manage operational costs while meeting customer needs. As (i) we had not received any notice of rectification in relation to our labor dispatch activities from any governmental authorities; and (ii) we had lowered the percentage of dispatched workers engaged by our PRC subsidiaries to below the threshold as of the Latest Practicable Date, our PRC Legal Adviser is of the view that the possibility of us being penalized for our non-compliance of dispatched workers during the Track Record Period pursuant to the Interim Provisions and the Labor Contract Law is low.

PROPERTIES

Owned Properties

As of the Latest Practicable Date, we owned three properties in Jinan, Shandong, with an aggregate gross floor area of approximately 584 square meters to support our business operations. These properties are primarily used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. The following table sets forth a summary of the properties owned by our Group in the PRC as of the Latest Practicable Date:

<u>Location</u>	<u>Usage</u>	<u>Approximate gross floor area (sq.m)</u>
Jinan, Shandong	Commercial Business	509
Jinan, Shandong	Garage	38
Jinan, Shandong	Garage	37
Total		584

Our Directors confirmed that no single property interest that forms part of non-property activities has a carrying amount of 15% or more and no single property interest that forms part of property activities has a carrying amount of 1% or more, of the total assets. Accordingly, we are not required by Chapter 5 of the Listing Rules to value or include in this document any valuation report of our other property interests, and, pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Miscellaneous Provisions) Ordinance and paragraph 34(2) of the Third Schedule to the Companies (Miscellaneous Provisions) Ordinance.

Leased Properties

Leased properties in the Chinese mainland

Our corporate headquarters is located in Beijing, China, where we lease office space with an area of approximately 3,719.76 square meters. We generally make rental payments on a monthly,

BUSINESS

quarterly or semi-annual basis. In addition, as of the Latest Practicable Date, we also leased properties in seven other cities in the Chinese mainland with a total gross floor area of approximately 6,472.04 square meters. The properties we lease are mainly used as office space. We believe that our existing facilities are generally adequate to meet our current needs, but we expect to seek additional space as needed to accommodate future growth.

Title Defects of Leased Properties

As of the Latest Practicable Date, one of our leased properties in the Chinese mainland with an aggregate gross floor area of approximately 392.93 square meters were subject to potential title defects, representing approximately 3.9% of the total gross floor area of our leased properties in the Chinese mainland. The lessors of one of our leased properties had not provided us with the relevant real estate registration certificates for the leased properties or proof of authorizations from the property owners to sublease the properties to us. Such non-compliance occurred mainly as a result of lessors' misplaced documentations and we have communicated with lessors and will continue to urge them to take measures to procure replacement of relevant documents and certificates. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any safety issues or disputes with respect to these defective leased properties. Our lessors' failure to provide the relevant real estate registration certificates for the properties we leased or proof of authorizations from the property owners to sublease the properties to us does not result in any discount on the rents we contracted to pay. Based on our experience and knowledge, proper real estate registration certificates or proof of authorizations does not result in any material premium on the rents charged by the lessors.

As advised by our PRC Legal Adviser, without real estate registration certificates or proof of authorizations from the property owners, our use of these defective leased properties may be affected by third parties' claims or challenges against the leases. In addition, if the lessors do not have the requisite rights to lease these defective leased properties, the relevant lease agreements may be deemed invalid, and as a result we may be required to vacate these defective leased properties and relocate. See "Risk Factors—Risks Relating to Our Business and Industry—Our use of some leased properties could be challenged by third parties or government authorities, which may cause interruptions to our business operations." If the relevant PRC subsidiaries renting such properties were not able to continue using such properties due to the title defects, we believe we are able to identify alternative leasing of other suitable properties in the same locality in a timely manner. Our Directors believe that the costs of the relocation would be negligible. Additionally, it is the lessors' responsibility to obtain the title certificates to enter into the leases, and, as a tenant, we are unable to obtain the relevant certificates on behalf of the lessors and will not be subject to any administrative punishment or penalties in this regard. These statutory protections significantly mitigate our risks arising from these defective leased properties due to claims for vacation from the legal owners of the properties. See "Risk Factors—Risks Relating to Our Business and Industry—Our use of some leased properties could be challenged by third parties or government authorities, which may cause interruptions to our business operations."

Having considered the foregoing, our Directors believe that these title defects described above will not, individually or in the aggregate, materially affect our business and results of operation, on the grounds that: (i) during the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, our leases with respect to these defective leased properties had never been challenged by any third parties, (ii) given that a substantial portion of our landlords are sizeable commercial real estate developers, we believe the risk that we are required to vacate and relocate from these premises is remote, (iii) we are able to find alternative premises for relocation in a timely manner

BUSINESS

and the relocation is not expected to be costly, and (iv) we have enhanced our internal control measures and procedures to prevent the leasing of properties with title defects. If the relevant PRC subsidiaries renting such properties were not able to continue using such properties due to the title defects, we believe we are able to identify alternative leasing of other suitable properties in the same locality in a timely manner. Our Directors believe that the costs of the relocation would be not material and there would be no material impact on us if we are forced to relocate.

Lease Registration

As of the Latest Practicable Date, seven out of our 12 leased properties in the PRC have not been registered or filed with the relevant land and real estate administration bureaus in the PRC. These properties are used for office space and have an aggregate gross floor area of approximately 5,130.7 square meters, accounting for approximately 50.3% of the total gross floor area of our leased properties in the PRC. Our lessors' failure to provide the necessary documents for us to register the leases does not result in any reduction in rent. Similarly, in our experience, the proper registration of leases does not result in any material increase in the rent charged by the relevant lessor.

As advised by our PRC Legal Adviser, failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements or result in us being required to vacate the leased properties. However, the relevant PRC authorities may impose a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease. The aggregate maximum penalty of the Company for the non-compliance relating to the registration and filing of lease agreements is RMB70,000 based on agreements currently in force. If we were ordered to make such payment, we will do so promptly and within the prescribed time period.

Having considered the foregoing, our Directors believe that the non-registrations of leases described above will not, individually or in the aggregate, materially affect our business and results of operation, on the grounds that: (i) no penalty had been imposed on us for our failure to register and file the relevant lease agreements during the Track Record Period and up to the Latest Practicable Date, (ii) if the lease registration can be completed in accordance with relevant laws and regulations within a reasonable time from the date of application or the prescribed time limit ordered by the competent governmental authorities, the risk of governmental authorities imposing a material penalty on us with respect to these leased properties is remote, (iii) we have designated a dedicated team to work on the lease registration by proactively communicating with the lessors in order to obtain their cooperation and collect the application documents for the relevant lease registration, and we have submitted the application documents for lease registration where those documents are complete, and (iv) we have enhanced our internal control measures and procedures to prevent re-occurrence of such non-compliance incidents.

Leased Properties outside the Chinese mainland

As of the Latest Practicable Date, we leased approximately 419 square meters for office space in Hong Kong and approximately 121 square meters of office space in Hungary. We believe the premises we leased in Hong Kong and Hungary are sufficient to meet our business needs.

RISK MANAGEMENT AND INTERNAL CONTROL

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems.

BUSINESS

We have adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as financial reporting, information system, internal control, human resources and investment management.

Financial Reporting Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policies, budget management policies, treasury management policies, financial statements preparation policies and finance department and staff management policies. We have various procedures and information technology systems in place to implement our accounting policies, and our finance department reviews our management accounts based on such procedures.

Internal Control Risk Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our legal, finance and other departments work closely together to: (a) perform risk assessments and give advice on risk management strategies; (b) improve business process efficiency and monitor internal control effectiveness; and (c) promote risk awareness throughout our company.

In accordance with our internal procedures, our in-house legal and finance departments review due diligence materials and contracts of suppliers and customers, and work with relevant business units to obtain and maintain requisite governmental approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

We continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

Audit Committee Experience and Qualification and Board Oversight

We have established an audit committee to monitor the implementation of our risk management policies across our company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations.

The audit committee consists of three members, namely Ms. CAI Lin, Mr. LI Wei and Mr. HOU Yang. Ms. CAI Lin is the chairperson of the audit committee. For the professional qualifications and experiences of the members of our audit committee, see “Directors and Senior Management.”

We also maintain an internal audit department which is responsible for reviewing the effectiveness of internal controls and reporting to the audit committee and senior management on any issues identified. Our internal audit department members hold regular meetings with management to discuss any internal control issues we face and the corresponding measures to implement toward resolving such issues. The internal audit department reports to the audit committee to ensure that any major issues identified are channeled to the committee on a timely basis. The audit committee then discusses the issues and reports to the board of directors, if necessary.

BUSINESS

Ongoing Measures to Monitor the Implementation of Risk Management Policies

Our audit committee, internal audit department and senior management together monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient.

Personal Information Protection and Data Security

We take protection of personal information and data security very seriously. We follow strictly the relevant laws and regulations, including the recently promulgated Cyber Data Security Regulations (《網絡數據安全管理條例》), in collecting the personal information of our users, and we conduct regular self-inspections and correct any irregularities found to ensure our maximum protection of each user's personal information. For details on our compliance with PRC laws on protection of personal information, see "Risk Factors—Risks Relating to Our Business and Industry—Because we receive, store, and process data, some of which contain sensitive personal information, we face concerns over the collection, improper use or disclosure of personal information, which could discourage current and potential users from using our services and technology platforms, damage our reputation, face regulatory scrutiny, and in turn materially and adversely affect our business, financial condition and results of operations." With respect to data security, we have leveraged our technological capabilities to establish safe data transmission channels to ensure the security of data transmission between our platform and the users. To avoid data leakage, we have established stringent internal protocols under which we grant classified access to confidential client data only to employees with strictly defined and layered access authority. In the meantime, we encrypt sensitive personal information including but not limited to the user names, addresses, and phone numbers of our users stored in our database to prevent data theft or leakage caused by possible security breaches. Additionally, we provide regular trainings about data security to our relevant employees.

Our PRC legal adviser in respect of PRC data compliance is of the view that, based on the service agreements reached with our customers, we process consumer personal information entrusted by customers only within the scope stipulated in these agreements, and our practice complies with Article 21 of the Personal Information Protection Law. Furthermore, we have implemented corresponding compliance management measures to ensure the secure protection of personal information and data. Therefore, our PRC legal adviser in respect of PRC data compliance is of the view that during the Track Record Period and up to the Latest Practicable Date, we had complied with the applicable laws and regulations regarding personal information privacy and data security in all material aspects.

Regulatory Compliance and Legal Risk Management

Compliance risk refers to the risk of being subject to legal and regulatory sanctions, and the risk of major financial and reputational losses as a result of our failure to comply with relevant laws, regulations, rules and guidelines. Meanwhile, legal risk refers to the risk of legal liability arising from violations of laws and regulations, breaches of contracts, infringements on the legal rights of others or otherwise in connection with any contract or business activity in which we are involved.

In order to manage our compliance and legal risk exposures effectively, we have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. We maintain internal procedures to ensure that we have obtained all material requisite licenses, permits and approvals for our business operation, and our legal team conduct regular

BUSINESS

reviews to monitor the status and effectiveness of those licenses and approvals. Our in-house legal department works with relevant business departments to obtain requisite governmental approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

INSURANCE

We maintain insurance policies that are required under PRC laws and regulations as well as based on our assessment of our operational needs and industry practice. We do not maintain business interruption insurance or key-man insurance. We also do not maintain insurance policies covering damages to our network infrastructures or information technology systems. We believe the insurance coverage we maintain is in line with the industry. During the Track Record Period, we did not make any material insurance claims in relation to our business. For risk factors relating to our insurance policies, see “Risk Factors—Risks Relating to Our Business and Industry—We have limited insurance coverage, which could expose us to significant costs and business disruption.”

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

From time to time, we may become involved in legal proceedings in the ordinary course of our business. During the Track Record Period, a subsidiary of our Company were involved in a contractual dispute lawsuit with a mobile phone supplier of our Company’s legacy commodity business. The mobile phone supplier requested our Company to compensate them for payables and interest of RMB56,667,100 and certain disputed assets were frozen by the court from the subsidiary’s bank account. In September 2022, the court dismissed the case based on the findings of a court-commissioned forensic appraisal that the seal used in the evidentiary documents presented in the lawsuit did not match with our subsidiary’s authentic company seal, and disputed assets were unfrozen in October 2022. None of our shareholders, directors or senior management or any of their associates were involved in the seal’s forgery leading up to the lawsuit.

During the Track Record Period, a subsidiary of our Company was involved in a contractual dispute where criminal investigation was brought by relevant authority against a supplier of the Company for undelivered goods. In May 2020, Dmall Life Digital entered into a merchandise purchase and sale agreement (the “**Purchase and Sale Agreement**”) with a certain supplier (“**Supplier X**”). Under the Purchase and Sale Agreement, Dmall Life Digital agreed to buy and Supplier X agreed to sell cellphones pursuant to the procedures set forth in the agreement. In June 2020, Dmall Life Digital and Supplier X entered into a safekeeping agreement related to the merchandise purchase and sale agreement (the “**Safekeeping Agreement**”). Under the Safekeeping Agreement, Supplier X agreed to keep within its custody cellphones purchased under the Purchase and Sale Agreement by Dmall Life Digital. In June 2020, we made a payment amount of RMB43.6 million for a cellphone order to Supplier X. When making the payment for the cellphone order to Supplier X, we: (i) did not implement proper procedures for verifying delivery receipt of the cellphone order. We did not arrange for a designated personnel to receive and verify the status of the cellphones, and relied on the verification provided by a third party; (ii) did not establish procedures to verify the identity of our suppliers’ authorized contacts and did not require proper authorization from such contacts; and (iii) did not establish procedures to review and verify the bank account information of our transaction counterparties. We did not receive the cellphones. As a result, we reported the incident to the Beijing

BUSINESS

Municipal Public Security Bureau in July 2020, and we made a provision in the same year for bad debts since such loss was determined to be probable. The incident was still under investigation as of the Latest Practicable Date.

Subsequently, our Company conducted an internal review of the internal control mechanisms and adopted corresponding internal control measures. For instance, the procurement department shall obtain and verify copies of suppliers' business licenses and authorization letters to the contacts before further arrangements. The purchase demand department and procurement department are responsible for the inspection and acceptance of goods when purchased goods arrives (or services are provided). During the inspection process, we collect documents from the supplier that describe the details of the orders and that certify the quality of the goods delivered. These documents, together with our own order receipt form, are recorded in our inventory management system by our designated inventory management personnel for further periodic inspection and verification. The finance department shall verify the performance of each contract and corresponding bank account information before releasing payment to suppliers strictly in accordance with the details of our contracts with our suppliers. Having taken into account specific measures adopted by us to prevent inadequate verification during our procurement process and resources devoted to implement and monitor the effectiveness of such measures, our Directors are of the view that the above measures are effective and adequate in safeguarding our procurement process. Based on (i) the discussion with the management of our Company about the nature and reasons for the non-compliance incidents, the internal review of the internal control mechanisms undertaken and the corresponding internal control measures adopted by our Group; (ii) the discussion with the internal control consultant on the rectification measures recommended by them; and (iii) our Directors' view mentioned above, nothing has come to the Joint Sponsors' attention which would cause them to disagree with our Directors' view above in relation to the sufficiency of the rectifications and new internal control measures. For details, please see "Risk Factors—Risks Relating to our Business and Industry—If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately report our results of operations, meet our reporting obligations or prevent fraud."

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation and compliance.

Compliance

During the Track Record Period and up to the Latest Practicable Date, having taken into account the Restructuring, our Directors are of the view that we had not been and were not involved in any systemic or material non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

We have developed and implemented a set of internal control measures to prevent the recurrence of non-compliance with regards to employee benefits, social insurance and housing fund contributions, dispatched workers and lease registration.

In rectifying and preventing non-compliance issues relating to social security and housing fund contributions, we have adopted our corporate Compensation and Benefits Policy (the "**C&B Policy**"), which requires our PRC subsidiaries to use the appropriate contracting entity to make the social

BUSINESS

security and housing fund contributions for the corresponding contracting employees in accordance with and in the amount provided by the relevant local government authorities. Our human resources department monitors and reviews the implementation of the C&B Policy within each of our entities on a quarterly basis. This review covers compliance with social security policy, amounts and ledger of social security and housing fund contributions, employees for whom such contributions were made, and record-keeping. The human resources department is also responsible for internally reporting and monitoring the rectification of any non-compliance issues. A designated social insurance coordinator is responsible for calculating the amount of social insurance contributions and conducting inspections on compliance.

Additionally, our Company established the Compliance Management Policy (the “**Compliance Policy**”) and implemented accordingly. The Compliance Policy states that our human resources department is responsible for creating designated position for conducting inspections on compliance pursuant to relevant labor laws and regulations as well as employee compensation and benefits laws and regulations. The human resources department is also tasked with adjusting and improving our internal control mechanisms on employee benefits and compensation according to any changes in the relevant laws and regulations.

Under the Compliance Policy, the designated position created by our human resources department for compliance-related inspections is also responsible for compliance issues related to labor dispatch according to the relevant laws and regulations. A number of other internal control policies within our Company governs our labor dispatch compliance, including our Procurement Management Policy (the “**Procurement Policy**”), our Contract Management Policy (the “**Contract Policy**”) and our Dispatch Labor Management Policy (the “**Dispatch Labor Policy**”). The Procurement Policy establishes our internal procedure for the request and quotation of dispatch labor needed for our operations. The Contract Policy requires that our contracts for dispatch labor be reviewed and approved by our legal counsel, human resources department and other authorized individuals before signing. Our Dispatch Labor Policy establishes protocols for the hiring, authorization and departure of our dispatch labor contract workers.

With regard to lease registration, we have also enhanced our internal control measures and procedures to prevent the re-occurrence of such non-compliance incidents. For example, when our corporate affairs department initiates the signing of the lease contract, we require the department to obtain the lessors’ asset ownership certificate as a supporting document. Our corporate affairs department is also responsible for the lease registration. We also designate personnel to proactively communicate with the lessors in order to obtain their cooperation and collect the application documents for the relevant lease registration, and we have submitted the application documents for lease registration where those documents are complete. We will also implement site selection policies, pursuant to which our legal department shall also review the lease agreements.

Having taken into account specific measures adopted our Company to prevent the recurrence of non-compliances and resources devoted to implement and monitor the effectiveness of such measures, our Directors are of the view that, and the Joint Sponsors concur, the above measures are effective and adequate in preventing non-compliance with respect to social insurance and housing provident funds, dispatched workers and lease registration.

Having taken into account (i) the nature of and all the facts and circumstances leading to the non-compliance incidents, (ii) the internal control measures adopted and enhanced by our Group to

BUSINESS

minimize the recurrence of the historical non-compliance incidents, (iii) our PRC Legal Adviser's view that the possibility of our Company being penalized for its non-compliance of dispatched workers during the Track Record Period is low; (iv) provisions had been recorded for social insurance and housing provident fund shortfall; (v) none of the non-compliance incidents was originated from any repeated failure by our Directors to operate the business in a compliant manner; (vi) the past instances of non-compliance incidents are not related to the character of our Directors and do not raise any serious concern on the integrity of them as such incidents did not involve any fraudulent or dishonest acts by our Directors; (vii) we were not aware of any material complaints filed against us nor involved in any material labor disputes with respect to social insurance and housing provident funds, dispatched workers or lease registration during the Track Record Period and up to the Latest Practicable Date, and (viii) as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay for the shortfalls or any overdue charges with respect to social insurance and housing provident funds or rectify non-compliance relating to social insurance and housing provident funds, dispatched workers or lease registration, our Directors are of the view, and the Joint Sponsors concur, that we had not been and were not involved in any systemic or material non-compliance incidents pursuant to Chapter 1.2D of the Guide For New Listing Applicants issued by the Stock Exchange during the Track Record Period.

LICENSES AND PERMITS

As of the Latest Practicable Date, we had obtained all requisite licenses, permits, approvals, and certificates from and completed filings with the relevant government authorities that are material for our business operations. We had complied with all relevant applicable PRC Laws relating to the required permits and licenses in all material respects as of the Latest Practicable Date. All of our licenses which have expiration dates are valid for a fixed period and subject to renewal upon expiry. Our Directors do not expect any impediment in the renewal of our licenses.

The following table sets forth a summary of the material licenses and permits that we have obtained for our business operations during the Track Record Period. As of the date of this document, we do not possess any of the licenses or permits listed in the following table due to the disposal of Dmall Fresh (Shenzhen) and the Restructuring. We do not believe our current operation necessitates any such licenses or permits.

<u>License/Permit</u>	<u>Holder</u>	<u>Issuing Authority</u>	<u>Grant Dates</u>	<u>Expiration Date</u>	<u>Description</u>
Value-added Telecommunications Business Operating License (增值電信業務經營許可證)	Dmall Fresh (Beijing) ⁽¹⁾	Ministry of Industry and Information Technology of the PRC	November 22, 2022	November 22, 2027	Information services (limited to Internet information services) Online data processing and transaction processing services (limited to transactional e-commerce)
Value-added Telecommunications Business Operating License (增值電信業務經營許可證)	Dmall Fresh (Beijing) ⁽¹⁾	Beijing Communication Administration	August 14, 2019	March 2, 2021	Information services (limited to Internet information services)

BUSINESS

License/Permit	Holder	Issuing Authority	Grant Dates	Expiration Date	Description
Value-added Telecommunications Business Operating License (增值電信業務經營許可證)	Dmall Fresh (Beijing) ⁽¹⁾	Beijing Communication Administration	March 5, 2021	March 5, 2026	Information services (limited to Internet information services)
Value-added Telecommunications Business Operating License (增值電信業務經營許可證)	Dmall Fresh (Beijing) ⁽¹⁾	Beijing Communication Administration	August 14, 2019	November 27, 2023	Online data processing and transaction processing services (limited to transactional e-commerce)
Value-added Telecommunications Business Operating License (增值電信業務經營許可證)	Dmall Fresh (Beijing) ⁽¹⁾	Ministry of Industry and Information Technology of the PRC	July 19, 2023	November 22, 2027	Online data processing and transaction processing services (limited to transactional e-commerce) Information services (limited to Internet information services) Information services (excluding Internet information services)
Online Food Third-Party Platform Provider Filing Information Chart (網絡食品第三方平台提供者備案信息表)	Dmall Fresh (Beijing) ⁽¹⁾	Beijing Municipal Medical Products Administration	August 28, 2019	—	—
Third Party Platform Provider for Medical Equipment Online Trading Services Filing Certificate (醫療器械網絡交易服務第三方平台備案憑證)	Dmall Fresh (Beijing) ⁽¹⁾	Beijing Municipal Medical Products Administration	August 4, 2022	—	—
Third Party Platform Provider for Medical Equipment Online Trading Services Filing Certificate (醫療器械網絡交易服務第三方平台備案憑證)	Dmall Fresh (Beijing) ⁽¹⁾	Beijing Municipal Medical Products Administration	June 5, 2019	—	—
Value-added Telecommunications Business Operating License (增值電信業務經營許可證)	Dmall Fresh (Shenzhen) ⁽²⁾	Guangdong Communication Administration	May 22, 2020	May 22, 2025	Information services (limited to Internet information services) Online data processing and transaction processing services (limited to transactional e-commerce)

BUSINESS

License/Permit	Holder	Issuing Authority	Grant Dates	Expiration Date	Description
Third Party Platform Provider for Food Online Trading Filing Certificate (網絡食品交易第三方平台備案憑證)	Dmall Fresh / (Shenzhen) ⁽²⁾		June 23, 2020	—	—
Third Party Platform Provider for Medical Equipment Online Trading Services Filing Certificate (醫療器械網絡交易服務第三方平台備案憑證)	Dmall Fresh (Shenzhen) ⁽²⁾	Guangdong Municipal Medical Products Administration	August 31, 2020	—	—

Notes:

- (1) Dmall Fresh (Beijing) is no longer a consolidated affiliated entity of our Group after the Restructuring.
(2) Dmall Fresh (Shenzhen) was disposed of on August 30, 2023.

AWARDS AND RECOGNITION

During the Track Record Period, we have received recognition for the quality and popularity of our products and services. Some of the significant awards and recognition that we or our senior management have received are set forth below:

No.	Award Year	Award Name	Awarding Institutions
1	2024	21st Asia Pacific Retailer's Convention & Exhibition - Most Innovative Retail Concept Award 第21屆“亞太零售大會暨展會” - 最佳創新獎	Federation of Asia-Pacific Retailers Associations 亞太零售商協會聯盟
2	2024	World Unicorn Enterprise Development Report 2024 (229th; Top position for digital operations category for enterprises) 《世界獨角獸企業發展報告2024》(總榜單第 229名; 企業數字營運賽道第一名)	Great Wall Strategy Consultants 長城策略諮詢
3	2023	CCF Science and Technology Achievement Award (Third Prize for Scientific and Technological Progress) 科技成果獎 - 科技進步三等獎	Chinese Computer Society 中國計算機學會
4	2023	Top 10 SaaS Service Innovation Cases Chinese Academy of Sciences "Internet Weekly" 中科院《互联网周刊》	CASS Informatization Research Center 社科院信息化研究中心
5	2023	Beijing Digitalization Service Provider 北京數字化服務商	Beijing Software and Information Service Industry Association 北京軟件和信息服務業協會
6	2023	Beijing Digitalization Innovative Solution 北京數字化創新解決方案	Beijing Software and Information Service Industry Association
7	2022	China Federation of Logistics & Procurement Science and Technology Progress Award (First Prize) 中國物流與採購聯合會科技進步獎一等獎	China Federation of Logistics & Procurement 中國物流與採購聯合會
8	2022	2022 Top 100 New Enterprises (95th) 2022新型實體企業100強榜單 (95位)	China Enterprise Evaluation Association 中國企業評價協會

BUSINESS

No.	Award Year	Award Name	Awarding Institutions
9	2022	2022 Retail Supply Chain Best Case Studies 2022年度零售業供應鏈最佳實踐案例集	China Chain Store & Franchise Association 中國連鎖經營協會
10	2022	Digital Initiative of the Year - China (中國) 年度最佳數字方案	Retail Asia Awards Committee
11	2022	Hurun Global Unicorn List (451st) 胡潤全球獨角獸榜單 (451)	Hurun Report 胡潤
12	2022	2022 Top Ten Outstanding Digital Economy Cases 2022數字經濟十大傑出案例	China Internet Week 互聯網週刊
13	2021	Service Industry Technology and Innovation Award First Prize & Third Prize 服務業科技創新獎一等獎 & 三等獎	China General Chamber Of Commerce 中國商業聯合會
14	2021	2021 China's New Technologies Top 100 2021年中國新科技100強	eNet & Ciweek eNet矽谷動力及互聯網週刊
15	2021	2021 Asian Retail Awards - Digital Initiative of the Year 2021年亞洲零售大獎 - 年度最佳數字計劃	Retail Asia 亞洲零售
16	2021	2021 Retail Digital Transformation and Technology Application Best Practice Case 零售數位化轉型及技術應用最佳實踐案例	China Chain Store & Franchise Association 中國連鎖經營協會
17	2021	2021 New Retail Technology Service Provider Innovation Ranking 2021新零售科技服務商創新排行榜	China Internet Week 互聯網週刊
18	2021	China Retail Supply Chain Best Practice Cases 供應鏈優秀案例	China Chain Store & Franchise Association 中國連鎖經營協會

REGULATIONS

REGULATIONS ON FOREIGN INVESTMENT RESTRICTIONS

Investment activities in the PRC by foreign investors are principally governed by the Catalog of Encouraged Industries for Foreign Investment (《鼓勵外商投資產業目錄》) (the “**Encouraged Catalog**”), and the Special Administrative Measures for Entrance of Foreign Investment (Negative List) (《外商投資准入特別管理措施(負面清單)》) (the “**Negative List**”), which are promulgated and amended from time to time by the Ministry of Commerce (the “**MOFCOM**”) and the NDRC, and together with the Foreign Investment Law and its respective implementation rules and ancillary regulations. The Encouraged Catalog and the Negative List lay out the basic framework for foreign investments in China, classifying businesses into three categories regarding foreign investments: “encouraged,” “restricted” and “prohibited”. Industries not listed in the Encouraged Catalog or the Negative List are generally deemed as falling into a fourth category, “permitted” unless specifically restricted by other PRC laws.

On December 27, 2020, the MOFCOM and the NDRC released the latest Encouraged Catalog, which was latest amended on October 26, 2022 and would be effected on January 1, 2023. On September 8, 2024, the MOFCOM and the NDRC promulgated the latest Negative List (the “**2024 Negative List**”), which became effective on November 1, 2024.

On March 15, 2019, the National People’s Congress (the “**NPC**”), approved the PRC Foreign Investment Law (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”), which took effect on January 1, 2020 and replaced three then existing laws on foreign investments in China, namely, the PRC Sino-Foreign Equity Joint Venture Law (《中華人民共和國中外合資經營企業法》), the PRC Sino-Foreign Cooperative Joint Venture Law (《中華人民共和國中外合作經營企業法》) and the PRC Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法》), together with their respective implementing rules. The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic invested enterprises in China. The Foreign Investment Law establishes the basic framework for foreign investments in view of fair competition and investment protection.

Pursuant to the Foreign Investment Law, “foreign investments” refer to investments by foreign investors (including foreign natural persons, foreign enterprises or other foreign organizations) directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment in other methods as specified by laws, administrative regulations, or as stipulated by the State Council. Foreign investors and their investments are entitled to pre-entry national treatment, except for those industries deemed to be either “restricted” or “prohibited” in the Negative List. While foreign investors shall refrain from investing in any of the foreign “prohibited” industries, foreign investors may invest in “restricted” industries if they meet stipulated requirements on the shareholding, senior management personnel, etc.

On December 26, 2019, the State Council promulgated the Implementation Rules for the PRC Foreign Investment Law (《中華人民共和國外商投資法實施條例》), which took effect on January 1, 2020. It further clarifies that the State encourages foreign investments, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, optimizes foreign investment environment, and advances a higher-level opening.

REGULATIONS

On December 30, 2019, the MOFCOM and the State Administration for Market Regulation (the “SAMR”), jointly promulgated the Information Reporting Measures for Foreign Investment (《外商投資信息報告辦法》), which became effective on January 1, 2020. Pursuant to the PRC Information Reporting Measures for Foreign Investment, where a foreign investor carries out investment activities in China directly or indirectly, the foreign investor or the foreign-invested enterprise shall submit the investment information to the competent commerce department through the Enterprise Registration System and the National Enterprise Credit Information Publicity System. Pursuant to the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》), which was promulgated by the NDRC and the MOFCOM on December 19, 2020 and came into effect on January 18, 2021, the office of the working mechanism for the security review of foreign investments is set up under the NDRC, to undertake the routine work of the security review of foreign investments under the leadership of the NDRC and the MOFCOM.

REGULATIONS ON PRODUCT QUALITY

The PRC Product Quality Law (《中華人民共和國產品質量法》) (the “**Product Quality Law**”) promulgated by the SCNPC which was latest amended on December 29, 2018 and came into effect on the same day, applies to all production and sale activities in the PRC. Pursuant to the Product Quality Law, products offered for sale must satisfy relevant quality and safety standards. Enterprises may not produce or sell counterfeit products in any fashion, including forging brand labels or giving false information regarding a product’s manufacturer. Violations of state or industrial standards for health and safety and any other related violations may result in civil liabilities and administrative penalties, such as compensation for damages, fines, suspension or shutdown of business, as well as confiscation of products illegally produced and sold and the proceeds from such sales. Severe violations may subject the responsible individual or enterprise to criminal liabilities.

REGULATIONS ON CYBERSECURITY, INFORMATION SECURITY, PRIVACY AND DATA PROTECTION

On 28 May 2020, the NPC promulgated the Civil Code of the PRC (《中華人民共和國民法典》) (the “**Civil Code**”), which came into effect on January 1, 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual that needs to obtain personal information of others shall obtain such information legally and ensure the security of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase, sell, provide or make public personal information of others.

In addition to the Civil Code, the PRC government authorities have enacted other laws and regulations with respect to Internet information security and protection of personal information from any abuse or unauthorized disclosure, which includes the Decision of the SCNPC on Maintaining Internet Security (《全國人民代表大會常務委員會關於維護互聯網安全的決定》) promulgated by the SCNPC on December 28, 2000 and amended on August 27, 2009, the Provisions on the Technical Measures for Internet Security Protection (《互聯網安全保護技術措施規定》) promulgated by the Ministry of Public Security on December 13, 2005 and becoming effective on March 1, 2006, and the Decision of the SCNPC on Strengthening Network Information Protection (《全國人民代表大會常務委員會關於加強網絡信息保護的決定》) promulgated by the SCNPC on December 28, 2012.

REGULATIONS

The Administrative Measures for the Hierarchical Protection of Information Security (《信息安全等級保護管理辦法》) promulgated by the Ministry of Public Security, State Secrecy Administration and State Cryptography Administration and the State Council Informatized Office (dissolved) on June 22, 2007 and came into effect on the same day, requires the entities that operate and use information systems to fulfill the obligation of the hierarchical protection of information security. The operator or the user of the information systems at Grade II or above shall, within thirty days since the date when its security protection grade is determined, completes the record filing procedures at the local public security authority at the level of city divided into districts or above.

According to the National Security Law of the PRC (《中華人民共和國國家安全法》) promulgated by the SCNPC on July 1, 2015 and came into effect on the same day, the state shall establish systems and mechanisms for national security review and supervision, conduct national security review on key technology, network information technology products and services related to state security, so as to prevent and neutralize state security risks in an effective way.

The PRC Cyber Security Law (《中華人民共和國網絡安全法》) (the “**Cyber Security Law**”), which was promulgated by the SCNPC on November 7, 2016 and came into effect on June 1, 2017, requires a network operator, including internet information services providers among others, to adopt technical measures and other necessary measures in accordance with applicable laws and regulations as well as compulsory national and industrial standards to safeguard the safety and stability of network operations, effectively respond to network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. The Cyber Security Law emphasizes that any individuals and organizations that use networks must not endanger network security or use networks to engage in unlawful activities such as those endangering national security, economic order and social order or infringing the reputation, privacy, intellectual property rights and other lawful rights and interests of others. The Cyber Security Law has also reaffirmed certain basic principles and requirements on personal information protection previously specified in other existing laws and regulations, including those described above. Any violation of the provisions and requirements under The Cyber Security Law may subject an Internet service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, closedown of websites or even criminal liabilities.

The PRC Minors Protection Law (Revised in 2020) (《中華人民共和國未成年人保護法(2020修訂)》) (the “**Minors Protection Law**”), which was promulgated by the SCNPC on October 17, 2020 and came into effect on June 1, 2021, establish the clear rules of information protection of minors. The Minors Protection Law prohibits the production, reproduction, publish, release or dissemination of books, newspapers and periodicals, films, radio and television programs, works of stage art, audio-video products, electronic publications and network information that publicizes obscenity, pornography, violence, cult, superstition, gambling, luring suicide, terrorism, separatism and extremism, etc., which may endanger the physical and mental health of minors. The Minors Protection Law further requires that when information processors are processing the personal information of minors online, information processors shall follow the principles of legitimacy, rightfulness and necessity. Where the personal information of minors under the age of 14 is processed, the consent of parents or other guardians of such minors shall be obtained, unless otherwise provided by laws and administrative regulations. Where minors, parents or other guardians require information processors to correct or delete the personal information of minors, the information processors shall promptly take measures to response the justified requirement. Network service provider who finds that a user publishes or spreads information containing the content that is harmful to minors’ physical and mental

REGULATIONS

health, it shall immediately stop the transmission of relevant information, take measures such as deleting, screening or disconnecting links, keep relevant records and report the case to authorities in charge of cyberspace administration and public security.

The PRC Data Security Law of the (《中華人民共和國數據安全法》) (the “**Data Security Law**”) was promulgated by the SCNPC on June 10, 2021 and came into effect on September 1, 2021. The Data Security Law requires the data processor to establish and improve a whole-process data security management system, organize data security education and training, and take corresponding technical measures and other necessary measures to safeguard data security. In conducting data processing activities by using the Internet or any other information network, the data processor shall perform the above data security protection obligations on the basis of the hierarchical cybersecurity protection system. Any violation of the provisions and requirements under the Data Security Law may subject a data processor to rectifications, warnings, fines, suspension of the related business, revocation of licenses or even criminal liabilities.

On December 15, 2019, the CAC promulgated the Provisions on the Management of Network Information Content Ecology (《網絡信息內容生態治理規定》), (the “**CAC Order No.5**”), which became effective on March 1, 2020, to further strengthen the regulation and management of network information content. Pursuant to the CAC Order No.5, each network information content service platform is required, among others, (i) not to disseminate any information prohibited by laws and regulations, such as information jeopardizing national security; (ii) to strengthen the examination of advertisements published on such network information content service platform; (iii) to promulgate management rules and platform convention, improve user agreement, clarify users’ rights and obligations and perform management responsibilities required by laws, regulations, rules and convention; (iv) to establish convenient channels for complaints and reports; and (v) to prepare annual work report regarding its management of network information content ecology. In addition, a network information content service platform must not, among others, (i) utilize new technologies and applications such as deep-learning and virtual reality to engage in activities prohibited by laws and regulations; (ii) engage in online traffic fraud, malicious traffic rerouting and other activities related to fraudulent account, illegal transaction account or maneuver of users’ account; and (iii) infringe a third party’s legitimate rights or seek illegal interests by way of interfering with information display.

The PRC Personal Information Protection Law of the People’s Republic of China (《中華人民共和國個人信息保護法》) (the “**Personal Information Protection Law**”) was promulgated by the SCNPC on August 20, 2021 and came into effect on November 1, 2021. The Personal Information Protection Law reiterates the circumstances under which a personal information processor could process personal information and the requirements for such circumstances, such as when (1) the individual’s consent has been obtained; (2) the processing is necessary for the conclusion or performance of a contract to which the individual is a party; (3) the processing is necessary to fulfill statutory duties and statutory obligations; (4) the processing is necessary to respond to public health emergencies or protect natural persons’ life, health and property safety under emergency circumstances; (5) the personal information that has been made public is processed within a reasonable scope in accordance with this Law; (6) personal information is processed within a reasonable scope to conduct news reporting, public opinion-based supervision, and other activities in the public interest; or (7) under any other circumstance as provided by any law or regulation. It also stipulates the obligations of a personal information processor. Any violation of the provisions and requirements under the Personal Information Protection Law may subject a personal information processor to rectifications,

REGULATIONS

warnings, fines, suspension of the related business, revocation of licenses, being entered into the relevant credit record or even criminal liabilities.

From the perspective of ownership, as advised by our PRC legal advisor in respect of PRC data compliance, it remains unclear on the ownership of personal information under relevant PRC laws and regulations. Nonetheless, as a personal data processor under relevant PRC laws, we have obtained users' consent to collect and process specific limited personal data under given purpose and patterns abiding with the privacy policy, we have also implemented convenient measures for users to exert their personal information rights. To support these measures, we have also set up various internal compliance systems to respond to users' request and to fulfill our obligation as a personal data processor. Our PRC legal advisor in respect of PRC data compliance has reviewed the compliance status of the Group under relevant PRC laws and of the view that the Group is compliant with relevant PRC laws on all substantial perspectives of personal data processing.

For purposes of ensuring the security of the supply chain for critical information infrastructure and maintaining national security, the CAC and the NDRC, the MIIT, the Ministry of Public Security, the Ministry of State Security, the Ministry of Finance (the "MOF"), the MOFCOM, the PBOC, the SAMR, the CSRC and the National Administration of State Secrets Protection and State Cipher Code Administration jointly promulgated the Cybersecurity Review Measures (《网络安全审查办法》) on December 28, 2021 and came into effect on February 15, 2022. The Cybersecurity Review Measures specify that the procurement of network products and services by an operator of critical information infrastructure (the "CII Operator") and the activities of data process carried out by online platform operators, that raise or may raise "national security" concerns are subject to strict cyber security review by the cyber security review office established by the CAC. Before the CII Operator procures internet products and services, it should assess the potential risk of national security that may be caused by the use of such products and services. If such use of products and services may give rise to national security concerns, it should apply for a cyber security review by the cyber security review office and a report of analysis of the potential effect on national security shall be submitted when the application is made. In addition, an online platform operator that possesses the personal data of at least one million users must apply for cybersecurity review by the cyber security review office, if it plans listing of companies in foreign countries. The Cybersecurity Review Office may voluntarily conduct cyber security review if any network products and services, activities of data process or listing of companies overseas affect or may affect national security. Pursuant to the Cybersecurity Review Measures, any violation shall be punished in accordance with the Cyber Security Law and the Data Security Law, the sanctions under which include, among others, government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations.

The Cybersecurity Review Measures focus on the assessment of risk related to procurement activities, data processing and listing of companies overseas and the major factors that are taken into consideration include (i) the risk of critical information infrastructure being illegally controlled, interfered or destroyed as a result of the use of the products or services; (ii) the continuous harm to the business of critical information infrastructure by the interruption of provision of products or services; (iii) the security, openness, transparency, diversity of sources, reliability of supply and potential supply interruptions of products and services due to political, diplomatic or international trade issues; (iv) whether the products and services provider comply with PRC laws and regulations; (v) the risk of core data or a large amount of personal information being stolen, leaked, destroyed, illegally utilized or exited the country; (vi) the risk that critical information infrastructure, core data or a large amount of personal information will be affected, controlled, or maliciously utilized by foreign governments after

REGULATIONS

listing, and internet information security risk, and (vii) other factors that may endanger the security of critical information infrastructure, internet security and data security. It may take approximately 70 business days in maximum for the general cybersecurity review upon the delivery of their applications, which may be subject to extensions for a special review. Pursuant to the Cybersecurity Review Measures, online platform operators possessing personal information of more than one million users seeking to be listed on a foreign stock exchange must apply for a cybersecurity review. We, together with our PRC legal adviser in respect of PRC data compliance conducted a consultation with the Vice Director of the Beijing CAC (the “**CAC director**”) on January 20, 2022. The CAC director advised that the term “listing on a foreign stock exchange (國外上市)” under the Cybersecurity Review Measures does not include “listing in Hong Kong.” As advised by our PRC Legal Adviser in respect of PRC data compliance, the CAC director has the authority to represent Beijing CAC. In addition, a CII Operator shall apply for cybersecurity review if it anticipates that its procurement of network products and services affect or may affect national security after the network products and services being put into use. We possess the personal information of over one million users. However, we are of the view that we are not subject to cybersecurity review, since (i) as of the Latest Practicable Date, the Group had not received any notice or determination from competent PRC government authorities identifying us as a CII Operator, (ii) according to majority opinions, “listed overseas” does not include “listed in Hong Kong”, (iii) according to the interview with Beijing CAC, Beijing CAC confirmed that the Listing will not be subjected to the obligation of proactively declaring cybersecurity review under the Cybersecurity Review Measures and (iv) according to the understanding of our PRC legal advisor in respect of PRC data compliance, the type and nature of personal information and businesses operational data we collect are mainly related to the main business of our Company, we have not involved in activities that affect or may affect national security, and we don’t process core data, important data as defined in the Data Security Law. As of the Latest Practicable Date, our PRC legal adviser in respect of PRC data compliance confirms, and the our Directors concur, that we have not been notified by any PRC government authority of being classified as a CII Operator and we are not required by any PRC government authority to file for a cybersecurity review. According to the Cybersecurity Law, the CAC is responsible for the overall planning and coordination of cybersecurity work and its relevant supervision and administration, and the Beijing CAC is the provincial department of the CAC. Our PRC legal adviser in respect of PRC data compliance confirms, and our Directors concur, that Beijing CAC and the CAC director are the relevant competent authorities to advise on the context of the Cybersecurity Review Measures and that we are not required to apply for a cybersecurity review. Based on above, our PRC legal adviser in respect of PRC data compliance is of the view that we will comply with the Cybersecurity Review Measures on relevant data security requirements if they were implemented in current form.

On July 30, 2021, the State Council promulgated the Provisions on Protection of Critical Information Infrastructure Security (《關鍵信息基礎設施安全保護條例》) (the “**Safe Protection Regulations**”), which came into effect on September 1, 2021 and provides that “critical information infrastructures”, or CII, refers to important network facilities and information systems involved in important industries and fields such as public communication and information services, energy, transportation, water conservancy, finance, public services, e-government, national defense related science and technology industry, as well as those which may seriously endanger national security, national economy and citizens’ livelihood and public interests if damaged, malfunctioned, or if any leakage of data in relation thereto occurs. According to the Safe Protection Regulations, the competent departments and supervision and administrative departments of important industries and fields are the departments responsible for the safety and protection of CII (hereinafter referred to as the “protection

REGULATIONS

authorities”). The protection authorities shall, in light of the actual conditions of the industries and fields, develop rules for the identification of critical information infrastructure, and file such rules with the public security department under the State Council for the record. The protection authorities shall, in accordance with identification rules, be responsible for organizing the identification of critical information infrastructure of respective industries and fields, notify the operators concerned of the identification results in a timely manner, and report the same to the public security department under the State Council. The Safe Protection Regulations provide specific requirements for the responsibilities and obligations of the operator: (i) the operator shall establish and improve the cyber security protection system and responsibility system, and ensure the input of manpower, financial and material resources; (ii) the operator shall set up a special security management department, and review the security background of the person in charge of the special security management department and the personnel in key positions; (iii) the operator shall guarantee the operation funds of the special security management department, allocate corresponding personnel, and have the personnel of the special security management department participate in the decision-making relating to cyber security and informatization; (iv) the operators shall give priority to the purchase of safe and reliable network products and services; network products and services procured that may affect the national security shall be subject to the security review in accordance with the national provisions on network security. The Safe Protection Regulations clarify the measures for dealing with the failure of critical information infrastructure operators to perform their responsibilities for security protection, such as imposing fines.

On September 24, 2024, the CAC announced the Cyber Data Security Regulations, which will be effective on January 1, 2025, stipulates that cyber data processors who carry out cyber data processing activities that affect or may affect national security shall undergo national security review in accordance with relevant state regulations. In addition, the Cyber Data Security Regulations also regulate other specific requirements in respect of the data processing activities conducted by data processors in the view of personal data protection, important data safety, data cross-broader safety management and obligations of network platform service provider. Cyber data processors shall identify and declare important data in accordance with relevant state regulations. For data confirmed as important data, relevant regions and departments shall promptly inform cyber data processors or make public announcements. Cyber data processors shall fulfill their responsibilities for cyber data security protection. Processors of important data shall designate persons in charge of cyber data security and establish cyber data security management institutions. Cyber data security management institutions shall fulfill their responsibilities for cyber data security protection. Processors of important data shall conduct risk assessments of their cyber data processing activities on an annual basis and submit risk assessment reports to relevant competent departments at or above the provincial level. Relevant competent departments shall promptly notify the cyberspace affairs departments and public security organs at the same level. Network platform service providers shall clarify the cyber data security protection obligations of third-party product and service providers accessing their platforms through platform rules or contracts, and urge third-party product and service providers to strengthen cyber data security management. When network platform service providers push information to individuals through automated decision-making methods, they shall set up easy-to-understand, accessible and operable personalized recommendation closing options, and provide users with functions such as refusing to receive pushed information and deleting user tags for their personal characteristics.

We have taken several measures to comply with the Cyber Data Security Regulations before it has not been formally adopted. We have not suffered from any material data leakage during the Track Record Period and up to the Latest Practicable Date. Subject to the further interpretation of Cyber Data

REGULATIONS

Security Regulations by the competent authorities, we may be required to make further adjustments to our business operations to comply with the effective version of Cyber Data Security Regulations in the future.

During the Track Record Period and up to the Latest Practicable Date, considering (i) there had been no material incident of data or personal information leakage, infringement of data protection and privacy laws and regulations or investigation or other legal proceeding, pending or threatened against us initiated by competent government authorities or third parties; (ii) we have not been subject to any material fines, administrative penalties or other sanctions, or received any enquiries, notices or warnings from any relevant regulatory authorities in relation to the infringement of cybersecurity and data protection laws and regulations, and have not been involved in any investigations on cybersecurity review by CAC; (iii) we have maintained a comprehensive and rigorous data protection program and implemented comprehensive and strict internal policies, procedures and measures to ensure our compliance practice in data protection; and, (iv) we will continuously pay close attention to the legislative and regulatory development in cybersecurity and data protection, maintain ongoing communication with relevant government authorities and implement all necessary measures in a timely manner to ensure continuous compliance with the relevant laws and regulations, our Directors and PRC legal adviser in respect of PRC data compliance are of the view, and the Joint Sponsors concur, that (i) the Group would be able to comply with the Cybersecurity Review Measures and the Cyber Data Security Regulations in all material aspects and (ii) the Cybersecurity Review Measures and the Cyber Data Security Regulations, if implemented in the current form, would not have a material adverse impact on our business operations or the proposed Listing.

On February 4, 2015, the Provisions on the Management of Internet User Account Names (《互聯網用戶賬號名稱管理規定》) (the “**User Account Names Provisions**”) was promulgated by the CAC, which came into effect on March 1, 2015. The User Account Names Provisions is applicable to all registration, usage and management of Internet user account names within the territory of the People’s Republic of China. Internet information service providers shall follow the principle of “real-name in the background and voluntariness in the foreground” to require Internet information service users to register accounts after authenticating their real identity information. When Internet information service users register accounts, they shall sign an agreement with the Internet information service provider, pledging to abide by the seven bottom lines, including laws and regulations, the socialist system, national interests, citizens’ lawful rights and interests, public order, social morality, and information authenticity. Internet user account names registered and used by any institution or individual must not have the following circumstances: (1) violating the Constitution or laws and regulations; (2) endangering national security, leaking national secrets, subverting state power, or undermining national unity; (3) harming national honor and interests, harming the public interest; (4) inciting ethnic hatred, ethnic discrimination, or undermining ethnic unity; (5) undermining state religious policies and propagating cults and feudal superstitions; (6) spreading rumors, disrupting social order, or undermining social stability; (7) spreading obscenity, pornography, gambling, violence, murder, terror, or instigating crimes; (8) insulting or slandering others, infringing upon the lawful rights and interests of others; (9) containing other content prohibited by laws and administrative regulations.

On July 22, 2020, the MIIT promulgated the Notice of Ministry of Industry and Information Technology on Carrying out Special Rectification Actions in Depth against the Infringement upon Users’ Rights and Interests by Apps (《工業和信息化部關於開展縱深推進App侵害用戶權益專項整治行動的通知》) (the “**Rectification Actions**”). The Rectification Actions is purported to promote the

REGULATIONS

combination of technology and management, strengthen supervision and inspection, urge the relevant enterprises to strengthen the protection of personal information of Apps, timely rectify and eliminate prominent problems such as illegal collection and use of personal information of users, harassment of users, deception and misleading of users and poor implementation of management responsibilities of the application distribution platforms and purify the application space. The Rectification Actions includes the following for main tasks: (1) illegally processing personal information of users by the App and the SDK; (2) setting up obstacles and frequently harassing users; (3) cheating and misleading users; (4) inadequate implementation of application distribution platforms' responsibilities.

The Administrative Provisions on Security Vulnerability of Network Products (《網絡產品安全漏洞管理規定》) (the “**Provisions**”) was jointly promulgated by the MIIT, the CAC and the Ministry of Public Security on July 12, 2021 and became effective on September 1, 2021. Network product providers, network operators as well as organizations or individuals engaging in the discovery, collection, release and other activities of network product security vulnerability are subject to the Provisions and shall establish channels to receive information of security vulnerability of their respective network products and shall examine and fix such security vulnerability in a timely manner. In response to the Cyber Security Law, network product providers are required to report relevant information of security vulnerability of network products with the MIIT within two days and to provide technical support for network product users. Network operators shall take measures to examine and fix security vulnerability after discovering or acknowledging that their networks, information systems or equipment have security loopholes. According to the Provisions, the breaching parties may be subject to monetary fine as regulated in accordance with the Cyber Security Law. Since the Provisions is relatively new, uncertainties still exist in relation to its interpretation and implementation.

The Administrative Measures for Data Security in the Field of Industry and Information Technology (for Trial Implementation) (《工業和信息化領域數據安全管理辦法(試行)》) was promulgated by the MIIT on December 8, 2022 and became effective on January 1, 2023.

The Ministry of Industry and Information Technology shall organize the formulation of standards and specifications for data classification and grading, identification and determination of important data and core data, and graded data protection, among others, in the field of industry and information technology, guide the management of data classification and grading, and formulate specific catalogues of important data and core data of the industry and conduct dynamic management. A local industry regulatory department shall organize the classified and graded management of data in the field of industry and information technology and the identification of important data and core data within its region, determine the specific catalogue of important data and core data within its region and submit it to the Ministry of Industry and Information Technology. Any change in the catalogue shall be promptly reported and updated.

A data processor in the field of industry and information technology shall review data on a periodical basis, identify important data and core data in accordance with the relevant standards and specifications, and form its specific catalogue.

On July 27, 2021, the Supreme People's Court of China issued the Provisions on Several Issues concerning the Application of Law in the Trial of Civil Cases Involving the Use of Face Recognition Technologies to Process Personal Information (《關於審理使用人臉識別技術處理個人信息相關民事案件適用法律若干問題的規定》) (the “**Face Recognition Provisions**”), which came into effect on August 1, 2021. The Face Recognition Provisions applies to civil disputes arising from the use of face

REGULATIONS

recognition technology to deal with facial information between equal civil subjects. The Face Recognition Provisions clarify the nature and responsibilities of the abuse of utilizing face recognition technologies to process facial information. To process the facial information of a natural person, the individual consent of such natural person or his/her guardian must be obtained. Any violation of individual consent, or forcing or de facto forcing of a natural person to consent to the processing of facial information constitutes an infringement of the personal rights and interests of natural persons. The Face Recognition Provisions further stipulate that a natural person has the right to confirm the invalidity of certain boilerplate terms of a contract with the information processor if the information processor enters into a contract with a natural person using boilerplate terms that would require such natural person to grant the processor an indefinite right to process his/her human facial information, or that such terms are irrevocable or would permit the information processor to assign the right to process such facial information. If the natural person requests confirmation that the boilerplate terms are invalid, the Face Recognition Provisions provide that the people's court shall support the claim pursuant to the law.

On January 23, 2019, the OCCAC, the MIIT, and the Ministry of Public Security, and the SAMR jointly issued the Notice on Special Governance of Illegal Collection and Use of Personal Information via Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》), which restates the requirement of legal collection and use of personal information, encourages APP operators to conduct security certifications, and encourages search engines and APP stores to clearly mark and recommend those certified APPs.

On November 28, 2019, the CAC, MIIT, the Ministry of Public Security and SAMR jointly issued the Measures to Identify Illegal Collection and Usage of Personal Information by APPs (《App違法違規收集使用個人信息行為認定方法》), which came into effect on the same day, lists six types of illegal collection and usage of personal information, including “not publishing rules on the collection and usage of personal information” and “not providing privacy rules.”

Pursuant to the Security Assessment Measures for Cross-border Data Transfers (《數據出境安全評估辦法》), which were promulgated on July 7, 2022, and came into effect on September 1, 2022 by the CAC, to provide data abroad, a data processor falling under any of the following circumstances shall, through the local cyberspace administration at the provincial level, apply to CAC for security assessment of outbound data: (i) where a data processor provides critical data abroad; (ii) where a critical infrastructure operator or a data processor processing the personal information of more than one million people provides personal information abroad; (iii) where a data processor has provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals in total abroad since January 1 of the previous year; and (iv) other circumstances prescribed by the CAC for which declaration for security assessment for outbound data transfers is required. The CAC issued the Measures on the Standard Contract for Cross-border Transfer of Personal Information (《個人信息出境標準合同辦法》) on February 24, 2023, which became effective on June 1, 2023 and applies to the provision of personal information by personal information processors to overseas recipients by concluding a standard contract for outbound transfer of personal information (hereinafter referred to as “Standard Contracts”). Personal information processor shall apply for filing with the cyberspace administration at the provincial level within 10 working days of the effective date of the standard contract. The following materials shall be submitted for filing: (1) the standard contract, and (2) the personal information protection impact assessment report.

REGULATIONS

According to the Provisions on Promoting and Regulating Cross-Border Data Flows (《促進和規範數據跨境流動規定》) (Decree No. 16 of the Cyberspace Administration of China) promulgated by the CAC and came into effect on March 22, 2024, data processors shall declare security assessment for the outbound provision of data if any of the following conditions is met unless the circumstance falls under Article 3, 4, 5, or 6 of the Provisions: (i) where a critical information infrastructure operator (hereinafter referred to as a “CIIO”) provides personal information or important data abroad; (ii) where a data processor other than an operator of critical information infrastructure provide important data abroad, or, since January 1 of the current year, such a non-CIIO data processor has provided personal information (excluding sensitive personal information) of not less than one million people or sensitive personal information of not less than 10,000 people to overseas recipients. Where a non-CIIO data processor provides personal information (excluding sensitive personal information) overseas of not less than 100,000 but less than 1 million persons, or provide sensitive personal information overseas of less than 10,000 persons, cumulatively since January 1 of the current year, such a data processor shall conclude a standard contract with the overseas recipients or obtain a certification on protection of personal information in accordance with the law. However, where the circumstance falls under Article 3, 4, 5 or 6 of the Provisions, such provisions shall apply. Additionally, if the data being provided abroad has not been notified or publicly disclosed by relevant departments or regions as important data, data processors do not need to declare security assessment for the outbound provision of data unless such data contain personal information and meet the thresholds stipulated in the Provisions. Under Article 3 of the Provisions, to provide the data collected and generated in activities such as international trade, cross-border transport, academic cooperation, transnational manufacturing and marketing to overseas parties, where personal information or important data is not contained in such data, the data processor would be exempted from declaring security assessment for cross-border data transfers, concluding a standard contract for the outbound transfer of personal information, or obtaining a personal information protection certification. According to Articles 4, 5, and 6 of the Provisions, the following are the main exemptions from the requirement to declare security assessment for the outbound provision of data, concluding a standard contract for the outbound transfer of personal information, and obtain a personal information protection certification: (i) providing personal information collected and generated overseas to overseas recipients after being provided to China for processing, and no domestic personal information or important data is introduced in the process of such processing; (ii) providing personal information overseas is necessary for entering into or performing a contract to which an individual concerned is a party, such as cross-border shopping, cross-border mailing, cross border remittance, cross-border payment, cross-border account opening, air ticket and hotel reservation, visa processing, exam services, etc.; (iii) providing employees’ personal information overseas is necessary for conducting cross-border human resources management in accordance with legally formulated labor rules and regulations and legally concluded collective contracts; (iv) providing personal information overseas is necessary to protect the life, health, and property safety of a natural person in an emergency; (v) a non-CIIO data processor has provided personal information (excluding sensitive personal information) overseas of less than 100,000 people cumulatively since January 1 of the current year; (vi) data processors in pilot free trade zones provide overseas recipients with any data not included in a negative list formulated, approved and filed in accordance with the Provisions.

In case of any inconsistency between the Provisions and the Measures for the Security Assessment of Outbound Data Transfer (《數據出境安全評估辦法》) (Decree No. 11 of the Cyberspace Administration of China) issued on July 7, 2022 and the Measures for the Standard Contract for the Outbound Transfer of Personal Information (《個人信息出境標準合同辦法》) (Decree No. 13 of the Cyberspace Administration of China) issued on February 22, 2023, the Provisions shall prevail.

REGULATIONS

Although our PRC legal adviser in respect of PRC data compliance is of the view that the security assessment for cross-border data transfer, the Standard Contract for Cross-border Transfer of Personal Information and the personal information protection certification is not applicable to us to date, there might be newly issued explanations or implementation rules, uncertainties with respect to applications to the CAC under the Security Assessment Measures for Cross-border Data Transfers, the Measures on the Standard Contract for Cross-border Transfer of Personal Information and the Regulations on Promoting and Standardizing Cross-Border Data Transfer are still exist, and we will continually monitor our compliance status in accordance with the latest changes in applicable regulatory requirements. Our PRC legal adviser in respect of PRC data compliance is of the view that the Company is in compliance with the relevant law and regulations of cross border data transfer in all material respects.

Pursuant to the Ninth Amendment to the PRC Criminal Law of the PRC (《中華人民共和國刑法修正案(九)》) issued by the SCNPC on August 29, 2015 and came into effect on November 1, 2015, any network service provider that fails to fulfill the obligations related to Internet information security administration as required by applicable laws and refuses to rectify upon orders, will be subject to criminal liability for causing (i) any dissemination of illegal information in large scale; (ii) any leakage of the users' information with serious consequences; (iii) any loss of evidence of criminal activities with serious circumstances; or (iv) any other serious circumstances. In addition, any individual or entity that (i) sells or provides personal information to others unlawfully, or (ii) steals or illegally obtains any personal information, will be subject to criminal liability in serious circumstances.

On 8 May 2017, the Supreme People's Court and the Supreme People's Procuratorate released the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》) (the "**Interpretations**"), which came into effect on June 1, 2017. The Interpretations clarify several concepts regarding the crime of "infringement of citizens' personal information" stipulated by Article 253A of the PRC Criminal Law (《中華人民共和國刑法》), including "citizens' personal information", "violation of relevant national provisions", "provision of citizens' personal information" and "illegally obtaining any citizens' personal information by other methods". In addition, the Interpretations specifies the standards for determining "serious circumstances" and "particularly serious circumstances" of this crime. On October 21, 2019, the Supreme People's Court and the Supreme People's Procuratorate jointly issued the Interpretations on Certain Issues Regarding the Applicable of Law in the Handling of Criminal Case Involving Illegal Use of Information Networks and Assisting Committing Internet Crimes (《最高人民法院、最高人民檢察院關於辦理非法利用信息網絡、幫助信息網絡犯罪活動等刑事案件適用法律若干問題的解釋》), which came into effect on November 1, 2019, and further clarifies the meaning of Internet service operators and the serious circumstance of the relevant crimes. Failure to comply with the above laws and regulations regarding cybersecurity, information security, privacy and data protection may subject the internet service providers or data processors to administrative penalties including, without limitation, warnings, fines, suspension of business operation, shut-down of websites or apps, revocation of licenses and even criminal liabilities.

REGULATIONS

REGULATIONS ON INTELLECTUAL PROPERTY

Patent

According to the PRC Patent Law (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984, last amended on October 17, 2020, and came into effect on June 1, 2021, and its Implementation Rules (《中華人民共和國專利法實施細則》) promulgated by the State Council on January 9, 2010 and last amended on December 11, 2023 and became effective on January 20, 2024, the State Intellectual Property Office is responsible for administering patents in the PRC. The patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within their respective jurisdictions. The PRC Patent Law and its Implementation Rules provide three types of patents, “invention,” “utility model” and “design.” Invention patents are valid for twenty years, while design patents filed no later than May 31, 2021 are valid for 10 years and design patents filed on or after June 1, 2021 are valid for 15 years, and utility model patents are valid for ten years, from the date of filing application. In accordance with the Measures for the Filing of Patent Licensing Agreement (《專利實施許可合同備案辦法》), which was issued by the State Intellectual Property Office on June 27, 2011 and came into effect on August 1, 2011, the State Intellectual Property Office is responsible for the filing of patent licensing agreements nationwide. The parties concerned shall complete filing within three months from the effective date of such patent licensing agreement. The PRC patent system follows “first come, first file” principle, which means that where more than one person file patent applications for the same invention, the patent will be granted to the person who files the application first. To be patentable, invention or utility models must meet three criteria: novelty, non obviousness and utility. A third party must procure consent or proper licensing from the patent owner to use the patent. Otherwise, the use constitutes infringement of the patent. The 2020 amendment to Patent Law focuses on: (i) clarifying the incentives for inventors or designers relating to service inventions; (ii) extending the duration of design patent; (iii) adding a new genre of “open licensing” (開放許可); and (iv) increasing the amount for patent infringement damages.

Copyright

Pursuant to the PRC Copyright Law (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990, last amended on November 11, 2020 and came into effect on June 1, 2021, and the Implementation Regulations of the PRC Copyright Law (《中華人民共和國著作權法實施條例》) promulgated by the State Council on August 2, 2002, last amended on January 30, 2013 and came into effect on March 1, 2013, Chinese citizens, legal persons, or other organizations shall, whether published or not, be entitled to copyrights in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. In addition, internet activities, products disseminated over the internet and software products are also entitled to copyrights. There is a voluntary registration system administered by the PRC Copyrights Protection Center. In order to further implement the Computer Software Protection Regulations (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991, last amended on January 30, 2013 and came into effect on March 1, 2013, the National Copyrights Administration issued Measures for Registration of Computer Software Copyrights (《計算機軟件著作權登記辦法》) on February 20, 2002 with immediate effect, which apply to software copyrights registration, licensing registration and transfer registration. The National Copyrights Administration shall be the competent authority for the nationwide administration of software copyrights registration and the Copyrights Protection Center of China (the “CPCC”), is designated as the software registration authority. The CPCC shall grant registration certificates to computer software copyrights applicants pursuant to relevant regulations.

REGULATIONS

Provisions of the Supreme People’s Court on Certain Issues Related to the Application of Law in the Trial of Civil Cases Involving Disputes over Infringement of the Right of Dissemination through Information Networks (《最高人民法院關於審理侵害信息網絡傳播權民事糾紛案件適用法律若干問題的規定》), issued by the Supreme People’s Court on December 29, 2020 and came into effect on January 1, 2021, provide that web users or web service providers who offer works, performances or audio-video products, in which others have the right of dissemination, via information networks without authorization shall be deemed to have infringed upon the right of dissemination through information networks.

Trademark

Trademarks are protected by the PRC Trademark Law (《中華人民共和國商標法》) (the “**Trademark Law**”), which was promulgated by the SCNPC on August 23, 1982, last amended on April 23, 2019 and came into effect on November 1, 2019, as well as the PRC Implementation Regulation of Trademark Law (《中華人民共和國商標法實施條例》), which was adopted by the State Council on August 3, 2002, last amended on April 29, 2014 and came into effect on May 1, 2014. In China, registered trademarks include commodity trademarks, service trademarks, collective trademarks and certification trademarks.

The PRC Trademark Office of National Intellectual Property Administration (the “**Trademark Office**”) is responsible for the registration and administration of trademarks throughout the PRC and grants a term of ten years to registered trademarks. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within twelve months prior to the expiration of the term. A trademark registrant may license its registered trademark to another party by entering into a trademark licensing agreement. Trademark licensing agreements must be filed with the Trademark Office. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. The Trademark Law follows a “first come, first file” principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use.

Domain Name

Domain names are protected under the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and came into effect on November 1, 2017. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and applicants become domain name holders upon successful registration. Domain name registration follows a “first come, first file” principle as well.

REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

The Labor Contract Law

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》) (the “**Labor Law**”) promulgated by the SCNPC on July 5, 1994, becoming effective on January 1, 1995 and last amended on

REGULATIONS

December 29, 2018, the PRC Labor Contract Law (《中華人民共和國勞動合同法》) (the “**Labor Contract Law**”) promulgated by the SCNPC on June 29, 2007, becoming effective on January 1, 2008 and amended on December 28, 2012 and effective from July 1, 2013, and the Regulations on the Implementation of the Labor Contract Law (《中華人民共和國勞動合同法實施條例》) (the “**Implementation of the Labor Contract Law**”) promulgated by the State Council and came into effect on September 18, 2008, labor relationships between employers and employees must be executed in written form. Where a labor relationship has already been established but no formal contract has been made, a written labor contract shall be entered into within one month from the date when the employee begins to work. If an employer fails to enter into a written employment contract with an employee within one year from the date on which the employment relationship is established, the employer must rectify the situation by entering into a written employment contract with the employee and pay the employee twice the employee’s salary for the period from the day following the lapse of one month from the date of establishment of the employment relationship to the day prior to the execution of the written employment contract. All employers must comply with local minimum wage standards. The Labor Contract Law and the Implementation of the Labor Contract Law also require compensation to be paid upon certain terminations. In addition, if an employer intends to enforce a non-compete provision with an employee in an employment contract or a non-competition agreement, it has to compensate the employee on a monthly basis during the term of the restriction period after the termination or ending of the labor contract. Employers must establish a system for labor safety and sanitation, strictly abide by state standards and provide relevant training to its employees. It is required that employers provide safe and sanitary working conditions for employees.

Social Insurance and Housing Fund

Enterprises in China are required by PRC laws and regulations to participate in certain employee benefit plans, including social insurance funds, namely a basic pension plan, a basic medical insurance plan, an unemployment insurance plan, an employment injury insurance plan and a maternity insurance plan, and a housing provident fund.

According to the PRC Social Security Law (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010 and came into effect on July 1, 2011, and was amended on December 29, 2018, and other relevant PRC laws and regulations, the employer shall contribute to social insurance plans covering basic pension insurance, basic medical insurance, maternity insurance, employment injury insurance and unemployment insurance in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees as specified by the local government from time to time at locations where they operate their businesses or where they are located. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees, while employment injury insurance and maternity insurance contributions shall be paid only by employers, and employers who fail to promptly contribute social insurance premiums in full amount shall be ordered by the social insurance premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; and where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

According to the Regulations on the Administration of Housing Fund (《住房公積金管理條例》), which was promulgated by the State Council and became effective on April 3, 1999, and last amended on March 24, 2019, enterprises in the PRC must register with the competent managing center

REGULATIONS

for housing provident funds and upon the examination by such center, and these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees' housing provident funds. Enterprises are also required to pay and deposit housing provident funds on behalf of their employees in full and in a timely manner. Employers that violate these regulations and fail to process housing provident fund payments or deposit registrations with the housing provident fund administration center within a designated period are subject to a fine ranging from RMB10,000 to RMB50,000.

REGULATIONS ON FOREIGN EXCHANGE AND DIVIDEND DISTRIBUTION

Foreign Currency Exchange

According to the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) (the “**Foreign Exchange Regulations**”) promulgated by the State Council on January 29, 1996, became effective on April 1, 1996 and last amended on August 5, 2008 with immediate effectiveness, payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange of the PRC (the “SAFE”), by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities in advance is required where RMB is to be converted into foreign currency and remitted out of China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China.

On March 30, 2015, the SAFE promulgated the Circular of the SAFE on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (《國家外匯管理局關於改革外商投資企業外匯資金結匯管理方式的通知》) (the “**Circular 19**”), which came into effect on June 1, 2015. Circular 19 expands a pilot reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises nationwide. Circular 19 allows all foreign-invested enterprises established in the PRC to settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operation, provides the procedures for foreign invested companies to use Renminbi converted from foreign currency-denominated capital for equity investments. However, Circular 19 continues to prohibit foreign-invested enterprises from, among other things, using RMB funds converted from their foreign exchange capital for expenditure beyond their business scope and providing entrusted loans or repaying loans between non-financial enterprises. The SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “**Circular 16**”), effective on June 9, 2016, and was amended on December 4, 2023, which, among other things, amends certain provisions of the Circular 19. Pursuant to the Circular 19 and the Circular 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope.

On January 26, 2017, the SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) (the “**Circular 3**”), which came

REGULATIONS

into effect on the same day. Circular 3 stipulates several capital control measures with respect to the outbound remittance of profits from domestic entities to offshore entities, including (i) banks must check whether the transaction is genuine by reviewing board resolutions regarding profit distribution, original copies of tax filing records and audited financial statements, and (ii) domestic entities must retain income to account for previous years' losses before remitting any profits. Moreover, pursuant to Circular 3, domestic entities must explain in detail the sources of capital and how the capital will be used, and provide board resolutions, contracts and other proof as a part of the registration procedure for outbound investment.

On October 23, 2019, the SAFE issued Circular of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the “**Circular 28**”), which took effect on the same day and was partly amended according to Notice of the State Administration of Foreign Exchange on Further Deepening Reforming to Facilitate Cross-border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》). Circular 28 expressly allows foreign-invested enterprises that do not have equity investments in their approved business scope to use their capital obtained from foreign exchange settlement to make domestic equity investments as long as the investments are real and in compliance with the foreign investment-related laws and regulations. In addition, Circular 28 stipulates that qualified enterprises in certain pilot areas may use their capital income from registered capital, foreign debt and overseas listing, for the purpose of domestic payments without providing authenticity certifications to the relevant banks in advance for those domestic payments.

Foreign Exchange Registration of Overseas Investment by PRC Residents

On July 4, 2014, the SAFE promulgated the Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Round Trip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular 37**”), for the purpose of simplifying the approval process, and for the promotion of the cross-border investment. Under the SAFE Circular 37, a “special purpose vehicle” refers to an offshore entity established or controlled, directly or indirectly, by PRC residents or entities for the purpose of seeking offshore financing or making offshore investment, using legitimate onshore or offshore assets or interests, while “round trip investment” refers to direct investment in China by PRC residents or entities through special purpose vehicles, namely, establishing foreign-invested enterprises to obtain ownership, control rights and management rights. The SAFE Circular 37 provides that (i) prior to the PRC residents or entities conducting investment in offshore special purpose vehicles with their legitimate onshore and offshore assets or equities, they must register with local SAFE branches with respect to their investments; and (ii) following the initial registration, they must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term, increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions).

The SAFE further promulgated the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) on February 13, 2015, which came into effect on June 1, 2015 and allows PRC residents or entities to register with qualified banks in connection with their establishment or control of an offshore entity established for the purpose of

REGULATIONS

overseas investment or financing. The SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from distributing profits to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary.

REGULATIONS ON STOCK INCENTIVE PLAN

On February 15, 2012, the SAFE promulgated the Notice on Foreign Exchange Administration of PRC Residents Participating in Share Incentive Plans of Offshore Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), (the “**Stock Option Rules**”), which came into effect on the same day, replacing the previous rules issued by the SAFE in March 2007. Under the Stock Option Rules, employees, directors, supervisors, and other senior management who participate in any stock incentive plan of an publicly-listed overseas company and who are PRC citizens or non-PRC citizens residing in China for a continuous period of no less than one year, subject to a few exceptions, are required to register with the SAFE through a qualified domestic agent, which may be a PRC subsidiary of such overseas listed company, and complete certain other procedures.

In addition, the MOF and the State Taxation Administration of the PRC (the “**STA**”) has issued certain circulars concerning employee stock options and restricted shares. Under these circulars, employees working in the PRC who exercise stock options or are granted restricted shares will be subject to PRC individual income tax. The PRC subsidiaries of an overseas listed company are required to file documents related to employee stock options and restricted shares with relevant tax authorities and to withhold individual income taxes of employees who exercise their stock option or purchase restricted shares. If the employees fail to pay or the PRC subsidiaries fail to withhold income tax in accordance with relevant laws and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC governmental authorities.

REGULATIONS ON TAX

Enterprise Income Tax

According to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the “**EIT Law**”), which was promulgated by the SCNPC on March 16, 2007 and became effective on January 1, 2008 and last amended on December 29, 2018, and the Implementation Regulations for the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》) (the “**EITIR**”), which was promulgated by the State Council on December 6, 2007, became effective on January 1, 2008 and was amended on April 23, 2019, the enterprise income tax of both domestic and foreign-invested enterprises is unified at 25%. According to the EIT Law and the EITIR, enterprises are classified as “resident enterprises” and “non-resident enterprises”. PRC resident enterprises typically pay an enterprise income tax at the rate of 25% while non-PRC resident enterprises without any branches in the PRC should pay an enterprise income tax in connection with their income from the PRC at the tax rate of 10% and enterprises established under the laws of foreign countries or regions whose “de facto management bodies” are located in the PRC are considered as PRC resident enterprises, and will generally be subject to enterprise income tax at the rate of 25% of their global income. The EITIR defines “de facto management bodies” as “establishments that carry out

REGULATIONS

substantial and overall management and control over production and operations, personnel, accounting, and properties” of the enterprise.

Pursuant to the Notice of the State Taxation Administration of the PRC on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management (《國家稅務總局關於境外注冊中資控股企業 依據實際管理機構標準認定為居民企業有關問題的通知》) (the “**STA Circular 82**”) issued by the STA on April 22, 2009 and last amended on December 29, 2017, an overseas registered enterprise controlled by a PRC company or a PRC company group will be classified as a “resident enterprise” with its “de facto management body” located within China if the following requirements are satisfied: (i) the senior management and core management departments in charge of its daily operations are mainly located in the PRC; (ii) its financial and human resources decisions are subject to determination or approval by persons or bodies located in the PRC; (iii) its major assets, accounting books, company seals, and minutes and files of its board and shareholders’ meetings are located or kept in the PRC; and (iv) no less than half of the enterprise’s directors or senior management with voting rights reside in the PRC. The STA issued an amendment to STA Circular 82 delegating the authority to its provincial branches to determine whether a Chinese-controlled overseas-incorporated enterprise should be considered a PRC resident enterprise, in January 2014. Although the STA Circular 82 and its amendment only apply to overseas registered enterprises controlled by PRC enterprises and not those controlled by PRC individuals or foreigners, the determining criteria set forth in the circular may reflect STA’s general position on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises, individuals or foreigners. If offshore entities are deemed PRC resident enterprises, these entities may be subject to the EIT at the rate of 25% on their global incomes.

Enterprises that are recognized as High and New Technology Enterprises in accordance with the Administrative Measures for the Determination of High and New Tech Enterprises (《高新技術企業認定管理辦法》) issued by the Ministry of Science and Technology (the “**MST**”), the Ministry of Finance and the STA are entitled to enjoy a preferential corporate income tax rate of 15%. The validity period of the High and New Technology Enterprise qualification is three years from the date of issuance of the certificate. An enterprise can re-apply for recognition as a High and New Technology Enterprise before or after the previous certificate expires.

Pursuant to the Notice on Increasing the Ratio of the Additional Deduction of Research and Development Expenses (《關於提高研究開發費用稅前加計扣除比例的通知》), which was promulgated by the MOF, the STA and the MST of the PRC on September 20, 2018 and became effective on the same day and the Announcement on Extension of the Implementation Period of Certain Preferential Tax Policies (《關於延長部分稅收優惠政策執行期限的公告》), which was promulgated by the MOF and the STA on March 15, 2021 and became effective on the same day, with respect to the R&D expenses that are actually incurred in the R&D activities of the enterprise, an extra 75% of the actual amount of expenses is deductible before tax, in addition to other actual deductions, during the period from January 1, 2018 till December 31, 2023, provided that the said expenses are not converted into the intangible asset and balanced into the enterprise’s current gains and losses; however, if the said expenses have been converted into the intangible asset, such expenses may be amortized at a rate of 175% of the intangible asset’s costs before tax during the above-said period.

According to the Notice of the MOF and the STA on Implementing the Inclusive Tax Deduction and Exemption Policies for Small Low-profit Enterprises (《關於實施小微企業普惠性稅收減免政策的通知》) (the “**Notice of Small Low-profit Enterprises**”) which took effect on January 1,

REGULATIONS

2019, from January 1, 2019 to December 31, 2021, the annual taxable income of small low-profit enterprises that is not more than RMB1 million shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20%, and the annual taxable income that is not less than RMB1 million nor more than RMB3 million shall be included in its taxable income at the reduced rate of 50%, with the applicable enterprise income tax rate of 20%. According to the Announcement on Implementation of Income Tax Incentives for Micro and Small Enterprises and Individually-owned Businesses (《關於實施小微企業和個體工商戶所得稅優惠政策的公告》), which was promulgated by the MOF and the STA on April 2, 2021, during the period from January 1, 2021 to December 31, 2022, for the portion of annual taxable income amount of small low-profit enterprises which does not exceed RMB1 million, corporate income tax shall be reduced by 50%, in addition to the incentives stipulated in Article 2 of Notice of Small Low-profit Enterprises. According to the Notice of the MOF and the STA on the Income Tax Incentives to Small and Micro Enterprises and Privately-owned Businesses (《財政部、國家稅務總局關於小微企業和個體工商戶所得稅優惠政策的公告》) and the Notice of the MOF and the STA on the Relevant Tax and Fee Policies for Further Supporting the Development of Micro and Small Enterprises and Individual Industrial and Commercial Households (《財政部、稅務總局關於進一步支持小微企業和個體工商戶發展有關稅費政策的公告》), which shall be in force from January 1, 2023 to December 31, 2027, for the annual taxable income of a small and low-profit enterprise, the portion not exceeding RMB1 million shall be treated as 25% for the purpose of taxable income calculation and subject to the enterprise income tax rate of 20%.

Value-added Tax and Business Tax

According to the PRC Provisional Regulations on Value-added Tax (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and last amended on November 19, 2017, and the Implementation Rules for the PRC Interim Regulations on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the MOF on December 25, 1993 and last amended on October 28, 2011, organizations and individuals engaging in sale of goods or processing, repair and assembly services, sale of services, intangible assets, immovable and importation of goods in the PRC shall be taxpayers of Value-added Tax (the “VAT”), and all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, the sale of services, intangible assets or immovable properties and the importation of goods within the territory of the PRC must pay value-added tax.

Since January 1, 2012, the MOF and the STA have implemented the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改徵增值稅試點方案》), which imposes VAT in lieu of business tax for certain “modern service industries” in certain regions and eventually expanded to nationwide application in 2013. In accordance with the Notice on Fully Launch of the Pilot Scheme for the Conversion of Business Tax to Value-Added Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》), which was issued by the MOF and the STA on March 23, 2016 and came into effect on May 1, 2016, the state started to fully implement the pilot change from business tax to value-added tax on May 1, 2016. All taxpayers of business tax in construction industry, real estate industry, financial industry and living service industry have been included in the scope of the pilot and should pay value-added tax instead of business tax. On November 19, 2017, the PRC Interim Regulations on Business Tax (《中華人民共和國營業稅暫行條例》) was abolished.

On March 20, 2019, the MOF, the STA and the General Administration of Customs jointly issued the Announcement of Strengthening Reform of VAT Policies (《財政部、稅務總局、海關總署

REGULATIONS

關於深化增值稅改革有關政策的公告》) (the “**Announcement No.39**”), which provides certain VAT reduction arrangements.

Enterprise Income Tax on Indirect Transfer of Non-Resident Enterprises

On December 10, 2009, the STA issued the Notice on Strengthening the Administration of Enterprise Income Tax on Equity Transfers of Non-resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (the “**Circular 698**”). By promulgating and implementing the Circular 698, the PRC tax authorities have enhanced their scrutiny over the indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise. The STA further issued the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the “**Circular 7**”) on February 3, 2015 and came into effect on the same day, which replaced certain provisions in the Circular 698. The Circular 7 introduces a new tax regime that is significantly different from that under the Circular 698. The Circular 7 extends its tax jurisdiction to capture not only indirect transfer as set forth under the Circular 698 but also transactions involving transfer of immovable property in China and assets held under the establishment and place, in China of a foreign company through the offshore transfer of a foreign intermediate holding company. The Circular 7 also provides clearer criteria than the Circular 698 on how to assess reasonable commercial purposes and introduces safe harbor scenarios applicable to internal group restructurings. Where a non-resident enterprise indirectly transfers equity interests or other assets of a PRC resident enterprise by implementing arrangements that are not for reasonable commercial purposes to avoid its obligation to pay enterprise income tax, such an indirect transfer shall, in accordance with the EIT Law, be recognized by the competent PRC tax authorities as a direct transfer of equity interests or other assets of the PRC resident enterprise.

On October 17, 2017, the STA promulgated the Announcement on Matters concerning Withholding and Payment of Income Tax of Non-resident Enterprises from Source (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) (the “**STA Circular 37**”), which came into force and replaced the Circular 698 and certain provisions in the Circular 7 on December 1, 2017 and was partly amended on June 15, 2018. The STA Circular 37, among other things, simplifies the procedures of withholding and payment of income tax levied on non-resident enterprises. Pursuant to the STA Circular 37, where the party responsible for withholding such income tax fails to, or is unable to, withhold the taxes that should have been withheld to the relevant tax authority, the party may be subject to penalties. Where the non-resident enterprise receiving such income fails to declare and pay taxes that should have been withheld to the relevant tax authority, the party may be ordered to rectify within a specific time limit.

REGULATIONS ON M&A AND OVERSEAS LISTINGS

On August 8, 2006, six PRC regulatory agencies issued the Rules on Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”), which was amended on June 22, 2009. Foreign investors shall comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus turning the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the assets; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets and operate the assets.

REGULATIONS

On July 6, 2021, the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》) was jointly issued by the General Office of the Communist Party of China Central Committee and the General Office of the State Council, which steps up scrutiny of overseas listings by companies and calls for strengthening cooperation in cross-border regulation, amending relevant laws and regulations on cyber security, cross-border data transmission and confidential information management, including the confidentiality requirement and file management related to the issuance and listing of securities overseas, enforcing the primary responsibility of the enterprises for information security of China-based overseas listed companies and promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. On February 17, 2023, the CSRC published the Overseas Listing Filing Rules, which took effective on March 31, 2023 and regulate both direct and indirect overseas offering and listing of PRC-based companies by adopting a filing-based regulatory regime. Direct overseas offering and listing refers to overseas offering and listing by a PRC-incorporated joint-stock company, while indirect overseas offering and listing refers to overseas offering and listing based on the underlying equity, assets, earnings or other similar rights of PRC entities by an overseas company with operations primarily in the PRC. In the context of indirect overseas offering and listing, if the issuer meets both following criteria, its overseas offering and listing would be captured by the filing requirement: (i) 50% or more of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent accounting year is accounted for by domestic companies, and (ii) the main parts of the issuer's business activities are conducted in China, or its main places of business are located in China, or the senior managers in charge of its business operation and management are mostly Chinese citizens or domiciled in China. We have met both criteria and shall therefore comply with the relevant requirements under the Overseas Listing Filing Rules in connection with our Listing.

The Overseas Listing Filing Rules provide that (i) the filing procedures with the CSRC shall be completed within three business days after the issuer submits its application documents relating to the initial public offering and/or listing in overseas; (ii) a timely report to the CSRC and update its CSRC filing within three business days after the occurrence of any of the following material events, if any of them occurs before the completion of the overseas offering and/or listing but after obtaining its CSRC filing: (a) any material change to principal business, licenses or qualifications of the issuer, (b) a change of control of the issuer or any material change to equity structure of the issuer, and (c) any material change to the offering and listing plan; (iii) once listed overseas, a report relating to the issuance information of such offering and/or list shall be submitted to the CSRC and a report to CSRC within three business days upon the occurrence of any of the following material events after the overseas offering and/or listing: (a) a change of control of the issuer, (b) the investigation, sanction or other measures undertaken by any foreign securities regulatory agencies or relevant competent authorities in respect of the issuer, (c) change of the listing status or transfer of the listing board, and (d) the voluntary or mandatory delisting of the issuer. For such issuer that have already submitted applications overseas but have not yet obtained the consent from overseas regulators on or prior to the effective date of the Overseas Listing Filing Rules, according to the Notice on the Management Arrangements for the Filing of Overseas Securities Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》, the “**Notice**”), which was also released on February 17, 2023, such issuer is permitted to conduct its filing with the CSRC under a “reasonable arrangement” but in any event before the completion of the overseas offering and/or listing. As we have already submitted applications of this Listing to the Hong Kong Stock Exchange prior to the effective date of the Overseas Listing Filing Rules, we are required to complete the filing with the CSRC in relation to this offering before the completion of this Listing pursuant to the Notice.

REGULATIONS

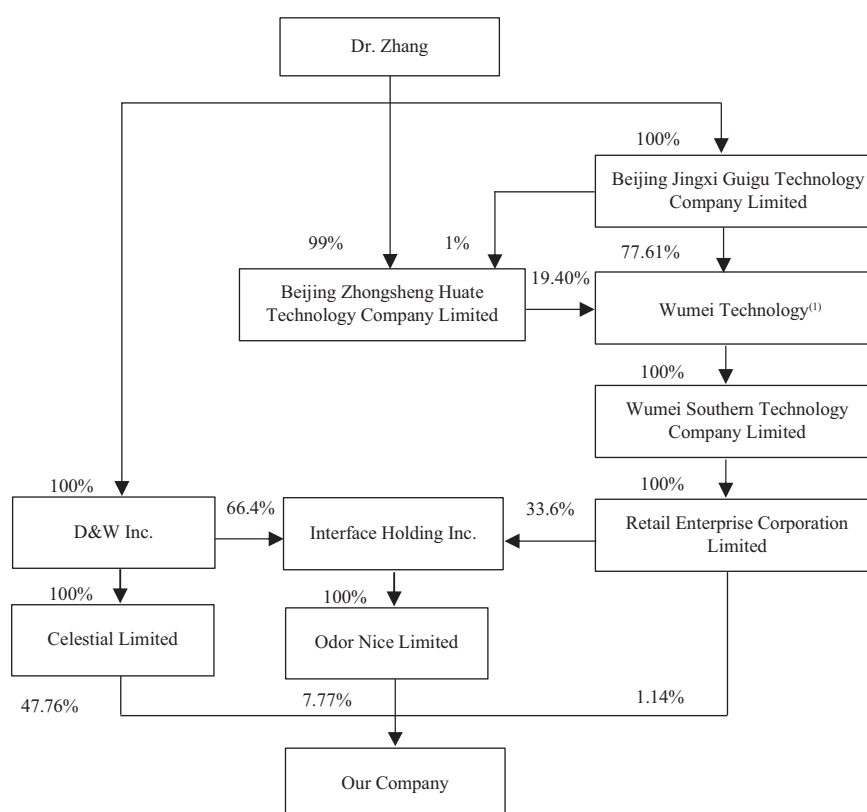
On February 23, 2023, the CSRC, the Ministry of Finance, the National Administration of State Secrets Protection and the National Archives Administration of China jointly promulgated the Confidentiality and Archives Administration Provisions, which took effective on March 31, 2023. The Confidentiality and Archives Administration Provisions provide that PRC-based companies seeking to offering and listing securities in overseas markets, either directly or indirectly, shall establish and improve confidentiality and archives system, take necessary measures to carry out the responsibility of confidentiality and archival administration, and shall not divulge the state secrets and the work secrets of PRC government agencies or damage the interests of the state or the public, and shall complete approval and filing procedures with competent authorities, if such PRC domestic companies or their overseas listing entities provide or publicly disclose documents or materials involving state secrets and work secrets of PRC government agencies to relevant securities companies, securities service institutions, overseas regulatory agencies and other entities and individuals. It further stipulates that providing or publicly disclosing documents and materials which may adversely affect national security or public interests, and accounting files or copies of important preservation value to the state and society shall be subject to corresponding procedures in accordance with relevant laws and regulations. Where any entity or individual violates relevant laws and regulations in the overseas issuance and listing activities of domestic companies, the relevant authorities shall investigate the legal liabilities thereof in accordance with the law; where a crime is suspected, the case shall be transferred to the judicial authority for investigation of criminal liabilities in accordance with the law.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering, Dr. Zhang, our founder and senior advisor, will be interested in and control, through Celestial Limited, Odor Nice Limited, D&W Inc., Interface Holdings Inc., Retail Enterprise Corporation Limited, Wumei Southern Technology Company Limited, Wumei Technology, Beijing Zhongsheng Huate Technology Company Limited and Beijing Jingxi Guigu Technology Company Limited, which are companies wholly-owned or controlled by Dr. Zhang, an aggregate of 56.67% of our issued Shares. Therefore Dr. Zhang, together with the aforesaid companies, will constitute a group of Controlling Shareholders of our Company upon Listing.

The following diagram illustrates our Controlling Shareholders' interest in our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no Shares are issued under the Share Incentive Plans):



Note:

- (1) Wumei Technology is owned by Dr. Zhang and Beijing Muhong Management Consulting Co., Ltd. as to approximately 97.02% and 2.98%, respectively. Beijing Muhong Management Consulting Co., Ltd. is ultimately beneficially owned by Mr. LIN Dongliang and Mr. WU Guangze as to 66.66% and 33.34%, respectively. Mr. LIN Dongliang is an independent third party; Mr. WU Guangze is a former director of the Company and is otherwise independent from the Company, Dr. Zhang and his associates. As Beijing Muhong Management Consulting Co., Ltd. does not have any controlling interest in Wumei Technology (which in turn, by itself, also does not have any controlling interest in the Company), it nor its ultimate beneficial owners are in any way connected to Dr. Zhang, and it nor its ultimate beneficial owners have any acting in concert agreement or consensus building process with Dr. Zhang or his holding companies in respect of matters relating to the Company, Beijing Muhong Management Consulting Co., Ltd. and its beneficial owners are *not* part of the group of Controlling Shareholders of our Company. The Joint Sponsors have obtained a confirmation from the Company that there is no acting in concert or voting right agreement or arrangement or consensus building process among Dr. Zhang on one hand, and Beijing Muhong Management Consulting Co., Ltd. and its ultimate beneficial owners, namely, Mr. LIN Dongliang and Mr. WU Guangze, on the other hand, nor are they acting in concert with each other, in respect of our Company or Wumei Technology.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and its close associates after the Listing.

Management Independence

Our business is managed by our Board and senior management. Upon Listing, our Board will consist of nine Directors comprising one executive Director, four non-executive Directors and four independent non-executive Directors. For more information, please see the section headed “Directors and Senior Management”.

Our Directors consider that our Board and senior management are capable of operating our business and managing all actual or potential conflicts of interest independently of our Controlling Shareholders because:

- (a) except for Ms. WANG Yi, there will not be any overlap between the Controlling Shareholders and their close associates and our Company in terms of directors and senior management. Ms. WANG Yi serves as a non-executive director of MDL Wholesale Limited, and she is a vice president, board secretary and joint company secretary of our Company. Ms. Wang’s roles with our Company mainly concern overall strategy, information disclosure and investors relations and do not involve extensive participation in the frontline business operations; as such, her extensive work experience in corporate governance and investors relations only enhances her ability to serve our Company.
- (b) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his personal interests;
- (c) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (d) we have four independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (e) according to the Articles, in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director or his or her respective associates, the interested Director is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions;
- (f) according to the Articles, in respect of any contract or arrangement or any other proposal whatsoever in which a Director or any of his or her close associates (or, if required by the Listing Rules, his or her other associates) has any material interest, such Director shall abstain from voting on the resolutions and shall not be counted towards the quorum for the voting;
- (g) where a Shareholders’ meeting is held to consider a proposed transaction in which any Controlling Shareholder has a material interest, the Controlling Shareholder shall abstain from voting on the resolutions and shall not be counted towards the quorum for the voting; and

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (h) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. Please see “—Corporate Governance Measures” in this section for further information.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role our Group independently.

Operational Independence

Our Directors believe that our Group is operationally independent from the Controlling Shareholders. Our Company (through our subsidiaries) holds all relevant licenses and owns all relevant intellectual properties and research and development facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and an independent management team to operate our business. We have adopted a set of internal control procedures to maintain effective and independent operation of our business.

Transactions with Related Parties

As part of our ordinary course of business, we have provided, and expect to continue to provide, retail core service cloud solutions and other technology services (as applicable) to the following Related Parties of Dr. Zhang, our Controlling Shareholder. For the avoidance of doubt, for this purposes of the section headed “Relationship with the Controlling Shareholders”, the defined term “Related Parties” shall not include Dmall Fresh (Beijing), which is not an associate of Dr. Zhang. During the Track Record Period, we recognized a substantial portion of our revenue from our cooperation with the Related Parties. However, as explained below, there is no unduly reliance on the Related Parties to conduct our business.

(a) *Wumei Group*

Wumei Technology Group, Inc. (物美科技集團有限公司) (“**Wumei Technology**”, together with its subsidiaries and for this documents only, excluding the MDL Wholesale Group after the MDL Reorganization, Yinchuan Xinhua Group and B&T Entities as defined below, “**Wumei Group**”) is a company ultimately owned as to approximately 97.02% of its equity interest by Dr. Zhang, and hence an associate of Dr. Zhang. Wumei Technology was founded by Dr. Zhang in 1994, and operates one of the largest multi-brand retailers in China. As of the Latest Practicable Date, the retailer brands operated by the Wumei Group include *Wumart* (物美), *Merry Mart* (美廉美), *dht pharmacy* (達慧堂藥房) and *Zhejiang Gongxiao* (浙江供銷超市) (each within the applicable national or regional geographical areas in China); all of the brands and businesses operated by the Wumei Group are retailers.

Our Group had provided retail core service cloud solutions, e-commerce service cloud solution, and others to Wumei Group during the Track Record Period. For the years ended December 31, 2021, 2022, 2023, and the six months ended June 30, 2024, our revenue from providing the said services to the Wumei Group amounted to RMB384.1 million, RMB561.6 million, RMB821.0 million and RMB484.5 million, respectively, representing 45.3%, 42.3%, 51.8% and 51.9% of our revenue for the same years/period. We expect to continue the provision of services to Wumei Group after the

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Listing pursuant to the Wumei Retail Core Service Cloud Framework Agreement and conduct certain other transactions with them pursuant to the Wumei Framework Agreement. For details of these transactions, please see the section headed “Connected Transactions”.

(b) *MDL Wholesale Group*

MDL Wholesale Limited (“**MDL Wholesale**”, together with its subsidiaries, “**MDL Wholesale Group**”) is a subsidiary of Wumei Technology, and hence it (including its subsidiaries) is an associate of Dr. Zhang. Following the MDL Reorganization, given MDL Wholesale Group now focuses on the food and fast-moving consumer goods distribution business and ceased engaging in the retail business which has been disposed to Wumei Group, we provide retail core service cloud solutions to MDL Wholesale Group following the MDL Reorganization.

Our Group had provided retail core service cloud solutions, e-commerce service cloud solutions and other products and services to MDL Wholesale Group (or Maidelong Entities, prior to the MDL Reorganization) during the Track Record Period. For the years ended December 31, 2021, 2022, 2023, and the six months ended June 30, 2024, our revenue from providing the said services to MDL Wholesale Group (or Maidelong Entities, prior to the MDL Reorganization) amounted to RMB86.6 million, RMB258.2 million, RMB259.5 million and RMB183.8 million, respectively, representing 10.2%, 19.4%, 16.4% and 19.6% of our revenue for the same years/period. We expect to continue the provision of services to MDL Wholesale Group after the Listing pursuant to the MDL Wholesale Retail Core Service Cloud Framework Agreement and conduct certain other transactions with them pursuant to the MDL Wholesale Framework Agreement. Transactions we provide to MDL Wholesale Group (or Maidelong Entities, prior to the MDL Reorganization) during the Track Record Period in relation to their retail business which has been disposed of to Wumei Group will now be covered by the Wumei Retail Core Service Cloud Framework Agreement. For details of these transactions, please see the section headed “Connected Transactions”.

(c) *Yinchuan Xinhua Group*

Yinchuan Xinhua Commercial Group Co., Ltd. (銀川新華百貨商業集團股份有限公司) (Shanghai Stock Exchange: 600785) (“**Yinchuan Xinhua**”, together with its subsidiaries, “**Yinchuan Xinhua Group**”) is a subsidiary of Wumei Technology, and hence it (including its subsidiaries) is an associate of Dr. Zhang. Based on public information disclosed by Yinchuan Xinhua, it is mainly engaged in the business of department stores, supermarkets and electronics retail and has stores mainly located in the Ningxia Hui Autonomous Region and surrounding provinces such as Shaanxi, Gansu, Inner Mongolia and Qinghai.

Our Group has provided retail core service cloud solutions and e-commerce service cloud solutions and other products and services to Yinchuan Xinhua Group during the Track Record Period. For the years ended December 31, 2021, 2022, 2023, and the six months ended June 30, 2024, our revenue from providing the said services to Yinchuan Xinhua Group amounted to RMB38.1 million, RMB30.7 million, RMB54.9 million and RMB32.5 million, respectively, representing 4.5%, 2.3%, 3.5% and 3.5% of our total revenue for the same years/period. We expect to continue the provision of services to Yinchuan Xinhua Group after the Listing pursuant to the Yinchuan Xinhua Framework Agreement. For details of the said transaction, please see the section headed “Connected Transactions”.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

(d) *B&T Entities*

Wumei Technology controls the entities that manage and operate stores bearing the brand of B&T (百安居) in China (the “**B&T Entities**”), and hence the B&T Entities are associates of Dr. Zhang. B&T Entities are mainly engaged in the retailing of home décor and building materials.

We commenced the provision of Retail Core Service Cloud Solutions to B&T Entities in October 2022. No fees were paid by B&T Entities to us for the years ended December 31, 2021 and 2022, and the total fees paid by B&T Entities to us relating to our continuing operations in the year ended December 31, 2023 and the six months ended June 30, 2024 were RMB3.7 million and RMB6.0 million, respectively, representing 0.2% and 0.6% of our revenue for the same year/period. We expect to continue the provision of services to B&T Entities after the Listing pursuant to the B&T Framework Agreement. For details of the said transaction, please see the section headed “Connected Transactions”.

(e) *Chongqing Department Store Group*

Chongqing Department Store Co., Ltd. (重慶百貨大樓股份有限公司) (Shanghai Stock Exchange: 600729) (“**Chongqing Department Store**”, together with its subsidiaries, “**Chongqing Department Store Group**”) is a company which was a former associate of Dr. Zhang during the Track Record Period but had ceased to be an associate of Dr. Zhang since March 9, 2024. Based on public information disclosed by Chongqing Department Store, it is mainly engaged in the business of department stores, supermarkets, electrical appliances and automobile trade and owns famous brands and trademarks such as Chongqing Department Store (重慶百貨) and New Century Department Store (新世紀百貨).

Our Group had provided retail core service cloud solutions, e-commerce service cloud solutions and other products and services to Chongqing Department Store Group during the Track Record Period. For the years ended December 31, 2021, 2022, 2023, and the six months ended June 30, 2024, our revenue from providing the said services to Chongqing Department Store Group amounted to RMB90.2 million, RMB115.1 million RMB62.8 million and RMB27.7 million, respectively, representing 10.6%, 8.7%, 4.0% and 2.9% of our revenue for the same years/period. We expect to continue the provision of services to Chongqing Department Store Group after the Listing, however, Chongqing Department Store (including its subsidiaries) had ceased to be an associate of Dr. Zhang since March 9, 2024 and is no longer relevant to assessing our operational independence from our Controlling Shareholders from that date onwards.

No material adverse change or risk of termination of the business relationship between our Group and the Related Parties.

In view of the mutually beneficial and long-standing business relationship between the Group and the Related Parties, the Company currently does not expect any material adverse change in such relationship and the risk of termination of the relationship is expected to be remote.

(a) *Mutually beneficial and dependent business relationship*

Given the Company’s and the Related Parties’ leading positions in their respective markets, the Company considers the business relationship between the Group and the Related Parties to be mutually beneficial and dependent.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

The Related Parties are among the top retailers in China, with thousands of malls and stores across China and owning a wide array of well-known brands and trademarks in China. According to Frost & Sullivan, the supermarket retail market in China is highly localized with leading incumbents taking a large market share in their local regions, and the Related Parties command strong leadership in their respective local markets. In terms of sales in 2023, according to Frost & Sullivan, (i) Wumei Group had approximately 33.1% and 56.2% of the market share of the chained supermarkets (store-based, excluding warehouse supermarkets) market in northern China (which include Beijing, Tianjin, Hebei, Shanxi, and Inner Mongolia, according to Frost & Sullivan) and Beijing, China, respectively, (ii) the Maidelong Entities had approximately 44.0% of the market share of the warehouse-style supermarket market in China, (iii) the Yinchuan Xinhua Group had approximately 43.0% and 47.1% of the market share of the chained supermarkets (store-based, excluding warehouse supermarkets) market in Ningxia and Yinchuan, China, respectively; (iv) the B&T Entities had 1.2% market share in the home improvement and gardening industry in China; and (v) the Chongqing Department Store Group had approximately 21.4% of the market share of the chained supermarkets (store-based, excluding warehouse supermarkets) market in Chongqing, China. The Company believes it is beneficial to the Company to maintain strong business relationship with the top retailers in China such as the Related Parties, not only because they represent a substantial revenue source for the Company but also cooperation with them enhances the Company's industry insight and capabilities as well as business reputation.

While the Related Parties represent an important source of revenue for our Group, we are also the sole retail digitalization solution provider for the Related Parties. As a leading full-spectrum omnichannel retail digitalization solution provider in China according to Frost & Sullivan, the Group is a natural choice for the Related Parties for retail digitalization solutions.

Our technology is well-recognized by retailers for its functionality and retail format coverage, according to Frost & Sullivan, and such technological advantages have allowed the Group to become and remain the sole retail digitalization solution provider for the Related Parties. The Company deploys stable data centers and standardized data collection, storage, and utilization functions, and its Dmall OS system integrates an array of functionalities that retailers need to streamline operation, facilitate sales and optimize the decision-making processes. The underlying technology architecture for the Company's services consists of hundreds of modules suitable for digitalizing the operational management of retailers of various sizes and types and at different organizational levels (from individual stores to headquarters). Such modularized design makes its operating system adaptable for a diverse range of retailers compared to a traditional monolithic design. As a result, the configurable and scalable software solutions offered by our retail digitalization solutions fulfill a wide range of business digitalization needs of retailers, especially large retailers such as the Related Parties, with great flexibility.

The Company believes that the services it provides the Related Parties are difficult to replace for the following reasons.

- Deep understanding of retail operations. With the substantial business cooperation with the Related Parties so far, the Company has accumulated deep understanding of the Related Parties' retail operations, and has provided transformative solutions based on such understanding to the Related Parties regarding various aspects of their operations through its proprietary Dmall OS system. These solutions include developing their mobile applications and mini-programs, designing and enhancing their marketing and promotional campaigns and efforts, optimizing their merchandise selection and display, and otherwise improving their digitalized operational capabilities in terms of store operations (including

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

payment), supply chain (including coordination between retailers and their suppliers), and consumer interaction and traffic, among others. The Company's retail know-how and in-depth understanding of the Related Parties' business operations have allowed it to provide better services to the Related Parties.

- Advanced system catering to complex retail operations. The Company's Dmall OS system is modularly configured to support constant upgrade in response to the increasingly complex organizational and technological infrastructure of retailers. The scale and complexity of operations of the Related Parties render them reliant on the Company's system and services.
- High switching cost. The Company believes that it would be difficult and costly for the Related Parties to replace the Company as their retail digitalization solution provider, considering that (i) the systems that the Company helped establish and manage are essential to the day-to-day operations of the Related Parties, and any disruption to these systems and the related services could result in substantial loss in revenue and reputation for the Related Parties, and (ii) training all relevant staff to operate a new SaaS system would take additional costs and time, and any replacement SaaS system would also take time to reach a desirable level of stability. Furthermore, the data-driven algorithms that the Company helped the Related Parties develop and maintain are essential to the execution of their business strategies that rely on data insights. Therefore, the Company believes that the services it provides to the Related Parties cannot be substituted without them incurring substantial costs.

As such, the Group believes the business relationship between the Group and the Related Parties is mutually beneficial and dependent and it would not be in the best interest of the Related Parties to replace the Group with a different retail digitalization solution provider.

(b) Long-term strategic business relationship

The Group has maintained close and stable business relationship with the Related Parties. The Group first started to provide services to (a) the Wumei Group in 2015, (b) the Maidelong Entities in 2018; (c) the Yinchuan Xinhua Group in 2018; (d) B&T Entities in 2022; and (e) the Chongqing Department Store Group in 2019. No business contracts with the Related Parties have been terminated by either party to date and the Company does not expect any material adverse change in such relationship going forward.

(c) No undue reliance on the Related Parties

Despite the relatively high revenue contribution from the Related Parties to our Group during the Track Record Period, we do not, and expect that we will not, unduly rely on the Related Parties to conduct our business for the reasons set out below.

The Group has been expanding its customer base to reduce its reliance on the Related Parties:

- Other than the Related Parties, the Company has entered into cooperation agreements with other leading retailers in China and overseas markets, such as Zhongbai Holdings Group Co., Ltd. and Luosen. The recognition by these leading retailers of the Group's service capabilities and quality has created a solid foundation for the Group to attract many more retailer customers outside of the Related Parties.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- By leveraging the deep retail know-how, market-leading technology, and abundant experience cooperating with top retailers, the Group has also acquired a sizeable number of new customers independent from the Related Parties and other Related Party. The number of such independent customers (for the avoidance of doubt, excluding Dmall Fresh (Beijing)) of the Group grew from 233 for 2021 to 433 for 2022 and 530 for 2023 and 440 for the six months ended June 30, 2024.
- The Group has achieved rapid growth in revenue from customers independent from the Related Parties and other Related Party. For the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, the Company achieved revenues from such independent customers (for the avoidance of doubt, excluding Dmall Fresh (Beijing)), of RMB221.1 million, RMB267.3 million RMB244.4 million, RMB106.2 million and RMB124.9 million, respectively, demonstrating a rapid and significant growth trend.
- The overall growth in the Chinese economy and the size and projected growth of China's retail digitalization solution market also contribute to the Group's ability to attract more customers independent from the Related Parties. China's retail industry has experienced a fast growth over the past three decades along with a robust national economic growth, but the market is still under-digitalized. In addition, to penetrate into unaddressed global markets is one of our main strategies. We have developed an English version of the Dmall OS system, and are developing our overseas business development team with local market know-how and expanding our research and development team focusing on overseas market development. Therefore, there is a huge market where the Company can expand its independent customer base as well as to establish strategic cooperation with new customers.

The Company is confident in its ability to acquire customers independent from the Related Parties and expect the proportion of the Group's revenue derived from the Related Parties will gradually decrease in the long term.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

No loans or guarantees provided by, or granted to, our Controlling Shareholders or its associates will be outstanding as of the Listing Date.

Based on the above, our Directors believe that our business is financially independent of our Controlling Shareholders.

Dr. Zhang's managerial roles and directorships in the Group

With deep insights and understanding of retail operations and years of experience in the industry, Dr. Zhang identified the trends of digital retail in China and founded the Company in 2015.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Dr. Zhang served as the Company's chairman of the board of directors from the Company's inception to November 27, 2022. He resigned from the board of directors based on the following considerations:

(i) The Company's pursuit of further global expansion and the building of our overseas business development team: The Company's new stage of development requires a leader with extensive experience in the global retail market, and Mr. Ferguson, the current Chairman, is a thought-leader in the consumer space with such experience. Therefore, he is in a better position to guide the Company through this phase of development;

(ii) Mr. Zhang's responsibilities as co-founder, executive director, and president and the Company's strong management team: Mr. Zhang is responsible for the overall strategic planning, business operation, and management of the Group, who is in the position to lead the Company in its day-to-day operations. In addition, we have a strong management team in place that is capable of running the business effectively without Dr. Zhang's direct leadership; and

(iii) Dr. Zhang's lack of involvement in the day-to-day management of the Group during the Track Record Period and his current senior advisor role: Dr. Zhang has not been involved in the day-to-day management of the Group during the Track Record Period and his resignation would not have a significant impact on our business operations. Furthermore, Dr. Zhang currently serves as the senior advisor of the Company, providing advice to the senior management on important strategies, technology developments and key business development opportunities. He will remain available and that his expertise will continue to be utilized in other capacities within the Group.

The Subsequent Acquittal of the Wrongful Charges against Dr. Zhang

In October 2008, Dr. Zhang, was found liable for fraud, organizational bribery (單位行賄罪) and embezzlement of funds by the Intermediate People's Court of Hengshui City, Hebei Province (the "**Charges**"), and was sentenced to an 18-year term of imprisonment and a fine of RMB500,000 with property involved confiscated.

Upon Dr. Zhang's first acquittal appeal, in March 2009, the High People's Court of Hebei Province upheld the judgment made by the first instance court with respect to the confiscation of property involved, the conviction and sentence of organizational bribery and embezzlement of funds, and the conviction of fraud, but overturned the sentence of fraud offense and its related penalty. It is ruled that all three convictions shall be imposed together and Dr. Zhang was sentenced to a 12-year term of imprisonment with a fine of RMB500,000.

Subsequently, Dr. Zhang brought another appeal against the conviction to the High People's Court of Hebei Province and the case was dismissed in December 2015. In October 2016, Dr. Zhang further appealed to the Supreme People's Court (the "**Supreme Court**"). On December 27, 2017, the Supreme Court decided to hold a further trial to hear the case in open court on February 12, 2018 on the grounds that Dr. Zhang had provided new evidence that was not presented during the original trial. This evidence included witness testimonies and financial records that were relevant to this case but were not previously disclosed.

On May 31, 2018, the Supreme Court adjudged its final judgment and overturned the previous rulings of the High People's Court of Hebei Province and the Intermediate People's Court of Hengshui City, Hebei Province. All convictions previously imposed on Dr. Zhang were quashed, and the fines and property confiscated according to the original judgments were ordered to be returned.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Pursuant to the final judgment of the Supreme Court (the “**Final Judgment**”), the convictions previously imposed on Dr. Zhang were overturned for the following reasons:

Fraud. The original ruling had stated that Wumei Group did not qualify to apply for a national bond interest subsidy for technological improvements. However, the Supreme Court found that there was insufficient evidence to support this claim. The Supreme Court concluded that Wumei Group was a qualified private enterprise when it applied for the national debt interest discount technical transformation project. Furthermore, Wumei Group completed and submitted the application materials under the name of “Beijing Wumart Supermarket Co., Ltd.” (later changed to Wumei Group). The Supreme Court found that Wumei Group used its real identity to declare the project as the appropriate entity. Dr. Zhang, the founder and chairman of the board of directors of Wumei Group, did not fabricate facts or conceal the truth during the application process. Neither Wumei Group nor Dr. Zhang had the intention of misleading the government authority about the identity and nature of the applicant company. Additionally, the project funds of RMB31.9 million were always recorded as “payable to the government” in the financial accounts and remained under the control of state authority. Neither Wumei Group nor Dr. Zhang had the intention of illegally possessing the project funds. As the evidence was insufficient to sustain a conviction of fraud, the Supreme Court overturned the previous rulings.

Organizational bribery. The Supreme Court found that there was insufficient evidence to establish that Wumei Group had received any improper benefits or assistance during the equity acquisition process. The Supreme Court determined that the acquisition was the result of arm’s length negotiations between Wumei Group and the shareholders of Taikang Life Insurance Co., Ltd. The negotiations covered the acquisition price and the agreed-upon considerations for the shares, which were found to be within the expectations of the shareholders. The evidence revealed that no third party was involved in the equity acquisitions, and there were no circumstances for Wumei Group to offer bribes to exclude other buyers or gain a competitive advantage. Based on these findings, the Supreme Court concluded that Wumei Group did not engage in bribery or receive any inappropriate assistance during the equity acquisition process. Therefore, the evidence was insufficient to sustain a conviction of organizational bribery, and the Supreme Court overturned the previous rulings.

Embezzlement of funds. The Supreme Court held that on the evidence as disclosed, Dr. Zhang neither misappropriated funds for his own benefit, nor had subjective intention of fraudulent appropriation of property. The Supreme Court also found that fund transfers involved in the alleged embezzlement remained between corporate entities and were recorded in the corporate entities’ accounts. The evidence is insufficient to sustain a conviction of embezzlement of funds offense, therefore, the Supreme Court overturned the previous rulings.

We have consulted Dr. Zhang’s PRC Litigation Legal Counsel in respect of Dr. Zhang’s case and were given to understand that (i) Final Judgment clearly demonstrated that Dr. Zhang was exonerated of the charges that were levelled against him, (ii) Dr. Zhang’s previous convictions were the result of the trial court being wrong in its ruling on questions of fact and application of law and (iii) Final Judgment is final on Dr. Zhang’s case and according to Article 254 of the Criminal Procedure Law of China, only the Supreme Court has the authority to decide whether to retry a case that has been effectively adjudicated by the Supreme Court.

The Directors are of the view that the Charges have not impugned Dr. Zhang’s suitability, as if he was appointed as a Director, under Rules 3.08 and 3.09 of the Listing Rules, as (i) all the relevant

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

convictions against Dr. Zhang were quashed by the Supreme Court's final decision and both Dr. Zhang and Wumei Group were exonerated of the Charges, (ii) the evidence in respect of each of the charges of fraud, organizational bribery and embezzlement is insufficient to sustain the previous convictions as discussed above, and (iii) Dr. Zhang confirmed that (a) in relation to the fraud charge, he, as the chairman of Wumei Group, did not fabricate facts or conceal the truth during the application process (and there is no indication in the Final Judgment that he was involved or aware in this connection), (b) in relation to the embezzlement charge, he did not have any intention to acquire the relevant funds for personal use or gains, and the relevant fund transfers were for proper commercial transactions, i.e., entrusted investment, supported by contracts, and (c) in relation to the organizational bribery charge, there was no intention to seek improper benefits.

Based on (i) the due diligence conducted with Dr. Zhang, including an interview with Dr. Zhang and confirmations obtained from him, (ii) the advice of Dr. Zhang's PRC Litigation Legal Counsel in respect of Dr. Zhang's case that the Final Judgment demonstrated Dr. Zhang's exoneration from the Charges and Dr. Zhang's previous convictions were the result of the trial court being wrong in its ruling on questions of fact and application of law and the Final Judgment is final on Dr. Zhang's case, and the opinion of the PRC Legal Adviser to the Company that a judgment made by the Supreme Court is final, and (iii) the Joint Sponsors noting no other material negative findings from the background search report compiled by independent search agents and desktop research conducted against Dr. Zhang, which relates to his integrity, the Joint Sponsors concur with the Directors' view that in light of the circumstances set out above, the Charges have not impugned Dr. Zhang's suitability, as if he was appointed as a Director, under Rules 3.08 and 3.09 of the Listing Rules.

DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

As of the Latest Practicable Date, apart from the business of our Group, the businesses in which our Controlling Shareholders have interests have been summarized under the sub-section headed “—Independence from Controlling Shareholders—Operational Independence” above, namely, the businesses of the Wumei Group, the Maidelong Entities, the Yinchuan Xinhua Group, the B&T Entities and the Chongqing Department Store Group (such businesses, together, “**Other Businesses**”). Such Other Businesses are all retail business in nature.

As we are a provider of SaaS solutions to retailers in the local retail industry, the business we operate are by nature different from the Other Businesses. In terms of services provided, we develop and sell cloud-based SaaS platform solutions and related technical services; whereas the Other Businesses are retailers that procure and sell goods. In terms of customer profile, we provide the said services to retailer businesses and, historically, brand owners, while the Other Businesses primarily serve the wider individual consumers. In the value creation chain, our business and the Other Businesses are also positioned differently; our business can be considered an upstream supplier of SaaS platform solutions to retailers like the Other Businesses. As such, the services we provide are non-substitutable by the services/products provided by the Other Businesses, and the Other Businesses do not compete nor are they likely to compete, directly or indirectly, with our business.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Controlling Shareholders:

- (a) under the Articles, where any member is, under the Listing Rules, required to abstain from voting on any particular resolution proposed at a Shareholders' meeting, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with our Controlling Shareholders or any of its associates, our Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;
- (e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expense;
- (g) we have appointed Somerley Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (h) we have established our audit committee, remuneration committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code and Corporate Governance Report in Appendix C1 to the Listing Rules. All of the members of our audit committee are non-executive Directors and the majority of the members, including the chairman, are independent non-executive Directors.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.

CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the following transactions that we enter into with our connected persons will constitute connected transactions upon the Listing.

OUR CONNECTED PERSONS

The table below sets forth the parties who will become our connected persons and with whom we have entered into certain transactions which will constitute our continuing connected transactions following the Listing:

Name	Connected relationship
Wumei Technology Group, Inc. (物美科技集團有限公司) (“ Wumei Technology ”, together with its subsidiaries and, for this section only, <i>excluding</i> the MDL Wholesale Group, B&T Entities and Yinchuan Xinhua Group (all as defined below), the “ Wumei Group ”)	a company which is ultimately owned as to approximately 97.02% of its equity interest by Dr. Zhang, and hence an associate of Dr. Zhang
MDL Wholesale Limited (“ MDL Wholesale ”, together with its subsidiaries, the “ MDL Wholesale Group ”)	subsidiaries of Wumei Technology, and hence associates of Dr. Zhang
Shanghai Baianju Commercial Operation Management Co., Ltd. (上海百安居商業經營管理有限公司) (“ Shanghai B&T ”), which is the holding company of entities that manage and operate stores bearing the brand of B&T (百安居) in the PRC (collectively, “ B&T Entities ”)	subsidiaries of Wumei Technology, and hence associates of Dr. Zhang
Dmall Zhilian	a non-wholly owned subsidiary of our Company which is indirectly held as to more than 10% by Wumei Technology, and therefore a connected subsidiary of our Company
Yinchuan Xinhua Commercial Group Co., Ltd. (銀川新華百貨商業集團股份有限公司) (Shanghai Stock Exchange: 600785) (“ Yinchuan Xinhua ”, together with its subsidiaries, the “ Yinchuan Xinhua Group ”)	subsidiaries of Wumei Technology, and hence associates of Dr. Zhang
Dmall Fresh (Beijing) (together with its subsidiaries from time to time, “ Dmall Fresh Group ”)	a company that is owned as to 51% by Mr. Zhang Feng after the Restructuring, and hence an associate of Mr. Zhang Feng

For the avoidance of doubt, Chongqing Department Store, DRGML and Metro Group are not connected persons for the purpose of Chapter 14A of the Listing Rules. In particular, (i) Chongqing Department Store ceased to be a connected person as it was held as to 24.89% only by Wumei Group as of March 9, 2024; (ii) DRGML is a substantial shareholder of Retail Technology Asia, an insignificant subsidiary of the Company, and is therefore not a connected person for the purpose of for the purpose of Rule 14A.09 of the Listing Rule; and (iii) Metro Group currently does not, nor through its subsidiaries, hold any equity interest in WM Holding HK (which was the holding company of Maidelong Entities, prior to the MDL Reorganization) or MDL Wholesale Group (or Maidelong Entities, prior to the MDL Reorganization). Transactions entered into with these entities do not therefore constitute connected transactions for the purpose of Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

We have entered into the following transactions that will constitute continuing connected transactions under Rule 14A.31 of the Listing Rules upon Listing:

Transaction	Type of connected transaction and applicable Listing Rule	Waiver sought	Proposed annual cap for the year ending December 31, (RMB million)		
			2024	2025	2026
A1. Wumei Retail Core Service Cloud Framework Agreement					
1. Provision of Retail Core Service Cloud Solutions by our Group to Wumei Group	Non-exempt continuing connected transaction: Rule 14A.35 Rule 14A.36 Rule 14A.52 Rule 14A.53 Rule 14A.105	Announcement, independent shareholder approval, circular	1,235.1	1,327.4	1,435.2
A2. Wumei Framework Agreement					
1. Lease of properties owned by Wumei Group by our Group	Partially-exempt continuing connected transaction: Rule 14A.35 Rule 14A.76(2) Rule 14A.105	Announcement	7.2	4.6	7.8
2. Lease of advertising space from Wumei Group by our Group	Partially-exempt continuing connected transaction: Rule 14A.35 Rule 14A.76(2) Rule 14A.105	Announcement	7.0	15.0	15.0
B1. MDL Wholesale Retail Core Service Cloud Framework Agreement					
1. Provision of Retail Core Service Cloud Solutions by our Group to MDL Wholesale Group	Non-exempt continuing connected transaction: Rule 14A.35 Rule 14A.36 Rule 14A.52 Rule 14A.53 Rule 14A.105	Announcement, independent shareholder approval, circular	92.0	106.0	106.0
B2. MDL Wholesale Framework Agreement					
1. Lease of properties owned by MDL Wholesale Group by our Group	Partially-exempt continuing connected transaction: Rule 14A.35 Rule 14A.76(2) Rule 14A.105	Announcement	0.1	0.1	0.5
C. B&T Framework Agreement					
1. Provision of Retail Core Service Cloud Solutions by our Group to B&T Entities	Non-exempt continuing connected transaction: Rule 14A.35 Rule 14A.36 Rule 14A.53 Rule 14A.105	Announcement, Independent shareholder approval, circular	10.0	11.5	12.8
D. Dmall Zhilian Framework Agreement					
1. Provision of Zhilian AIoT Solutions by Dmall Zhilian to our Group	Non-exempt continuing connected transaction: Rule 14A.35 Rule 14A.36 Rule 14A.53 Rule 14A.105	Announcement, Independent shareholder approval, circular	429.3	450.8	473.3

CONNECTED TRANSACTIONS

Transaction	Type of connected transaction and applicable Listing Rule	Waiver sought	Proposed annual cap for the year ending December 31, (RMB million)		
			2024	2025	2026
E. Yinchuan Xinhua Framework Agreement					
1. Provision of Retail Core Service Cloud Solutions by our Group to Yinchuan Xinhua Group	Non-exempt continuing connected transaction: Rule 14A.35 Rule 14A.36 Rule 14A.53 Rule 14A.105	Announcement, independent shareholder approval, circular	82.0	93.5	104.1
F1. Dmall Fresh Retail Core Service Cloud Framework Agreement					
1. Provision of Retail Core Service Cloud Solutions by our Group to Dmall Fresh (Beijing)	Partially-exempt continuing connected transaction: Rule 14A.35 Rule 14A.76(2) Rule 14A.105	Announcement	20.0	20.0	20.0
F2. Trademark Licensing Agreement					
1. Trademark Licensing by our Group to Dmall Fresh (Beijing)	Fully-exempt continuing connected transaction: Rule 14A.52 Rule 14A.76(1)		N/A	N/A	N/A
F3. Dmall Fresh Marketing Resource Framework Agreement					
1. Provision of marketing resources by Dmall Fresh Group to us	Partially-exempt continuing connected transaction: Rule 14A.35 Rule 14A.76(2) Rule 14A.105	Announcement	3.0	3.0	1.0

PROVISION OF RETAIL CORE SERVICE CLOUD SOLUTIONS BY THE GROUP TO THE CONNECTED PERSONS

Services provided

As part of our ordinary course of business, we provide retail core service cloud solutions and related services (“**Retail Core Service Cloud Solutions**”) to our retailer customers to digitalize and optimize their omni-channel operation including through our proprietary cloud-based operating system and our AIoT solutions and related services. Our Retail Core Service Cloud Solutions include but are not limited to: installation of modules of our operating system based on customer preference and needs, such as modules for supply chain management, product management, store management and distributed e-commerce system; development of mobile applications on our operating system and other software development, customization and maintenance services; provision of ongoing system maintenance and technical support services; provision of AIoT solutions such as our proprietary Scan-and-Go solutions, intelligent loss prevention solutions, intelligent cleaning solutions, intelligent stock management solutions, intelligent package sorting solutions, intelligent delivery solutions and intelligent energy saving solutions, among others.

For further details of our Retail Core Service Cloud Solutions, please see the section headed “Business—Our Service Offerings”.

CONNECTED TRANSACTIONS

Pricing terms

For our Retail Core Service Cloud Solutions, we charge service fees using one or a combination of the following methods (“**Retail Core Service Cloud Pricing Terms**”):

- (a) Our primary pricing methods for providing Retail Core Service Cloud Solutions are: a take rate fee structure whereby we charge a percentage of the customer’s GMV (based on POS value or sales value) facilitated by our operating system, or a fixed subscription fee model. The said take rate percentage or the fixed fee shall be determined through arm’s length negotiation between the parties based on various factors, including but not limited to the number and types of modules subscribed by the customer, the subscription period, the expected customer’s total GMV transacted through our platform, and the size and operational scope of our customers.
- (b) Where we provide software development and maintenance services, we charge a fixed fee which shall be determined through arm’s length negotiation between the parties based on various factors, including but not limited to the number and types of the software modules involved, the subscription period, and the size and operational scope of our customers.
- (c) We charge a consultation fee for the customization of our product and service offerings. The amount of the consultation fees is the product of (a) the aggregated work hours or work days involved and (b) the applicable fee rate per worker per work hour or work day. The fee rate varies depending on the type and seniority of the worker and may be determined through arm’s length negotiation between the parties based on various factors, including but not limited to operational scope of our customers and contract period.
- (d) Where we provide AIoT solutions and related services to the customer, our primary pricing methods are: a take rate fee structure whereby we charge a fee based on a percentage of the GMV (based on POS value or sales value) processed through the relevant AIoT solution, or a fixed subscription fee model. The said take rate percentage or the fixed fee shall be determined through arm’s length negotiation between the parties based on various factors, including but not limited to types of the products and/or services provided by us and the retail format, store size and operational scope of the customer.
- (e) Where we sell AIoT hardware to customers, the price is determined on a cost-plus basis and subject to arm’s length negotiation between the parties taking into account various factors including the purchase volume and product type of the customers’ orders.
- (f) Where a module on our operating system or a type of AIoT solutions, due to the unique nature of the functionality or service involved, would require pricing methods other than the take rate fee structure or subscription fee structure, the pricing method and pricing terms shall be determined through arm’s length negotiations between the parties to reflect the commercial reality, and shall take into account factors such as (to the extent relevant in each case): our costs in developing the relevant module or solutions, our labor and other costs required for providing such services, the scope and estimated volume of services to be provided, market pricing for similar services made available by or to independent third parties. In any event, we will only agree to the pricing methods and pricing terms if (i) the terms and conditions are fair and reasonable and based on normal or no less favorable commercial terms as compared to our provision of similar modules or solutions to other customers who are independent third parties; and (ii) they are in the best interests of our Company and the Shareholders as a whole.

CONNECTED TRANSACTIONS

Reasons for the transactions

Provision of Retail Core Service Cloud Solutions forms our ordinary business. In particular, as a leading full-spectrum omni-channel retail digitalization solution provider in China, according to Frost & Sullivan, we are the natural choice for our above listed connected persons (being among the top retailers in their respective markets) for acquiring retail digitalization solutions. The connected persons discussed in this section have found our service offerings beneficial to their own operations and have been our valued long-term customers. Our strategic partnership with Wumei Group, in particular, is the bedrock of our early success. We implemented our cloud solutions in Wumei Group's nationwide store network and our functionalities through their complex operation. Our experience with Wumei Group has inspired us to deliver many popular modules that are applicable to other retail formats in China and overseas markets. We expect to continue to provide Retail Core Service Cloud Solutions to them following the Listing.

A1. WUMEI RETAIL CORE SERVICE CLOUD FRAMEWORK AGREEMENT

On October 10, 2024, Dmall (Shenzhen) Digital (for itself and on behalf of other members of our Group) entered into a framework agreement with Wumei Technology (for itself and on behalf of the other group members of Wumei Group) (the “**Wumei Retail Core Service Cloud Framework Agreement**”) to regulate the provision of Retail Core Service Cloud Solutions by our Group to Wumei Group.

The initial term of the Wumei Retail Core Service Cloud Framework Agreement will commence on the Listing Date and end on December 31, 2043 (both days inclusive). Separate underlying agreements will be entered into which will set out the precise scope of services, service fees calculation, method of payment and other details of the service arrangement in the manner provided in the Wumei Retail Core Service Cloud Framework Agreement.

1. Retail Core Service Cloud Solutions

Pursuant to the Wumei Retail Core Service Cloud Framework Agreement, we shall provide Retail Core Service Cloud Solutions to Wumei Group and, in return, the Wumei Group shall pay us service fees in accordance with the Retail Core Service Cloud Pricing Terms.

Pricing policy

We will follow the Retail Core Service Cloud Pricing Terms when providing Retail Core Service Cloud Solutions to Wumei Group. The pricing and other terms in a specific service agreement under the Wumei Retail Core Service Cloud Framework Agreement will be determined based on arm's length negotiation, and we will only enter into such a specific service agreement if (i) the terms and conditions are fair and reasonable and based on normal or no less favorable commercial terms as compared to our provision of similar Retail Core Service Cloud Solutions to other customers who are independent third parties; and (ii) it is in the best interests of our Company and the Shareholders as a whole. Prior to any specific service agreement is entered into, our legal department will review the legal terms of the agreement and our finance department will review the pricing terms of the agreement, in order to ensure the terms of such agreement are consistent with and no less favorable to the Group than the terms on which we provide similar Retail Core Service Cloud Solutions to independent customers.

CONNECTED TRANSACTIONS

Historical amounts, annual caps and basis of annual caps

Prior to the MDL Reorganization, Wumei Group primarily consist of the food and fast-moving consumer goods distribution business and the retail business. We understood from MDL Wholesale that following assessment of the overall market positions of the food and fast-moving consumer goods distribution business and the retail business and to enable Wumei Group and the Maidelong Entities to focus on their respective businesses, MDL Wholesale decided to conduct the MDL Reorganization to focus on the food and fast-moving consumer goods distribution business, and to dispose subsidiaries which engaged in the retail business to Wumei Group. The remaining subsidiaries within the Wumei Group, including the B&T Entities and the Yinchuan Xinhua Group, were unaffected by the MDL Reorganization.

We set out below our historical transaction amounts with Wumei Group and Maidelong Entities prior to the MDL Reorganization for reference. In this context, Wumei Group prior to the MDL Reorganization refers to Wumei Technology together with its subsidiaries, excluding Maidelong Entities, B&T Entities and Yinchuan Xinhua Group.

For the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024, the aggregate amounts of fees relating to Retail Core Service Cloud Solutions paid by Wumei Group to us relating to our continuing operations were RMB203.0 million, RMB306.4 million RMB604.4 million and RMB475.3 million, respectively.

For the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024, the aggregate amounts of fees relating to Retail Core Service Cloud Solutions paid by Maidelong Entities (or MDL Wholesale Group, after the MDL Reorganization) to us relating to our continuing operations were RMB75.5 million, RMB234.4 million, RMB244.2 million and RMB182.2 million, respectively.

For the years ending December 31, 2024, 2025 and 2026, the relevant annual caps under this transaction are expected to be RMB1,235.1 million, RMB1,327.4 million and RMB1,435.2 million, respectively.

The annual caps were determined taking into account the following key factors:

- (a) the aforesaid historical transaction amounts and the growth trend observed thereof. It is noted that the transaction amount relating to Retail Core Service Cloud Solutions paid by Wumei Group to us relating to our continuing operations grew 50.9% from 2021 to 2022, 97.3% from 2022 to 2023 and 69.6% from the six months ended June 30, 2023 to the six months ended June 30, 2024. The rapid growth during the Track Record Period was driven by a number of factors, including (i) the increasing total GMV processed through our operating system, and (ii) expanding revenue streams from subscriptions of new AIoT solutions such as the intelligent loss prevention systems since 2022, intelligent cleaning solutions, intelligent merchandise replenishment solutions, intelligent package sorting solutions and intelligent cashier solutions since early 2023 as well as additional customization work demanded by the Wumei Group based on its business needs;
- (b) the existing agreements (including the pricing terms therein) between our Group and Wumei Group. The annual cap for the year 2024 shows an increase of RMB630.7 million from the historical transaction amount in 2023. The increase in expected revenue is mainly due to (i) an increase of expected revenue in the amount of approximately

CONNECTED TRANSACTIONS

RMB303.2 million as a result of the MDL Reorganization, of which we expect an increase of expected revenue from provision of SaaS solutions in the amount of approximately RMB159.8 million and from provision of AIoT solutions in the amount of approximately RMB143.4 million for the year ending December 31, 2024; and (ii) Wumei Group starting to operate its O2O e-commerce business in-house in January 2024, of which we expect an increase of expected revenue in the amount of approximately RMB327.5 million. Following such transition, we started to provide additional technical support and other services under our Retail Core Service Cloud Solutions to Wumei Group to support its distributed e-commerce system operations, which we expect will bring in additional Retail Core Service Cloud Solutions revenue in the following manner: (i) we charge an increased take rate for our SaaS solutions provided to customers who operate its O2O e-commerce business in-house, including Wumei Group. We expect this factor would account for approximately RMB54.7 million out of the RMB327.5 million increase; and (ii) Wumei Group increased its procurement of our intelligent delivery solutions to support its distributed e-commerce system operations. We expect this factor would account for approximately RMB200.9 million out of the RMB327.5 million increase. Further, we expect the existing AIoT solutions subscribed for by Wumei Group, such as intelligent package sorting solutions, intelligent cleaning solutions and intelligent loss prevention solutions, will contribute approximately RMB48.4 million out of the RMB327.5 million increase, as they become fully online and operational in 2024. The remaining approximately RMB23.5 million increase reflects our expected new revenue based on the organic growth of some of the existing solutions as well as potential new projects that are under negotiation and those we may present to our customers in the future; and

- (c) the Company's expectation of the demand for our Retail Core Service Cloud Solutions from Wumei Group for the 2024, 2025 and 2026 financial years. The bases for the expected demand in 2024 are detailed in (b) above. The Company further expects an approximately 7.4% increase in the annual cap from 2024 to 2025, mainly reflecting the additional revenue to be generated from a moderate increase in Wumei Group's total GMV from 2024 to 2025. The Company further expects an approximately 8.1% increase in the annual cap from 2025 to 2026, representing a relatively stable continuation of the growth trend from 2025 to 2026. Hence, the overall CAGR of the annual caps for 2024 to 2026 is approximately 7.8%. The growth trend is less rapid than that during the Track Record Period because, between 2022 and 2024, the major new AIoT solutions purchased by the Wumei Group have become or will become progressively fully operational and the scope of the service modules will largely stabilized from 2024 onwards. Hence the expected growth trend for the next three years is relatively moderate based on relatively stable take rates and the customer's total GMV.

Our Directors consider that the proposed annual caps are fair and reasonable.

A2. WUMEI FRAMEWORK AGREEMENT

On October 10, 2024, Dmall (Shenzhen) Digital (for itself and on behalf of other members of our Group) entered into a framework agreement with Wumei Technology (for itself and on behalf of the other group members of Wumei Group) (the "**Wumei Framework Agreement**") to regulate the provision by Wumei Group of (i) property lease and (ii) lease of advertising space to our Group.

CONNECTED TRANSACTIONS

The initial term of the Wumei Framework Agreement will commence on the Listing Date and end on December 31, 2026 (both days inclusive). Separate underlying agreements will be entered into which will set out the precise scope of services, service fees calculation, method of payment and other details of the service arrangement in the manner provided in the Wumei Framework Agreement.

1. Lease of properties owned by Wumei Group by our Group

We have been leasing and will continue to lease various office space in buildings located in Beijing and Shenzhen owned by Wumei Group, as our offices. In return, we pay Wumei Group rent and property management fees. To avoid disruption to the continued operations of our Group, we expect to, upon expiry of existing leases, continue to rent the properties from Wumei Group. The lease terms of the existing leases and future leases to be entered hereunder are, and are expected to remain, variable terms (in that they have fixed initial terms with options for extension).

Reasons for the transactions

The buildings owned by Wumei Group in Beijing and Shenzhen are located in the prime business districts where many technology companies set up their headquarters and offices and are close to public transport. As such buildings have the desired features we required for our offices, we engaged in arm's length negotiations with Wumei Group and leased certain office space located in its buildings.

Pricing terms and policy

The annual rent is calculated as a fixed per-day-per-square-meter rate multiplied by the size of the rental property and the number of days in a year subject to the lease. The monthly management fee is calculated as a fixed per month per square meter rate multiplied by the size of the rental property.

Both the rates of the rent and the rates of the management fee were determined based on the parties' arm's length negotiations with reference to the actual rents, management fees and other utilities that apply to other tenants in the same building, and the prevailing market rentals and management fees of similar grade and sized properties in the same vicinity, charged by landlords that are independent third parties.

The pricing and other terms in a specific property lease agreement under the Wumei Framework Agreement will be determined based on arm's length negotiation, and we will only enter into such an agreement if (i) the terms and conditions are fair and reasonable and based on normal or no less favorable commercial terms as compared to those made available from landlords of comparable property in the vicinity who are independent third parties; and (ii) it is in the best interests of our Company and the Shareholders as a whole. Our business department will annually survey and review the prevailing market price and terms of similar property rentals to ensure our foregoing pricing policy can be effectively implemented.

Historical amounts, annual caps and basis of annual caps

In respect of the lease of property by our Group from Wumei Group relating to our continuing operations, the historical transaction amounts for the years ended December 31, 2021, 2022, 2023, and the six months ended June 30, 2024 were RMB14.3 million, RMB6.7 million, RMB2.2 million and RMB5.1 million, respectively. Such amounts consist of the one-off recognition of right-of-use assets in relation to the capitalization of the relevant leases under IFRS 16 during the respective periods as well

CONNECTED TRANSACTIONS

as the property management fees incurred in each period. The decrease from RMB14.3 million in 2021 to RMB6.7 million in 2022 was mainly driven by our cost control and efficiency enhancement measures, including reducing our office space upon the expiry of certain leases. The reason why the leases of properties owned by Wumei Group under the Wumei Framework Agreement are treated as a continuing connected transaction rather than one-off connected transactions is that such transactions are not an individual lease (which would have been recognized as one-off right-of-use assets) but are the “umbrella” transaction covering the existing and potential future individual leases during the term of the Wumei Framework Agreement between the relevant parties.

For the years ending December 31, 2024, 2025 and 2026, the relevant annual caps under this transaction are expected to be RMB7.2 million, RMB4.6 million and RMB7.8 million, respectively.

The annual caps were determined taking into account the following key factors:

- (a) the existing lease agreements we have with Wumei Group (including the expected expiry and renewal cycles which will affect when the right-of-use asset is recognized and hence the annual cap of that year) and the total size of the office space we expect to lease from Wumei Group;
- (b) our expected changes to the rent and management fee rates in the coming three years in line with inflation and property market conditions; and
- (c) due to the one-off recognition of right-of-use assets required under IFRS 16, which we expect will be applicable to our current and future leases from Wumei Group, the annual caps are materially higher than the actual lease payments we expect to pay to Wumei Group on an annual basis.

Our Directors consider that the proposed annual caps are fair and reasonable.

2. Lease of advertising space from Wumei Group by our Group

Pursuant to the Wumei Framework Agreements, we may lease advertising spaces (such as displays areas on walls, lift areas, shop venues and so on) in the physical stores of Wumei Group that Wumei Group manages and has the right to lease out. In return, we shall pay Wumei Group rent. The leased advertising spaces are primarily used by our Group in the provision of marketing and advertising cloud solutions to our customers. The term of each individual lease may vary substantially depending on the marketing project(s) the relevant advertising space is intended for.

Reasons for the transactions

The Wumei Group is one of the largest multi-brand retailers in China and operates a large number of stores with extensive geographical reach in China. The advertising spaces in Wumei Group’s stores can be viewed by a wide audience and are desirable advertising resources. As such, we have leased and will continue to lease advertising spaces from Wumei Group from time to time in order to serve the customers.

Pricing terms and policy

The rent may be calculated based on one or more of the following methods:

- (a) a fixed monthly or annual rent, usually applicable to leases that are longer than a month; or
- (b) a lump sum, usually applicable to short-term leases that are shorter than a month.

CONNECTED TRANSACTIONS

The rent of each individual lease shall be determined based on the parties' arm's length negotiations with reference to a range of factors including the rents charged by Wumei Group for other comparable advertising spaces in the same store or in the same vicinity, which are set out in the standard pricing sheets Wumei Group would issue from time to time that apply to all potential lessees of the advertising spaces in the same store, and the intended duration of the lease.

The rent and other terms in a specific lease agreement under the Wumei Framework Agreement will be determined based on arm's length negotiation, and we will only enter into such an agreement if (i) the terms and conditions are fair and reasonable and based on normal or no less favorable commercial terms as compared to those made available from lessors of comparable advertising spaces in the vicinity who are independent third parties; and (ii) it is in the best interests of our Company and the Shareholders as a whole. Our business department will annually survey and review the prevailing market price and terms of similar advertising spaces to ensure our foregoing pricing policy can be effectively implemented.

Historical amounts, annual caps and basis of annual caps

As we only started to lease advertising spaces from Wumei group in February 2023, the historical transaction amounts relating to our continuing operations for the years ended December 31, 2021, 2022, 2023, and the six months ended June 30, 2024 were nil, nil, RMB13.8 million and nil, respectively.

Such amounts consist of the one-off recognition of right-of-use assets in relation to the capitalization of the long-term leases under IFRS 16 during the respective periods, as well as the rents paid for the short-term leases (which were not capitalized) in each period.

For the years ending December 31, 2024, 2025 and 2026, the relevant annual caps under this transaction are expected to be RMB7.0 million, RMB15.0 million and RMB15.0 million, respectively.

The annual caps were determined taking into account the following key factors:

- (a) the existing lease agreements we have with Wumei Group (including the expected expiry and renewal cycles of the long-term leases which will affect when the right-of-use asset is recognized and hence the annual cap of that year);
- (b) our expected amount and format of advertising spaces we will require in the provision of marketing and advertising solutions to our customers in the next three years. For 2024, the annual cap of RMB7.0 million reflects the existing advertising space lease agreements we have entered into with Wumei Group which has been recognized as a right-of-use asset (and hence all amounts are recognized in 2023). For 2025 and 2026, the annual caps of RMB15.0 million reflect our expected additional needs of short term leases and new long term leases of Wumei's advertising space in 2025 and 2026;
- (c) our expected changes to the rent in the coming three years in line with inflation and market conditions; and
- (d) due to the one-off recognition of right-of-use assets required under IFRS 16, which we expect will be applicable to some of our longer term leases of advertising spaces from Wumei Group, the annual caps are materially higher than the actual lease payments we expect to pay to Wumei Group on an annual basis.

Our Directors consider that the proposed annual caps are fair and reasonable.

CONNECTED TRANSACTIONS

B1. MDL WHOLESALE RETAIL CORE SERVICE CLOUD FRAMEWORK AGREEMENT

On November 8, 2024, Dmall (Shenzhen) Digital (for itself and on behalf of other members of our Group) entered into a framework agreement with MDL Wholesale (for itself and on behalf of the other group members of MDL Wholesale Group) (the “**MDL Wholesale Retail Core Service Cloud Framework Agreement**”) to regulate the provision of Retail Core Service Cloud Solutions by our Group to MDL Wholesale Group.

The initial term of the MDL Wholesale Retail Core Service Cloud Framework Agreement will commence on the Listing Date and end on December 31, 2044 (both days inclusive). Separate underlying agreements will be entered into which will set out the precise scope of services, service fees calculation, method of payment and other details of the service arrangement in the manner provided in the MDL Wholesale Retail Core Service Cloud Framework Agreements.

1. Retail Core Service Cloud Solutions

Pursuant to the MDL Wholesale Retail Core Service Cloud Framework Agreement, we shall provide Retail Core Service Cloud Solutions to MDL Wholesale Group and, in return, they shall pay us service fees in accordance with the Retail Core Service Cloud Pricing Terms.

Pricing policy

We will follow the Retail Core Service Cloud Pricing Terms when providing Retail Core Service Cloud Solutions to MDL Wholesale Group. The pricing and other terms in a specific service agreement under the MDL Wholesale Retail Core Service Cloud Framework Agreement will be determined based on arm’s length negotiation, and we will only enter into such a specific service agreement if (i) the terms and conditions are fair and reasonable and based on normal or no less favorable commercial terms as compared to our provision of similar Retail Core Service Cloud Solutions to other customers who are independent third parties; and (ii) it is in the best interests of our Company and the Shareholders as a whole. Prior to any specific service agreement is entered into, our legal department will review the legal terms of the agreement and our finance department will review the pricing terms of the agreement, in order to ensure the terms of such agreement are consistent with and no less favorable to the Group than the terms on which we provide similar Retail Core Service Cloud Solutions to independent customers.

Historical amounts, annual caps and basis of annual caps

Please refer to the section “Connected Transactions — A1. Wumei Retail Core Service Cloud Framework Agreement — Historical amounts, annual caps and basis of annual caps” above. In this context, Wumei Group prior to the MDL Reorganization refers to Wumei Technology together with its subsidiaries, excluding Maidelong Entities, B&T Entities and Yinchuan Xinhua Group.

We set out below our historical transaction amounts with Wumei Group and Maidelong Entities prior to the MDL Reorganization for reference. For the years ended December 31, 2021, 2022, 2023, and the six months ended June 30, 2024, the aggregate amounts of fees relating to Retail Core Service Cloud Solutions paid by Wumei Group to us relating to our continuing operations were RMB203.0 million, RMB306.4 million RMB604.4 million and RMB475.3 million, respectively.

For the years ended December 31, 2021, 2022, 2023, and the six months ended June 30, 2024, the aggregate amounts of fees relating to Retail Core Service Cloud Solutions paid by Maidelong

CONNECTED TRANSACTIONS

Entities to us (or MDL Wholesale Group, after the MDL Reorganization) relating to our continuing operations were RMB75.5 million, RMB234.4 million, RMB244.2 million and RMB182.2 million, respectively.

Following the MDL Reorganization, given MDL Wholesale Group now only focuses on the food and fast-moving consumer goods distribution business and has disposed subsidiaries which engaged in the retail business to Wumei Group, the transactions covered under the MDL Wholesale Retail Core Service Cloud Framework Agreement represents the Retail Core Service Cloud Solutions we provide to MDL Wholesale Group only following the MDL Reorganization.

For the years ending December 31, 2024, 2025 and 2026, the relevant annual caps under this transaction are expected to be RMB92.0 million, RMB106.0 million and RMB106.0 million, respectively.

The annual caps were determined taking into account the following key factors:

- (a) the existing agreements (including the existing pricing terms therein) between our Group and Maidelong Entities (prior to MDL Reorganization). Following the MDL Reorganization, the annual cap for the year 2024 represents the Retail Core Service Cloud Solutions we provide to MDL Wholesale Group for their food and fast-moving consumer goods distribution business as they ceased engaging in the retail business following the MDL Reorganization. For the year ending December 31, 2024, revenue from take rates to be charged for using our Dmall OS system under the Retail Core Service Cloud Solutions is expected to be approximately RMB85.4 million; revenue from intelligent loss prevention solutions is expected to be approximately RMB4.3 million; revenue from intelligent delivery solutions is expected to be approximately RMB1.6 million; and revenue from other AIoT solutions are expected to be approximately RMB0.6 million, reflecting our expected new revenue based on the organic growth of some of the existing solutions as well as potential new projects that are under negotiation and those we may present to our customers in the future; and
- (b) the Company's expectation of the demand for our Retail Core Service Cloud Solutions from MDL Wholesale Group for the 2024, 2025 and 2026 financial years. The bases for the expected demand in 2024 are detailed in (a) above. The Company further expects an increase of approximately 15.2% in the annual cap from 2024 to 2025, factoring in a moderately expanded service scope and a moderate increase in MDL Wholesale Group's total GMV from 2024 to 2025. We expect the annual cap in 2026 should maintain at the same level as that in 2025. Hence, the overall CAGR of the annual caps for 2023 to 2025 is approximately 7.3%.

The growth trend is less rapid than that during the Track Record Period because, in 2022, the Dmall OS system deployed to the Maidelong Entities fully commenced operations and between 2022 and 2024, the major new AIoT solutions purchased have become or will become progressively fully operational, hence the scope and amount of the Retail Core Service Cloud Solutions subscribed by MDL Wholesale Group will largely stabilized from 2024 onwards especially as MDL Wholesale Group only focuses on the food and fast-moving consumer goods distribution business following the MDL Reorganization.

Our Directors consider that the proposed annual caps are fair and reasonable.

CONNECTED TRANSACTIONS

B2. MDL WHOLESALE FRAMEWORK AGREEMENT

On October 30, 2024, Dmall (Shenzhen) Digital (for itself and on behalf of other members of our Group) entered into a framework agreement with MDL Wholesale (for itself and on behalf of the other group members of MDL Wholesale Group) (the “**MDL Wholesale Framework Agreement**”) to regulate the provision of property lease by MDL Wholesale Group to our Group.

The initial term of the MDL Wholesale Framework Agreement will commence on the Listing Date and end on December 31, 2026 (both days inclusive). Separate underlying agreements will be entered into which will set out the precise scope of services, service fees calculation, method of payment and other details of the service arrangement in the manner provided in the MDL Wholesale Framework Agreement.

1. Lease of properties owned by MDL Wholesale Group by our Group

We have been leasing and will continue to lease office space in the building located at No. 1425, Zhenbei Road, Putuo District, Shanghai, the PRC, which is owned by MDL Commercial Group Co., Ltd. (麥德龍商業集團有限公司), a subsidiary of MDL Wholesale Group, as our offices. In return, we pay MDL Wholesale Group rent and property service fees. To avoid disruption to the continued operations of our Group, we expect to, upon expiry of existing leases, continue to rent the properties from MDL Wholesale Group. The lease terms of the existing leases and future leases to be entered hereunder are, and are expected to remain, variable terms (in that they have fixed initial terms but allow options for extension).

Reasons for the transactions

The building subject to this transaction is located in one of the prime business districts in Shanghai and close to public transport. As such building has the desired features we required for our offices, we engaged in arm’s length negotiations with MDL Wholesale Group and leased certain office space located in such building.

Pricing terms and policy

The rent is calculated as a fixed per-day-per-square-meter rate multiplied by the size of the rental property and the number of days of the lease. The monthly property service fee is calculated as a fixed monthly rate for each type of service subscribed for by our Group (such as property management fees, internet connection fees and so forth).

Both the rates of the rent and the rates of the property service fee were determined based on the parties’ arm’s length negotiations with reference to the actual rents, property service fees and other utilities that apply to other tenants in the same building, and the prevailing market rentals and property service fees of similar grade and sized properties in the same vicinity, charged by landlords that are independent third parties.

The pricing and other terms in a specific property lease agreement under the MDL Wholesale Framework Agreement will be determined based on arm’s length negotiation, and we will only enter into such an agreement if (i) the terms and conditions are fair and reasonable and based on normal or no less favorable commercial terms as compared to those made available from landlords of comparable property in the vicinity who are independent third parties; and (ii) it is in the best interests of our

CONNECTED TRANSACTIONS

Company and the Shareholders as a whole. Our business department will annually survey and review the prevailing market price and terms of similar property rentals to ensure our foregoing pricing policy can be effectively implemented.

Historical amounts, annual caps and basis of annual caps

In respect of the lease of property by our Group from MDL Wholesale Group relating to our continuing operations, the historical transaction amounts for the years ended December 31, 2021, 2022, 2023, and the six months ended June 30, 2024, were RMB0.1 million, RMB1.4 million, RMB0.4 million and less than RMB0.1 million, respectively. Such amounts consist of the one-off recognition of right-of-use assets in relation to the capitalization of the relevant leases under IFRS 16 during the respective periods as well as the property service fees incurred in each period. The reason why the lease of properties owned by MDL Wholesale Group by our Group under the MDL Wholesale Framework Agreement are treated as a continuing connected transaction rather than one-off connected transactions is that such transactions are not an individual lease (which would have been recognized as one-off right-of-use assets) but are the “umbrella” transaction covering the existing and potential future leases during the term of the MDL Wholesale Group Framework Agreement between the relevant parties.

For the years ending December 31, 2024, 2025 and 2026, the relevant annual caps under this transaction are expected to be RMB0.1 million, RMB0.1 million and RMB0.5 million, respectively.

The annual caps were determined taking into account the following key factors:

- (a) the existing lease agreements we have with MDL Wholesale Group (prior to the MDL Reorganization) (including the expiry and renewal cycles which will affect when the right-of-use asset is recognized and hence the annual cap of that year) and the total size of the office space we expect to lease from them;
- (b) our expected changes to the rent and property service fee rates in the coming three years in line with inflation and property market conditions; and
- (c) due to the one-off recognition of right-of-use assets required under IFRS 16, which we expect will be applicable to our current and future leases from MDL Wholesale Group, the annual caps are materially higher than the actual lease payments we expect to pay to MDL Wholesale Group on an annual basis.

C. B&T FRAMEWORK AGREEMENT

On October 10, 2024, Dmall (Shenzhen) Digital (for itself and on behalf of other members of our Group) entered into a framework agreement (the “**B&T Framework Agreement**”) with Shanghai B&T (for itself and on behalf of the other B&T Entities) to regulate the provision of Retail Core Service Cloud Solutions by our Group to B&T Entities.

The initial term of the B&T Framework Agreement will commence on the Listing Date and end on December 31, 2026 (both days inclusive). Separate underlying agreements will be entered into which will set out the precise scope of services, service fees calculation, method of payment and other details of the service arrangement in the manner provided in the B&T Framework Agreement.

CONNECTED TRANSACTIONS

1. Retail Core Service Cloud Solutions

Pursuant to the B&T Framework Agreement, we shall provide Retail Core Service Cloud Solutions to B&T Entities and, in return, B&T Entities shall pay us service fees in accordance with the Retail Core Service Cloud Pricing Terms.

Pricing policy

We will follow the Retail Core Service Cloud Pricing Terms when providing Retail Core Service Cloud Solutions to B&T Entities. The pricing and other terms in a specific service agreement under the B&T Framework Agreement will be determined based on arm's length negotiation, and we will only enter into such a specific service agreement if (i) the terms and conditions are fair and reasonable and based on normal or no less favorable commercial terms as compared to our provision of similar Retail Core Service Cloud Solutions to other customers who are independent third parties; and (ii) it is in the best interests of our Company and the Shareholders as a whole. Prior to any specific service agreement is entered into, our legal department will review the legal terms of the agreement and our finance department will review the pricing terms of the agreement, in order to ensure the terms of such agreement are consistent with and no less favorable to the Group than the terms on which we provide similar Retail Core Service Cloud Solutions to independent customers.

Historical amounts, annual caps and basis of annual caps

As we only commenced the provision of Retail Core Service Cloud Solutions to B&T Entities in October 2022, no fees were paid by B&T Entities to us for the years ended December 31, 2021 and 2022, and the total fees paid by B&T Entities to us in the year ended December 31, 2023 and the six months ended June 30, 2024 were RMB3.7 million and RMB6.0 million, respectively.

For the years ending December 31, 2024, 2025 and 2026, the relevant annual caps under this transaction are expected to be RMB10.0 million, RMB11.5 million and RMB12.8 million, respectively.

The annual caps were determined taking into account the following key factors:

- (a) the aforesaid historical transaction amounts;
- (b) the existing agreements (including the existing pricing terms therein) between our Group and B&T Entities; and
- (c) the Company's expectation of the demand for our Retail Core Service Cloud Solutions from B&T Entities for the 2024 financial year, and an expected moderate growth trend of such demand for the 2025 and 2026 financial years, which are reflected as a CAGR of approximately 13.1% in the annual caps for the next three years. The expected growth is mainly driven by the expected increase in the provision of our intelligent cleaning solutions to B&T Entities.

Our Directors consider that the proposed annual caps are fair and reasonable.

D. DMALL ZHILIAN FRAMEWORK AGREEMENT

As part of its ordinary business, Dmall Zhilian develops and provides smart retail AIoT hardware, software and AI solutions (including but not limited to store security systems, intelligent loss

CONNECTED TRANSACTIONS

prevention systems, intelligent merchandise replenishment solutions, intelligent package sorting solutions, intelligent cashier solutions and so forth) as well as related design, installation and maintenance services (together, “**Zhilian AIoT Solutions**”). On November 8, 2024, Dmall Life Network (for itself and on behalf of other members of our Group) entered into a framework agreement (the “**Dmall Zhilian Framework Agreement**”) with Dmall Zhilian (for itself and on behalf of its subsidiary(ies) from time to time) to regulate the provision of Zhilian AIoT Solutions by Dmall Zhilian to our Group.

The initial term of the Dmall Zhilian Framework Agreement will commence on the Listing Date and end on December 31, 2026 (both days inclusive). Separate underlying agreements will be entered into which will set out the precise scope of services, service fees calculation, method of payment and other details of the service arrangement in the manner provided in the Dmall Zhilian Framework Agreement.

Reasons for the transactions

The Company uses Dmall Zhilian, its subsidiary, to carry out procurement and sales activities in connection with the Group’s AIoT business. As such, it is part of the Group’s ordinary business for it to procure Zhilian AIoT Solutions as an intra-group transaction.

Pricing terms and policy

For the Zhilian AIoT Solutions, Dmall Zhilian charges us fees using one or a combination of the following methods:

- (a) for purchases of AIoT hardware, the price is determined on a cost-plus basis and subject to arm’s length negotiation between the parties taking into account various factors including the purchase volume and hardware type/model in the orders.
- (b) for purchases of AIoT softwares and solutions, the primary pricing methods are (a) pricing based on cost-plus basis, subject to arm’s length negotiation between the parties taking into account various factors including the purchase volume and software type/model in the orders and (b) a certain percentage of the revenue of the Group received from providing such AIoT solutions to the Group’s external customers, which shall be determined based on arm’s length negotiation between the parties taking into account various factors including the relative contribution of Dmall Zhilian (and its subsidiaries), on the one hand, and the other members of the Group, on the other hand, to the development of external customer base and the provision of such solutions to the customers, in terms of the costs and resources expended on developing the relevant hardwares and softwares, ongoing operations and marketing efforts.
- (c) for design and installation services for AIoT hardware, the price is typically quoted as a fixed fee, which is determined based on a cost-plus basis taking into account various factors including the estimated number of work hours required and the workers’ rates, the costs of the materials to be used, costs of project management, logistics, quality controls and other related expenses.
- (d) for maintenance and technical support services in relation to AIoT solutions (if such service is not included in the original warranty), the price is determined through arm’s length negotiation between the parties taking into account various factors including the scope, modules and duration of the AIoT solutions to which such service relates.

CONNECTED TRANSACTIONS

The pricing terms and other terms for the provisions of Zhilian AIoT Solutions between our Group and Dmall Zhilian are determined through arm's length negotiation. We will only enter into a specific service agreement under the Dmall Zhilian Framework Agreement if (i) the terms and conditions are fair and reasonable and based on normal or no less favorable commercial terms as compared to the prevailing market price and terms for comparable products and services (available from vendors who are independent third parties); and (ii) it is in the best interests of our Company and the Shareholders as a whole. Our business department will annually survey and review the prevailing market price and terms of similar products and services to ensure our foregoing pricing policy can be effectively implemented.

Historical amounts, annual caps and basis of annual caps

For the years ended December 31, 2021, 2022, 2023, and the six months ended June 30, 2024, the aggregate amounts relating to Zhilian AIoT Solutions paid by us to Dmall Zhilian (and its subsidiary) relating to our continuing operations were RMB4.7 million, RMB3.0 million, RMB266.0 million and RMB159.9 million, respectively.

For the years ending December 31, 2024, 2025 and 2026, the relevant annual caps under this transaction are expected to be RMB429.3 million, RMB450.8 million and RMB473.3 million, respectively.

The annual caps were determined taking into account the following key factors:

- (a) the existing agreements between our Group and Dmall Zhilian (and its subsidiaries). The reason for the significant increase in 2023 as compared with 2022 was that our Group increased the scope of the AIoT solutions purchased from Dmall Zhilian in early 2023, to include solutions such as intelligent merchandise replenishment solutions, intelligent package sorting solutions and intelligent cashier solutions etc., which the Group provides to external customers. The service fees payable by the Group to Dmall Zhilian are calculated as a percentage of the revenue of the Group received from providing such AIoT solutions to the Group's external customers.
- (b) The annual cap for the year 2024 shows an increase of RMB163.3 million from the historical transaction amount in 2023. The increase mainly reflects the increased scope of AIoT solutions our Group purchased from Dmall Zhilian and that the service fees shall be calculated as a percentage of the Group's revenue from providing those AIoT solutions to external customers, as detailed in (a) above. More precisely, based on the Group's additional revenue from external customers expected to be generated from existing business contracts for such new AIoT solutions, the expected additional fees to be paid to Dmall Zhilian in 2024 shall amount to approximately RMB63.0 million. The remaining approximately RMB100.3 million out of the RMB163.3 million increase reflects the expected additional fees to be paid to Dmall Zhilian based on our potential new AIoT solutions projects with external customers that are under negotiation and those we may present to our customers in the future.
- (c) As Company's AIoT solutions subscribed for by existing customers progressively becoming fully online and operational, and as Company will further increase the scope of its AIoT solutions offerings, the Company expects the Group's revenue from providing AIoT solutions to external customers to grow consistently over the next three years, the service fees to be paid to Dmall Zhilian are expected to increase correspondingly, reflected as a CAGR of 5.0% over the next three years.

CONNECTED TRANSACTIONS

For the avoidance of doubt, since Dmall Zhilian is a subsidiary of the Group, transaction between Dmall Zhilian (and its subsidiaries) with the other members of the Group are intra-group transactions of the Group, and therefore the transaction amounts under the Dmall Zhilian Framework Agreement are not costs or expenses of the Group in the Group's consolidated financial statements.

Our Directors consider that the proposed annual caps are fair and reasonable.

E. YINCHUAN XINHUA FRAMEWORK AGREEMENT

On October 30, 2024, Dmall Life Wuhan (for itself and on behalf of other members of our Group) entered into a framework agreement (the “**Yinchuan Xinhua Framework Agreement**”) with Yinchuan Xinhua (for itself and on behalf of the other group members of Yinchuan Xinhua Group) to regulate the provision of Retail Core Service Cloud Solutions by our Group to Yinchuan Xinhua Group.

The initial term of the Yinchuan Xinhua Framework Agreement will commence on the Listing Date and end on December 31, 2026 (both days inclusive). Separate underlying agreements will be entered into which will set out the precise scope of services, service fees calculation, method of payment and other details of the service arrangement in the manner provided in the Yinchuan Xinhua Framework Agreement.

1. Retail Core Service Cloud Solutions

Pursuant to the Yinchuan Xinhua Framework Agreement, we shall provide Retail Core Service Cloud Solutions to Yinchuan Xinhua Group and, in return, the Yinchuan Xinhua Group shall pay us service fees in accordance with the Retail Core Service Cloud Pricing Terms.

Pricing policy

We will follow the Retail Core Service Cloud Pricing Terms when providing Retail Core Service Cloud Solutions to Yinchuan Xinhua Group. The pricing and other terms in a specific service agreement under the Yinchuan Xinhua Framework Agreement will be determined based on arm's length negotiation, and we will only enter into such a specific service agreement if (i) the terms and conditions are fair and reasonable and based on normal or no less favorable commercial terms as compared to our provision of similar Retail Core Service Cloud Solutions to other customers who are independent third parties; and (ii) it is in the best interests of our Company and the Shareholders as a whole. Prior to any specific service agreement is entered into, our legal department will review the legal terms of the agreement and our finance department will review the pricing terms of the agreement, in order to ensure the terms of such agreement are consistent with and no less favorable to the Group than the terms on which we provide similar Retail Core Service Cloud Solutions to independent customers.

Historical amounts, annual caps and basis of annual caps

For the years ended December 31, 2021, 2022, 2023, and the six months ended June 30, 2024, the aggregate amounts of fees relating to Retail Core Service Cloud Solutions paid by Yinchuan Xinhua Group to us relating to our continuing operations were RMB24.8 million, RMB23.9 million, RMB53.9 million and RMB32.5 million, respectively.

CONNECTED TRANSACTIONS

For the years ending December 31, 2024, 2025 and 2026, the relevant annual caps under this transaction are expected to be RMB82.0 million, RMB93.5 million and RMB104.1 million, respectively.

The annual caps were determined taking into account the following key factors:

- (a) the aforesaid historical transaction amounts and the trend observed thereof. It is noted that the transaction amount relating to Retail Core Service Cloud Solutions paid by Yinchuan Xinhua Group to us decreased 3.6% from 2021 to 2022 and grew 125.5% from 2022 to 2023. The large increase in the transaction amount from 2022 to 2023 was mainly due to Yinchuan Xinhua Group purchasing additional AIoT solutions from our Group, such as intelligent loss prevention solutions and intelligent delivery solutions;
- (b) the existing agreements (including the existing pricing terms therein) between our Group and Yinchuan Xinhua Group; and
- (c) the Company's expectation of the demand for our Retail Core Service Cloud Solutions from Yinchuan Xinhua Group, which is expected to experience moderate growth for the 2024, 2025 and 2026 financial years and reflected as a CAGR of approximately 12.7% in the annual caps for the next three years, mainly driven by the increasing purchase of our AIoT solutions by Yinchuan Xinhua Group and such AIoT solutions progressively going online and operational.

F1. DMALL FRESH RETAIL CORE SERVICE CLOUD FRAMEWORK AGREEMENT

On November 8, 2024, Dmall Life Network (for itself and on behalf of other members of our Group) entered into a framework agreement (the “**Dmall Fresh Retail Core Service Cloud Framework Agreement**”) with Dmall Fresh (Beijing) (for itself and on behalf of its subsidiaries from time to time) to regulate the provision of Retail Core Service Cloud Solutions by our Group to Dmall Fresh Group.

The initial term of the Dmall Fresh Retail Core Service Cloud Framework Agreement will commence on the Listing Date and end on December 31, 2026 (both days inclusive). Separate underlying agreements will be entered into which will set out the precise scope of services, service fees calculation, method of payment and other details of the service arrangement in the manner provided in the Dmall Fresh Retail Core Service Cloud Framework Agreement. The Retail Core Service Cloud Solutions required by Dmall Fresh Group are mainly to support the Dmall app it operates.

1. Retail Core Service Cloud Solutions

Pursuant to the Dmall Fresh Retail Core Service Cloud Framework Agreement, we shall provide Retail Core Service Cloud Solutions to Dmall Fresh Group and, in return, Dmall Fresh Group shall pay us service fees in accordance with the Retail Core Service Cloud Pricing Terms.

Pricing policy

We will follow the Retail Core Service Cloud Pricing Terms when providing Retail Core Service Cloud Solutions to Dmall Fresh Group. The pricing and other terms in a specific service agreement under the Dmall Fresh Retail Core Service Cloud Framework Agreement will be determined based on arm's length negotiation, and we will only enter into such a specific service agreement if (i) the terms and conditions are fair and reasonable and based on normal or no less

CONNECTED TRANSACTIONS

favorable commercial terms as compared to our provision of similar Retail Core Service Cloud Solutions to other customers who are independent third parties; and (ii) it is in the best interests of our Company and the Shareholders as a whole. Prior to any specific service agreement is entered into, our legal department will review the legal terms of the agreement and our finance department will review the pricing terms of the agreement, in order to ensure the terms of such agreement are consistent with and no less favorable to the Group than the terms on which we provide similar Retail Core Service Cloud Solutions to independent customers.

Historical amounts, annual caps and basis of annual caps

We entered into agreement(s) to provide Retail Core Service Cloud Solutions to the Dmall Fresh Group (mainly to support the Dmall app it operates) in January 2024. Prior to the completion of the Restructuring on April 24, 2024, Dmall Fresh (Beijing) was a consolidated affiliated entity of the Company. The historical transaction amount for this transaction relating to our continuing operations for each of the years ended December 31, 2021, 2022, 2023, and the six months ended June 30, 2024 is nil.

For the years ending December 31, 2024, 2025 and 2026, the relevant annual caps under this transaction are expected to be RMB20.0 million, RMB20.0 million and RMB20.0 million.

The annual caps were determined taking into account the following key factors:

- (a) Company's current expectation that the Retail Core Service Cloud Solutions required by Dmall Fresh Group for the 2024, 2025 and 2026 financial years are mainly to support the Dmall app it operates. Prior to the Restructuring, the Group developed, upgraded and maintained the Dmall app in-house, and therefore had a good understanding of the app, including the frequency and amount of work typically required to maintain it and the potential areas requiring upgrading in the next three years. For example, in the year ended December 31, 2022, the Group expended approximately 8,632 work days, or approximately RMB30.2 million research & development expenses, on the research and development, upgrading and maintenance of the Dmall app; in the year ended December 31, 2023, the Group expended approximately 10,045 work days, or approximately RMB35.2 million research & development expenses, on the same; and during the month of January, 2024, the Group expended approximately 599 work days, or approximately RMB2.1 million research & development expenses, on the same.

The Company therefore estimated the service scope, service volume, and the estimated work days and the applicable fee rates for the types and seniority of the workers involved, based on its historical experience of maintaining and upgrading the Dmall app prior to Restructuring, and on such basis determined the annual caps for this transaction. The Company further expects the demand for our Retail Core Service Cloud Solutions from Dmall Fresh Group over the next three years to be relatively stable, which is reflected as the same annual cap amount for each of 2024, 2025 and 2026.

F2. TRADEMARK LICENSING AGREEMENT

On April 1, 2024, Dmall Life Digital entered into a trademark licensing agreement with Dmall Fresh (Beijing) (the "**Trademark Licensing Agreement**") pursuant to which Dmall Life Digital granted a non-transferable license to Dmall Fresh (Beijing) for the use of a number of trademarks

CONNECTED TRANSACTIONS

relating to our *Dmall* brand for an indefinite term. The permitted uses of each trademark are limited to those products or services specified for each single trademark in the Trademark Licensing Agreement, and must be for carrying out Dmall Fresh (Beijing)'s ordinary business of providing O2O e-commerce platform services within Mainland China; the main products or services for which the trademarks may be used include: advertising and promotional services, electronic product labels, softwares and applications, goods delivery and storage, product packaging etc. Since such permitted uses are limited to carrying out Dmall Fresh (Beijing)'s ordinary business of providing O2O e-commerce platform services only, and our Group no longer operates any O2O e-commerce business to any material extent, such permitted uses by Dmall Fresh (Beijing) are clearly delineated from our Group's uses of the same trademarks.

In consideration of the grant of the trademark licenses, Dmall Fresh (Beijing) had paid to our Group a one-off license fee of RMB3,816,000, which had been fully settled prior to the Latest Practicable Date. Other than the said one-off payment, we have no historical transaction amount for this transaction as we had not previously entered into any trademark licensing agreement with Dmall Fresh (Beijing).

The license fee was determined based on the valuation of the trademarks subject to the Trademark Licensing Agreement provided in the valuation report issued by Shanghai PG Advisory Co., Ltd. (“PGA”), an independent professional valuer, plus applicable taxes. PGA is a professional firm which provides due diligence, transaction advisory, financial and tax consulting, valuation and capital market services and other value-added financial services in the China. In addition, considering Dmall Fresh (Beijing) operates the Dmall app with millions of active users, the Group would gain further exposure and promotional benefits by having logos relating to our *Dmall* brand displayed or used in connection with the Dmall app.

Accordingly, our Directors consider the Trademark Licensing Agreement is entered into in the ordinary and usual course of business of our Group and its terms are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

F3. DMALL FRESH MARKETING RESOURCE FRAMEWORK AGREEMENT

On November 8, 2024, Dmall Life Digital (for itself and on behalf of other members of our Group) entered into a framework agreement (the “**Dmall Fresh Marketing Resource Framework Agreement**”) with Dmall Fresh (Beijing) (for itself and on behalf of its subsidiaries from time to time) to regulate the provision of marketing resource by Dmall Fresh Group to our Group (including provision of marketing resources and coupons issued by Dmall Fresh Group and other third parties) (“**marketing resources**”).

The initial term of the Dmall Fresh Retail Marketing Resource Framework Agreement will commence on the Listing Date and end on December 31, 2026 (both days inclusive). Separate underlying agreements will be entered into which will set out the precise scope of services, service fees calculation, method of payment and other details of the service arrangement in the manner provided in the Dmall Fresh Marketing Resource Framework Agreement.

Pursuant to the Dmall Fresh Marketing Resource Framework Agreement, Dmall Fresh Group shall provide marketing resources to us and, in return, we shall pay Dmall Fresh Group service fees in accordance with the pricing terms set out below.

CONNECTED TRANSACTIONS

Reasons for the transactions

Dmall Fresh Group has business relationship with a large number of high calibre brand operators, payment channel operators and other businesses and enterprises. In the ordinary course of Dmall Fresh Group's business, it conducts marketing by issuing coupons which can be used as cash by its consumers for direct consumption of products listed on the Dmall app, which are either under Dmall Fresh Group's expenses or reimbursed by the brand operators, payment channel operators and other enterprises eventually. In order to serve our retailer customers who require us to gather marketing resources for them, we purchase marketing resources and coupons issued by Dmall Fresh Group and other third parties at a pricing term more particularly set out below based on arm's length negotiation. In addition, we sometimes give these coupons issued by Dmall Fresh Group to our customers for marketing or promotion purpose. If these coupons are ultimately used by our customers in the platform operated by Dmall Fresh Group, we will pay Dmall Fresh Group the face value of these coupon actually used.

Pricing terms and policy

Dmall Fresh Group charges us fees using one or a combination of the following methods:

- (a) for provision of marketing services required by our customers, the price is determined typically based on a certain percentage of the marketing resources procured by Dmall Fresh Group which are used by our customers, which in turn shall be determined based on arm's length negotiation between the parties taking into account various factors including the our ability in providing the required marketing resources required by our customers, the extent to which we need to procure the marketing resources from Dmall Fresh Group and the fee rate we are willing to give to procure such marketing resources from Dmall Fresh Group.
- (b) for coupons issued by Dmall Fresh Group under our requirement, the price is determined subject to arm's length negotiation between the parties taking into account various factors including the face value of the relevant coupons and the cost to Dmall Fresh Group issuing such coupons.

The pricing terms and other terms for the provisions of marketing resources by Dmall Fresh Group to our Group are determined through arm's length negotiation. We will only enter into a specific service agreement under the Dmall Fresh Marketing Resource Framework Agreement if (i) the terms and conditions are fair and reasonable and based on normal or no less favorable commercial terms as compared to the prevailing market price and terms for comparable products and services (available from vendors who are independent third parties); and (ii) it is in the best interests of our Company and the Shareholders as a whole. Our business department will annually survey and review the prevailing market price and terms of similar products and services to ensure our foregoing pricing policy can be effectively implemented.

Historical amounts, annual caps and basis of annual caps

Prior to the completion of the Restructuring on April 24, 2024, Dmall Fresh (Beijing) was a consolidated affiliated entity of the Company. For the years ended December 31, 2021, 2022, 2023, and the six months ended June 30, 2024, the amount we paid to Dmall Fresh Group for marketing services were nil, nil, nil, and RMB0.1 million.

CONNECTED TRANSACTIONS

For the years ending December 31, 2024, 2025 and 2026, the relevant annual caps under this transaction are expected to be RMB3 million, RMB3 million and RMB1 million.

The annual caps were determined taking into account the following key factors:

- (a) Demand from our customers in procuring marketing resources from brand operators, payment channel operators and other businesses and enterprises for them. We currently expect to procure marketing resources in the amount of approximately RMB50 million for each of the two years ending December 31, 2024 and December 31, 2025 and the fee rate we are willing to give depends on the types of marketing resources provided by Dmall Fresh Group and the duration for which the marketing resources are provided.
- (b) The size of our marketing or promotion activities and the extent to which we use coupons issued by Dmall Fresh Group in our marketing or promotion activities as projected by our business department. We started using coupons issued by Dmall Fresh Group in our marketing and promotion activities in July 2024. We currently expect purchasing coupons of RMB1 million for the year ending December 31, 2024 and we expect our purchase should remain stable year-on-year.

Our Directors consider that the proposed annual caps are fair and reasonable.

LISTING RULES IMPLICATIONS

Transaction	Listing Rules implications
A1. Wumei Retail Core Service Cloud Framework Agreement	
1. Provision of Retail Core Service Cloud Solutions by our Group to Wumei Group	<p>As (i) MDL Wholesale Group, Yinchuan Xinhua Group and B&T Entities are subsidiaries of Wumei Technology and (ii) the Retail Core Service Cloud Solutions provided by us to Wumei Group under the Wumei Retail Core Service Cloud Transactions (i.e. transaction A1.1.) are substantially the same in nature as the Retail Core Service Cloud Solutions provided by us to MDL Wholesale Group under the MDL Wholesale Retail Core Service Cloud Framework Agreement (i.e. transaction B1.1.), to Yinchuan Xinhua Group under the Yinchuan Xinhua Framework Agreement (i.e. transaction E.1.) and to B&T Entities under the B&T Framework Agreement (i.e. transaction C.1.), the said transactions may be required to be aggregated pursuant to Rule 14A.83 of the Listing Rules.</p> <p>Since the highest of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules, if such aggregation applies, is expected to exceed 5%, the provision of Retail Core Service Cloud Solutions by our Group to Wumei Group as contemplated under the Wumei Retail Core Service Cloud Transactions, in aggregation with the provision of Retail Core Service Cloud Solutions by our Group to MDL Wholesale Group as contemplated under the MDL Wholesale Retail Core Service Cloud Framework Agreement, to Yinchuan Xinhua Group as contemplated under the Yinchuan Xinhua Framework Agreement, and to B&T Entities under the B&T Framework Agreement will, upon Listing, constitute non-exempt continuing connected transactions of the Company subject to the annual reporting</p>

CONNECTED TRANSACTIONS

Transaction	Listing Rules implications
	requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.
A2. Wumei Framework Agreement	
1. Lease of properties owned by Wumei Group by our Group	<p>As (i) MDL Wholesale Group are subsidiaries of Wumei Technology and (ii) the lease of properties by us from Wumei Group under the Wumei Framework Agreement (i.e. transaction A2.1.) are the same in nature as the lease of properties by us from MDL Wholesale Group under the MDL Wholesale Framework Agreement (i.e. transaction B2.1.), the said transactions may be required to be aggregated pursuant to Rule 14A.83 of the Listing Rules.</p> <p>Since the highest of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules, if such aggregation applies, is expected to be 0.1% or more but less than 5%, pursuant to Rule 14A.76(2) of the Listing Rules, the transactions in connection with the lease of properties by us contemplated under the Wumei Framework Agreement in aggregation with the lease of properties by us contemplated under the MDL Wholesale Framework Agreement will be exempt from the circular (including the opinion and recommendation from an independent financial advisor) and the independent shareholders' approval requirements upon Listing, but are subject to the announcement requirements under Rule 14A.35 of the Listing Rules and the annual reporting requirements under Rules 14A.49, 14A.71 and 14A.72 of the Listing Rules.</p>
2. Lease of advertising space from Wumei Group by our Group	<p>Since the highest of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be 0.1% or more but less than 5%, pursuant to Rule 14A.76(2) of the Listing Rules, the lease of advertising space from Wumei Group by our Group as contemplated under the Wumei Framework Agreement will be exempt from the circular (including the opinion and recommendation from an independent financial advisor) and the independent shareholders' approval requirements, but are subject to the announcement requirements under Rule 14A.35 of the Listing Rules and the annual reporting requirements under Rules 14A.49, 14A.71 and 14A.72 of the Listing Rules.</p>
B1. MDL Wholesale Retail Core Service Cloud Framework Agreement	
1. Provision of Retail Core Service Cloud Solutions by our Group to MDL Wholesale Group	See analysis in relation to transaction A1.1. above.
B2. MDL Wholesale Framework Agreement	
1. Lease of properties owned by MDL Wholesale Group by our Group	See analysis in relation to transaction A2.1. above.
C. B&T Framework Agreement	
1. Provision of Retail Core Service by our Group to B&T Entities	See analysis in relation to transaction A1.1. above.

CONNECTED TRANSACTIONS

Transaction	Listing Rules implications
D. Dmall Zhilian Framework Agreement	
1. Provision of Zhilian AIoT Solutions by Dmall Zhilian to our Group	Since the highest of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules is expected to exceed 5%, the transactions contemplated under the Dmall Zhilian Framework Agreement will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.
E. Yinchuan Xinhua Framework Agreement	
1. Provision of Retail Core Service Cloud Solutions by our Group to Yinchuan Xinhua Group	See analysis in relation to transaction A1.1. above.
F1. Dmall Fresh Retail Core Service Cloud Framework Agreement	
1. Provision of Retail Core Service Cloud Solutions by our Group to Dmall Fresh Group	Since the highest of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be 0.1% or more but less than 5%, pursuant to Rule 14A.76(2) of the Listing Rules, the provision of Retail Core Service Cloud Solutions by our Group to Dmall Fresh Group as contemplated under the Dmall Fresh Retail Core Service Cloud Framework Agreement will be exempt from the circular (including the opinion and recommendation from an independent financial advisor) and the independent shareholders' approval requirements, but are subject to the announcement requirements under Rule 14A.35 of the Listing Rules and the annual reporting requirements under Rules 14A.49, 14A.71 and 14A.72 of the Listing Rules.
F2. Trademark Licensing Agreement	
1. Trademark Licensing by our Group to Dmall Fresh (Beijing)	As all applicable percentage ratios under the Listing Rules in respect of the transactions contemplated under the Trademark Licensing Agreement are expected to be, on an annual basis, less than 0.1% and the transactions are on normal commercial terms or better, these transactions will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules
F3. Dmall Fresh Marketing Resource Framework Agreement	
1. Provision of marketing resources by Dmall Fresh Group to us	Since the highest of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be 0.1% or more but less than 5%, pursuant to Rule 14A.76(2) of the Listing Rules, the provision of marketing resources by Dmall Fresh Group to us as contemplated under the Dmall Fresh Marketing Resource Framework Agreement will be exempt from the circular (including the opinion and recommendation from an independent financial advisor) and the independent shareholders' approval requirements, but are subject to the announcement requirements under Rule 14A.35 of the Listing Rules and the annual reporting requirements under Rules 14A.49, 14A.71 and 14A.72 of the Listing Rules.

CONNECTED TRANSACTIONS

The annual caps set out and discussed in this section headed “Connected Transactions” are produced for the purposes of managing our connected transactions and compliance with Chapter 14A of the Listing Rules; they do not in any way represent, indicate or imply any forecast or projection of our revenue, profitability, financial position or financial performance in the future. Shareholders and investors shall not place any reliance on the above annual caps in assessing the financial position or financial performance of our Group, whether historical or future. Instead, to assess the financial position and financial performance of our Group, Shareholders and investors shall consider carefully all relevant business and financial information contained in this document, in particular, the information in “Business”, “Financial Information” and “Risk Factors” sections of this documents and the accountants’ report and unaudited pro forma financial information in Appendix I and Appendix II to this document.

WAIVERS

1. Partially-exempt and non-exempt continuing connected transactions

In respect of the partially-exempt continuing connected transactions described above, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement requirements under the Listing Rules pursuant to Rule 14A.105 of the Listing Rules.

In respect of the non-exempt continuing connected transactions described above, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement, circular and independent shareholders’ approval requirements under the Listing Rules pursuant to Rule 14A.105 of the Listing Rules.

RULE 14A.52 CONSIDERATIONS

Pursuant to Rule 14A.52 of the Listing Rules, the terms of an agreement for a continuing connected transaction must not exceed three years, except in special circumstances where the nature of the transaction requires a longer period. The transactions contemplated under (a) the Wumei Retail Core Service Cloud Framework Agreement, (b) the MDL Wholesale Retail Core Service Cloud Framework Agreement, and (c) the Trademark Licensing Agreement are by nature require terms longer than three years for the reasons set out below.

1. Provision of Retail Core Service Cloud Solutions

(a) The nature of transactions requires long-term cooperation

As our Retail Core Service Cloud Solutions are deeply embedded into our customers’ technology infrastructure and day-to-day operations, it is natural and common for our customers (including independent third party customers) to enter into a long-term cooperation with us in respect of Retail Core Service Cloud Solutions to ensure the stability of their business operations; any disruption to these systems and related services may result in substantial loss in revenue and damage in reputation for them.

Our Retail Core Service Cloud Solutions are also by nature difficult to replace and therefore long-term cooperation is desirable and common. It would take substantial costs and time for a customer to set up a replacement SaaS system which would take further time to be adjusted to a desirable level of suitability and stability. It would take additional costs and time to train the customers’ staff to operate a new SaaS system. We are a leading full-spectrum retail digitalization solution provider in China, according to Frost & Sullivan, which means replacement options are limited.

CONNECTED TRANSACTIONS

In addition, as we continue to provide Retail Core Service Cloud Solutions to our customers, we accumulate understanding of their operations. The length of cooperation directly contributes to the effectiveness and stability of the types of services we provide and therefore long-term cooperation is desirable and common.

As such, our business contracts for provision of Retail Core Service Cloud Solutions, including with independent third-party customers, typically have terms of five years or more. In particular, according to Frost & Sullivan, given the design service life of a smart efficiency solution system usually takes longer, the entering into of the Wumei Retail Core Service Cloud Framework Agreement and the MDL Wholesale Retail Core Service Cloud Framework Agreement for a term of approximately 20 years is in line with industry practice.

(b) Interest of the Company and its Shareholders not prejudiced

As the transactions contemplated under the Wumei Retail Core Service Cloud Framework Agreement and the MDL Wholesale Retail Core Service Cloud Framework Agreement are part of our ordinary course of business and bring revenue to our Group, long-term agreements allow the Group to secure stable revenue streams and customer base. In addition, we will ensure (i) the terms and conditions for the transactions are fair and reasonable and based on normal or no less favorable commercial terms as compared to our provision of similar services to other customers who are independent third parties, and (ii) it is in the best interests of our Company and the Shareholders as a whole, according to the applicable pricing policy and Listing Rules. As such, the Directors do not consider having a term of more than three years would unduly prejudice the interests of the Company and its Shareholders as a whole.

Based on the due diligence conducted and the factors listed below, the Joint Sponsors are of the view that the transactions contemplated under (a) the Wumei Retail Core Service Cloud Framework Agreement and (b) the MDL Wholesale Retail Core Service Cloud Framework Agreement require terms longer than three years: (i) the reasons for entering into the Wumei Retail Core Service Cloud Framework Agreement and the MDL Wholesale Retail Core Service Cloud Framework Agreement and the nature and benefits of the long-term commercial and strategic cooperation among the parties as mentioned above; (ii) the nature of the transactions between the parties which requires long-term cooperating; (iii) Frost & Sullivan's view that it is normal business practice in the retail digitalization solution industry for cloud solutions agreements to have a duration of longer than three years and in particular, according to Frost & Sullivan, given the design service life of a smart efficiency solution system usually takes longer, the entering into of the Wumei Retail Core Service Cloud Framework Agreement and the MDL Wholesale Retail Core Service Cloud Framework Agreement for a term of approximately 20 years is in line with industry practice; and (iv) the Group has entered into cloud solutions contracts with a term of five years with customers who are not connected persons of the Company.

As the above discussed agreements are in respect of the Group's provision of Retail Core Service Cloud Solutions, the precise scope and volume of solutions to be provided are largely dependent on the business needs of Wumei Group and MDL Wholesale Group, respectively, as customers of the Group. In addition, the Group is actively innovating and expanding its service offerings, further adding to the unpredictability of the precise scope and volume of solutions to be provided under the Agreements. As such, as of the date of this document, the Company does not have sufficiently accurate and certain basis to produce annual caps for the said transactions beyond three

CONNECTED TRANSACTIONS

years. The Company will refresh the annual caps for the these transactions and re-comply with the relevant requirements in Chapter 14A before the end of 2026.

2. Trademark Licensing

Considering that (a) the license fee paid by Dmall Fresh (Beijing) to our Group under the Trademark Licensing Agreement was based on the valuation of the trademarks provided by an independent professional valuer, which had taken into account the indefinite term of the license, and (b) the Group would gain exposure and promotional benefits by having logos relating to our *Dmall* brand displayed or used in connection with the Dmall app operated by Dmall Fresh (Beijing), we believe that having the trademark licensing arrangements in place is beneficial to the business of the Group. In addition, according to Frost & Sullivan, it is in line with industry practice that the Group grants a license over its trademarks for an indefinite term. As such, our Directors are of the view that entering into the Trademark Licensing Agreement with a term of more than three years can ensure the stable continuation of the trademark licensing arrangements and is in the interests of our Company and our Shareholders as a whole.

Based on the due diligence conducted and the factors listed below, the Joint Sponsors are of the view that the transactions contemplated under the Trademark Licensing Agreement requires a term longer than three years: (i) the reasons for entering into the Trademark Licensing Agreement and the benefits of having logos relating to the *Dmall* brand displayed or used in connection with the Dmall app operated by Dmall Fresh (Beijing) as mentioned above; and (ii) Frost & Sullivan's view that it is in line with industry practice that the Group grants a license over its trademarks for an indefinite term.

DIRECTORS' CONFIRMATION

Our Directors (including independent non-executive Directors) are of the view that: (i) the continuing connected transactions set out above have been and will be entered into in our ordinary and usual course of business on normal commercial terms or better, on terms that are fair and reasonable, and in the interests of our Company and our Shareholders as a whole; (ii) the proposed annual caps of the continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (iii) it is normal business practice for the Trademark Licensing Agreement, the Wumei Retail Core Service Cloud Framework Agreement and the MDL Wholesale Retail Core Service Cloud Framework Agreement to be of a term greater than three years.

JOINT SPONSORS' CONFIRMATION

Based on the due diligence findings, the Joint Sponsors are of the view that: (i) the continuing connected transactions set out above have been and will be entered into in the Company's ordinary and usual course of business on normal commercial terms or better, on terms that are fair and reasonable, and in the interest of the Company and its Shareholders as a whole; (ii) the proposed annual caps (if any) of the continuing connected transactions are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (iii) it is normal business practice for the Trademark Licensing Agreement, the Wumei Retail Core Service Cloud Framework Agreement and the MDL Wholesale Retail Core Service Cloud Framework Agreement to be of a term greater than three years.

In forming a view on the above matters, the Joint Sponsors have considered, among others, the historical terms and arrangements, the basis of the historical amounts and their importance to the business and operations of the Company, the nature and coverage of the services, the rationale and basis for determining the pricing policies or mechanism, measures to review and adjust the pricing policies, the internal controls and measures to monitor the continuing connected transactions and Frost & Sullivan's view that, based on their experience in the retail digitalization solutions industry in China and Asia, it is not uncommon for companies engaging in businesses similar to the Group's retail core cloud solutions to sign a long-term contract.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board consists of nine Directors, comprising one executive Director, four non-executive Directors and four independent non-executive Directors. The following table provides certain information about the Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities
<i>Executive Director</i>					
Mr. ZHANG Feng (張峰) ⁽¹⁾	42	Co-founder, executive Director and president	February 2015	August 23, 2018	Overall strategic planning, business operations and overall management of our Group
<i>Non-executive Directors</i>					
Mr. Curtis Alan FERGUSON	66	Chairman and non-executive Director	November 2022	November 28, 2022	Providing professional advice, opinion, and guidance to our Board
Mr. CHEN Zhiyu (陳志宇)	41	Non-executive Director	November 2020	November 13, 2020	Providing professional advice, opinion, and guidance to our Board
Ms. SUN Yuhan (孫宇含)	47	Non-executive Director	November 2021	November 17, 2021	Providing professional advice, opinion, and guidance to our Board
Mr. WANG Zhenghao (王正浩)	40	Non-executive Director	November 2020	November 13, 2020	Providing professional advice, opinion, and guidance to our Board
<i>Independent non-executive Directors</i>					
Dr. HOU Yang (侯陽)	42	Independent non-executive Director	Listing Date	Listing Date	Supervising and providing independent judgment to the Board
Ms. CAI Lin (蔡琳)	53	Independent non-executive Director	Listing Date	Listing Date	Supervising and providing independent judgment to the Board
Dr. MAO Jiye (毛基業)	60	Independent non-executive Director	Listing Date	Listing Date	Supervising and providing independent judgment to the Board

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities
Mr. LI Wei (李維)	46	Independent non-executive Director	Listing Date	Listing Date	Supervising and providing independent judgment to the Board

Note:

(1) Mr. ZHANG Feng is the nephew of Dr. Zhang.

Executive Director

Mr. ZHANG Feng (張峰), aged 42, is our co-founder, and has served as our Director and president since August 2018 and December 2018, respectively. Mr. Zhang is responsible for the overall strategic planning, business operation and overall management of our Group. Mr. Zhang currently holds 51% equity interests in Dmall Fresh (Beijing). Mr. Zhang is the nephew of Dr. Zhang.

Mr. Zhang co-founded the Company in 2015. Since co-founding the Company, Mr. Zhang has been committed to helping retailers to thrive in the digital era by leading the implementation of the integrated digital retail concept that combines online and offline channels for solving long-standing inefficiencies in the industry. This approach has been instrumental in helping retailers increase operational efficiency in the digital marketplace. Mr. Zhang has also served as executive director and general manager of several of our major subsidiaries, including Dmall Life Network since October 2017 and Dmall (Shenzhen) Digital.

Mr. Zhang graduated from Huazhong University of Science and Technology (華中科技大學) in China majored in computer science and technology in June 2004. He received his executive master of business administration from Marshall Business School of University of Southern California in the United States in August 2014.

Non-executive Directors

Mr. Curtis Alan FERGUSON, aged 66, has served as our Chairman and Director since November 28, 2022. Mr. Ferguson provides professional advice, opinion, and guidance to our Board.

Mr. Ferguson is a thought-leader in the consumer space. Mr. Ferguson has served as a managing partner of Ventech China Ltd., a venture capital firm based in China, since February 2021. At Ventech China, Mr. Ferguson is responsible for investments in the consumer market, financial technology and big data sectors, with a focus on China’s rapidly growing consumer market. Prior to that, Mr. Ferguson served multiple roles at The Coca-Cola Company (NYSE: KO) for more than 37 years, including as the president of The Coca-Cola Greater China and Korea and as the president of The Coca-Cola Middle East and North Africa. Mr. Ferguson has served as a director of The American Chamber of Commerce in Shanghai since 2020, and he served as its vice chairman in 2020 and 2022. Mr. Ferguson has served as a director of the board of the Indiana University Foundation since 2016.

Mr. Ferguson received his bachelor’s degree in science from the Indiana University Kelley School in the United States in 1980.

Mr. CHEN Zhiyu (陳志宇), aged 41, has served as our Director since November 2020. Mr. Chen provides professional advice, opinion, and guidance to our Board.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen has extensive experience in the retail and merchandise industry and has over 16 years of management experience both in China and overseas. He has served as a board consultant of Metro Commerce Group Co., Ltd. since June 2024 and the deputy chief executive officer of Metro Commerce Group Co., Ltd., a leading wholesaler and retailer in China, from March 2021 to June 2024, where he has been responsible for overseeing the company's business operations, including the management of the product management team, supply chain team, information technology department and marketing and membership department. Prior to joining our Group, Mr. Chen served as a senior vice president of Wal-Mart (China) Investment Co., Ltd. from June 2017 to August 2020. Prior to that, Mr. Chen served as the chief commercial and product officer of AliExpress, an Alibaba Group company, from November 2015 to June 2017. Prior to that, Mr. Chen served as a senior product specialist for financial products of Alipay, from May 2014 to November 2015. Prior to that, Mr. Chen worked at Barclays Bank, a British multinational universal bank, from September 2008 to April 2014 with last position as vice president.

Mr. Chen received his bachelor's degree in engineering from Zhejiang University (浙江大學) in China in June 2006. He received his master's degree in biomedical engineering from the University of Oxford in the United Kingdom in November 2007.

Ms. SUN Yuhan (孫宇含), aged 47, has served as our Director since November 2021. Ms. Sun provides professional advice, opinion, and guidance to our Board.

Ms. Sun has served as managing director at IDG Capital Partners, a leading private equity investment institution engaging in venture capital business in China, since November 2011. Ms. Sun is responsible for investments in the retail, e-commerce, consumer goods and services sectors at IDG Capital Partners. Her expertise lies in corporate strategic planning, brand positioning, financial planning and management improvement.

Ms. Sun graduated from Beijing Institute of Technology (北京理工大學) in China majored in marketing in July 2000. She received her master's degree in accounting and finance from the University of Birmingham in the United Kingdom in July 2003.

Mr. WANG Zhenghao (王正浩), aged 40, has served as our Director since November 2020. Mr. Wang provides professional advice, opinion, and guidance to our Board.

Mr. Wang has served as general manager at Xingtou (Beijing) Capital Management Co., Ltd. (興投(北京)資本管理有限公司), a professional investment company, since August 2018. Prior to that, Mr. Wang worked in Industrial Bank (興業銀行) from 2013 to 2018 and in China Metallurgical Group Corporation (中國冶金科工集團公司) from 2010 to 2012.

Mr. Wang received his bachelor's degree in management from Beijing Normal University (北京師範大學) in China in July 2006. He received his master's degree in economics from Peking University (北京大學) in China in June 2010.

Independent Non-executive Directors

Dr. HOU Yang (侯陽), aged 42, will be an independent non-executive Director upon Listing. Dr. Hou supervises and provides independent judgment to our Board.

Dr. Hou has served as the chairman and chief executive officer of Greater China region of Microsoft Corporation (NASDAQ: MSFT), an American multinational technology corporation, since

DIRECTORS AND SENIOR MANAGEMENT

March 2021, responsible for strategic leadership of sales, marketing, services and operations across the three subsidiaries that make up one of Microsoft's most dynamic and innovative growth regions. He has also served as director of Shenzhou Netcom Technology Co., Ltd., a China-based software development company, since May 2021. Dr. Hou worked at Qualcomm (NASDAQ: QCOM), an American multinational semiconductor and telecommunications corporation, for more than 8 years with the last position of global senior vice president. Prior to that, Dr. Hou worked at McKinsey, a global management consulting firm, for about 5 years.

Dr. Hou obtained his bachelor's degree in physics from Peking University (北京大學) in China in June 2004 and received his Ph.D. in electrical engineering from the University of Michigan in the United States in April 2008.

Ms. CAI Lin (蔡琳), aged 53, will be an independent non-executive Director upon Listing. Ms. Cai supervises and provides independent judgment to our Board.

Ms. Cai has served as an independent director at Huatai Insurance Group since June 2022 and her current positions include the chairperson of the audit committee, risk management committee and related party transaction control committee of the board of directors. Prior to that, she served as a partner at China Consumer Capital Partners from July 2014 to June 2018. She served in multiple capacities at Ernst & Young's Strategy and Transactions department in Hong Kong, Beijing and Shanghai from August 2003 to May 2014 with her last position as a partner. Prior to that, Ms. Cai worked in Ernst & Young Huaming CPA LLP's Shanghai office from July 1994 through August 2001 with her last position as a manager of the Assurance department, during which she was seconded to Ernst & Young's Chicago office from September 1998 through March 2000.

Ms. Cai obtained her bachelor's degree in Economics from Shanghai University of Finance and Economics (上海財經大學) in China in July 1994 and received her MBA degree from Ivey Business School at Western University (formerly known as Richard Ivey School at the University of Western Ontario) in Canada in April 2003.

Dr. MAO Jiye (毛基業) (former name as Mao Jiye (毛繼業)), aged 60, will be an independent non-executive Director upon Listing. Dr. Mao supervises and provides independent judgment to our Board.

Dr. Mao is a professor at the School of Entrepreneurship and Management, ShanghaiTech University (上海科技大學). Previously, he was a professor in the business school at Renmin University of China (中國人民大學) in China from June 2004 to October 2023. His research primarily focuses on digital transformation of traditional firms, digital innovation and entrepreneurship, management of IT outsourcing and management of information technology projects. He was the Dean of the business school at Renmin University of China from October 2015 to September 2021, and previously taught at University of Waterloo in Canada from January 1995 to August 2022. He also served as the chairman of China Association for Information Systems (信息系統協會中國分會) from October 2013 to October 2021. Dr. Mao has served as a director of Hubei Forbon Technology (湖北富邦科技股份有限公司) (SZSE: 300387), a China-based high-tech chemical enterprise, since November 2019. Dr. Mao has also served as an independent director of Dalian Wanda Commercial Management Group Co., Ltd. (大連萬達商業管理集團股份有限公司), a China-based commercial real estate company that was previously listed on the Stock Exchange, since July 2022 and an independent director of Hengmingda Electronic Technology Co., Ltd. (恆銘達電子科技股份有限公司) (SZSE: 002947), a China-based electronic technology company, since August 2022.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Mao received his bachelor's degree in economic information management from Renmin University of China (中國人民大學) in China in July 1985. He received his MBA degree from McGill University in Canada in June 1989, and Ph.D. in management information systems from University of British Columbia in Canada in November 1995.

Mr. LI Wei (李維), aged 46, will be an independent non-executive Director upon Listing. Mr. Li supervises and provides independent judgment to our Board.

Mr. Li has more than 23 years of experience in finance, operations and management. He has served as the chief financial officer of Smartmore Technology (思謀科技), an intelligent manufacturing and digital innovation company, since August 2024. He has also served as independent non-executive director of ANE (Cayman) Inc. (HKEX: 9956), a leading express freight network in China's less-than-truckload market, since October 2021. From September 2020 to August 2024, Mr. Li served as the chief financial officer of Spark Education Ltd. (火花思維), a China-based online education platform. From September 2018 to June 2020, Mr. Li served as the chief financial officer of OYO Hotels. From April 2016 to August 2018, Mr. Li served as the chief operating officer and chief financial officer of CAR Inc. (HKEX: 0699), a car rental service provider in China, and served as the executive vice-president and the chief financial officer in the same company from May 2014 to April 2016. From July 2010 to April 2014, Mr. Li served as the chief financial officer of UniTrust Finance & Leasing Corporation. From January 2007 to July 2010, Mr. Li served as the chief financial officer for Global Supply Chain Asia Group in GE Healthcare of General Electric Company (NYSE: GE), an American multinational company. From January 2004 to January 2007, Mr. Li served as part of the General Electric corporate audit staff based in the United States and Asia. From August 2002 to January 2004, Mr. Li served as the head of risk and credit management at GE Healthcare China. From July 2000 to July 2002, Mr. Li worked as a management trainee of the Financial Management Program at GE.

Mr. Li obtained his bachelor's degree in finance from Fudan University (復旦大學) in China in July 2000.

Save as disclosed herein, none of the Directors have held directorships in any listed company over the past three years and none of our Directors and members of senior management are related to other Directors or members of senior management. During the Track Record Period, certain of our then directors discontinued their services with us for personal reasons. Among them, Ms. ZHANG Kangrong, the daughter of Dr. ZHANG Wenzhong, was appointed as non-executive director of our Company on November 28, 2022 and resigned on April 19, 2024. She did not have any disagreements or disputes with our Company prior to or at the time of her resignation. She does not hold any position or directorship within any companies of our Group. She does not provide any consultancy or advisory services to our Group.

Saved as disclosed above (and their respective interests or short positions (if any) as set out in the section headed "Statutory and General Information—C. Further Information about our Directors" in Appendix IV), there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there is no other material matter relating to our Directors that needs to be brought to the attention of our Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table provides information about members of the senior management of our Company:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as a senior management	Roles and responsibilities
Mr. ZHANG Feng (張峰) . . .	42	Co-founder, executive Director and president	February 2015	December 2018	Overall strategic planning, business operations and overall management of our Group
Mr. YANG Kai (楊凱)	40	Chief technology officer and chief executive officer of international business	June 2015	February 2017 and March 2022	Overall strategy, the development of Dmall OS system and international market and management of research and development of our Group
Mr. REN Zhongwei (任中偉)	45	Chief strategy officer	November 2018	November 2018	Overall strategy, the development and marketing of Dmall OS system of our Group
Mr. LIU Guihai (劉桂海) . . .	42	Chief marketing officer	December 2015	February 2017	Overall strategy, brand building and marketing activities of our Group
Mr. Marcus SPURRELL . . .	61	Co-chief executive officer of international business	August 2023	August 2023	Overall strategy and development of international market
Mr. TANG Yifan (湯毅凡)	42	Vice president and chief financial officer	June 2021	June 2021 and September 2021	Overall strategy, the finance, legal, internal controls functions, and the capital markets activities of our Group
Ms. WANG Yi (王怡)	42	Vice president and board secretary	August 2022	August 2022	Overall strategy, information disclosure and investor relations of our Group

Mr. ZHANG Feng (張峰), aged 42, is the co-founder, executive Director and president of our Group. See “—Executive Director” in this section for his biography.

Mr. YANG Kai (楊凱), aged 40, has joined our Group since June 2015. Mr. Yang has served as our chief technology officer since February 2017 and our chief executive officer of international

DIRECTORS AND SENIOR MANAGEMENT

business since March 2022. Mr. Yang is responsible for overall strategy, the development of Dmall OS system and international market and management of research and development of our Group.

Prior to joining our Group, Mr. Yang served as a director of the Chengdu Research Institute at JD.com, Inc. (HKEX: 9618; NASDAQ: JD), an online direct sales company in China, from March 2010 to June 2015.

Mr. Yang graduated from North China University of Science and Technology (華北理工大學) major in computer science and technology in China in June 2006.

Mr. REN Zhongwei (任中偉), aged 45, has joined our Group since November 2018 and has served as our chief strategy officer since November 2018. Mr. Ren is responsible for overall strategy, the development and marketing of Dmall OS system of our Group.

Prior to joining our Group, Mr. Ren served multiple roles at Lenovo Group Limited (聯想集團有限公司) (HKEX: 0992), a Chinese multinational technology company, including as a general manager of China Smart TV department from April 2012 to January 2015, a general manager of China accessories election department from April 2011 to March 2012, a general manager of Russia from April 2010 to March 2011, a general manager of Northern China from April 2009 to March 2010 and a general Manager of Northwest China from April 2007 to March 2009.

Mr. Ren obtained his bachelor's degree in applied mathematics from Sichuan University (四川大學) in China in July 2001. He graduated from EMBA program from China Europe International Business School (中歐國際工商學院) in China in September 2012.

Mr. LIU Guihai (劉桂海), aged 42, has joined our Group since December 2015 and has served as our chief marketing officer since February 2017. Mr. Liu is responsible for overall strategy, brand building and marketing activities of our Group.

Prior to joining our Group, Mr. Liu served as a vice president and executive director of Three's Company Media Group Co Ltd (三人行傳媒集團) (SSE: 605168), a Chinese media company listed on the Shanghai Stock Exchange, from July 2014 to December 2015. Prior to that, Mr. Liu first served as an account manager and then a senior account manager and subsequently as an account director in Phoenix New Media Limited (鳳凰新媒體) (NYSE: FENG), a media company in China, from December 2007 to July 2014.

Mr. Liu obtained his bachelor's degree in public service management from Beijing University of Posts and Telecommunication (北京郵電大學) in China in June 2006.

Mr. Marcus SPURRELL, aged 61, has joined our Group since August 2023 and has served as our co-chief executive officer of international business since then. Mr. Spurrell is responsible for overall strategy and development of our international market.

Prior to joining our Group, Mr. Spurrell served multiple roles at The Dairy Farm Company, Limited, including as a board member from October 2018 to June 2023, as a chief technology officer from August 2021 to June 2023 and as a chief digital officer from October 2018 to July 2021. Prior to that, Mr. Spurrell served at Ahold Delhaize Group from September 2012 to September 2018, including as a senior vice president of digital personalization, loyalty and analytics.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Spurrell obtained his bachelor's degree in economics and Japanese from SOAS, London University in August 1994.

Mr. TANG Yifan (湯毅凡), aged 42, has joined our Group since June 2021 and has served as our vice president and chief financial officer since June 2021 and September 2021, respectively. Mr. Tang is responsible for overall strategy, the finance, legal, internal controls functions, and the capital markets activities of our Group.

Prior to joining our Group, Mr. Tang served as general manager in the industrial financing department division of Kaiyuan Securities Co., Ltd. (開源證券股份有限公司), a China-based securities company, from July 2016 to June 2021. Prior to that, Mr. Tang served as an executive director in the investment banking department of China Great Wall Securities Co., Ltd (長城證券股份有限公司) (SZSE: 002939), a China-based securities company, from October 2015 to May 2016. Prior to that, Mr. Tang worked in Western Securities Co., Ltd (西部證券股份有限公司) (SZSE: 002673), a China-based securities company, from April 2013 to July 2015, with last position responsible for bond issuance in fixed income department. In addition, Mr. Tang served as a senior auditor in the Wuhan office of Ernst & Young Hua Ming LLP (安永華明會計師事務所) from January 2007 to December 2009.

Mr. Tang obtained his bachelor's degree in computer science and technology and master's degree in computer system architecture from Huazhong University of Science and Technology (華中科技大學) in China in June 2004 and March 2007, respectively.

Ms. WANG Yi (王怡), aged 42, has joined our Group since August 2022 and has served as our vice president and board secretary since August 2022. Ms. Wang is responsible for overall strategy, information disclosure and investor relations of our Group.

Ms. Wang has over 18 years of experience in corporate governance, finance, merger and acquisition and investor relations. Ms. Wang has served as a non-executive director of MDL Wholesale Limited, a food and fast-moving consumer goods distribution solution provider in China, since June 2024. Prior to that, Ms. Wang served as a board secretary, deputy chief financial officer and company secretary of WM Tech Corporation Limited (currently known as MDL Wholesale Limited) from September 2020 to June 2024. Prior to that, Ms. Wang served as board secretary and investment director of the Wumei Technology from January 2016 to September 2020, and company secretary, board secretary and deputy director of finance department of Wumart Stores, Inc. (北京物美商業集團股份有限公司), a Chinese retail company, from June 2013 to January 2016. Ms. Wang also served as our Director from October 2017 to August 2018.

Ms. Wang obtained her bachelor's degree and master's degree in economics from Nankai University (南開大學) in China in June 2004 and June 2006, respectively.

Save as disclosed above, none of our senior management team has been a director of any listed companies during the three years immediately prior to the date of this document.

JOINT COMPANY SECRETARIES

Ms. WANG Yi (王怡), has been appointed as our joint company secretary with effect from December 5, 2022. See “—Senior Management” in this section for her biography.

Ms. AU Wing Sze (區詠詩), has been appointed as our joint company secretary with effect from the Listing Date. Ms. Au is a manager of the listing services department of TMF Hong Kong

DIRECTORS AND SENIOR MANAGEMENT

Limited and has been providing corporate secretarial and compliance services to Hong Kong listed companies. She has over 10 years of professional experience in the corporate secretarial field. Ms. Au is an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Au holds a master degree in corporate governance from Hong Kong Metropolitan University (formerly “The Open University of Hong Kong”) in Hong Kong in August 2019.

CORPORATE GOVERNANCE

Board Committees

Audit Committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board. The audit committee comprises three members, namely, Ms. CAI Lin, Mr. HOU Yang and Mr. LI Wei. Ms. CAI Lin is the chairperson of the committee and is the director appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the remuneration committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management. The remuneration committee comprises three members, namely, Dr. MAO Jiye, Dr. HOU Yang and Mr. ZHANG Feng. Dr. MAO Jiye is the chairperson of the committee.

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with the rules set out in the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to the Board regarding the appointment of Directors and Board succession. The nomination committee comprises three members, namely, Mr. Curtis Alan FERGUSON, Dr. MAO Jiye and Ms. CAI Lin. Mr. Curtis Alan FERGUSON is the chairperson of the committee.

Corporate Governance Code

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix C1 to the Listing Rules.

Management Presence

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be

DIRECTORS AND SENIOR MANAGEMENT

ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules. Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules. See the section headed “Waivers and Exemptions—Management Presence in Hong Kong” in this document for further details.

Board Diversity

Our Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company’s competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a director of the Company, the nomination committee will consider a number of aspects, including, but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience.

Our Directors have a balanced mix of knowledge and skills, and we have four independent non-executive Directors with different industry backgrounds, more than one third of the members of our Board. Taking into account our existing business model and specific needs as well as the different background of our directors, the composition of our Board satisfies our board diversity policy. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the senior management levels. Currently, two of our Directors are female. We will invest more resources in training female staff who have long and relevant experience in our business, with the aim of promoting them to senior management or directorship positions within our Group. While we recognize that the gender diversity at our Board level can be improved given the majority of our Directors are male, we will continue to apply the principle of appointments based on merits with reference to our diversity policy as a whole. Our Board would also ensure that appropriate balance of gender diversity is achieved with reference to investors’ expectation, and international and local recommended best practices.

Pursuant to the board diversity policy, the nomination committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption.

COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as the compliance adviser (the “**Compliance Adviser**”) pursuant to Rule 3A.19 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise the Company in certain circumstances including:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

DIRECTORS AND SENIOR MANAGEMENT

- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this document or where the business activities, development or results of the Group deviate from any forecast, estimate or other information in this document; and
- (d) where the Stock Exchange makes an inquiry to the Company under Rule 13.10 of the Listing Rules.

The term of appointment of the Compliance Adviser shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

For the details of the service contracts and appointment letters that we have entered into with the Directors and senior management, see “Statutory and General Information—C. Further Information about Our Directors—1. Particulars of Directors’ Service Contracts and Appointment Letters” in Appendix IV to this document.

The aggregate amount of emoluments (including directors’ fees, salaries and other emoluments, discretionary bonuses, retirement scheme contributions, but excluding share-based compensation expenses) for our Directors for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, was RMB3.2 million, RMB3.8 million, RMB4.1 million, and RMB2.2 million respectively.

The five highest paid individuals for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, included two, one, one and one Director(s), respectively, whose remuneration is included in the aggregate amount of remuneration (including wages, salaries and bonuses, other social insurance costs, housing benefits and other employee benefits, pension costs, but excluding share-based compensation expenses) we paid to the relevant Directors as set out above. In 2021, 2022 and 2023 and the six months ended June 30, 2024, the aggregate amount of remuneration (including salaries and other emoluments, discretionary bonuses, retirement scheme contributions, but excluding share-based compensation expenses) for the remaining three, four, four and four individuals was RMB6.1 million, RMB9.8 million, RMB11.1 million and RMB9.4 million, respectively.

Save as disclosed above, no other payments have been paid or are payable, during the Track Record Period by our Company to our Directors. No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors by any member of our Group in respect of the year ending December 31, 2024 is approximately RMB4.9 million.

For additional information on Directors’ remuneration during the Track Record Period as well as information on our five highest paid individuals, please see Notes 9 and 10 to the Accountants’ Report set out in Appendix I in this document.

DIRECTORS AND SENIOR MANAGEMENT

SHARE INCENTIVE PLANS

We have adopted the 2016 Share Incentive Plan, the 2020 Share Incentive Plan, the 2024 First Share Incentive Plan and the 2024 Second Share Incentive Plan. See paragraphs headed “Statutory and General Information—D. Share Incentive Plans” in Appendix IV for details regarding the incentive plans for our Directors and the senior management.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of the Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which materially competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

Following the Restructuring, Mr. Zhang Feng holds 51% equity interest in Dmall Fresh (Beijing) as at the Latest Practicable Date. Dmall Fresh (Beijing) (and its subsidiary(ies)) is principally engaged in the provision of online marketing and advertising services and the operation of the Dmall app. Our Group, however, only provides marketing and advertising services through offline channels following the Restructuring. The nature of the products and services involved and the location and format of the marketing and advertising materials displayed are highly differentiated; based on our experience, customers would not consider online and offline marketing and advertising services a substitute of each other. The principal business of Dmall Fresh (Beijing) also does not nor is it likely to compete with our other businesses, such as retail core service cloud solutions, in any way. For example, we assist retailers in automatically and intelligently processing online orders, optimizing the fulfillment process by coordinating order handling, and minimizing the exposure of perishable items. We believe our technology and system present high entry barriers, being highly technical and developed through years of industry experience and continuous technological refinement. Other companies, such as Dmall Fresh (Beijing), lack the capability to offer similar services.

From time to time our non-executive Directors may serve on the boards of both private and public companies within the industry which our Group operates in. However, as these non-executive Directors are neither our controlling shareholders nor members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which they may hold directorships from time to time.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on, in the case of Dr. Hou Yang, March 3, 2023, in the case of Ms. Cai Lin, April 24, 2024, and in the case of other Directors, December 1, 2022; and (ii) understands his or her obligations as a director of a listed issuer on the Stock Exchange under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors confirms (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) that he or she has no past or present financial or other interest in the business of the Company or its subsidiaries or any

DIRECTORS AND SENIOR MANAGEMENT

connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his or her independence at the time of his or her appointment.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

Interest in our Company

So far as our Directors are aware, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no Shares are issued under the Share Incentive Plans), the following persons will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued Shares of our Company:

Name of Shareholder	Capacity / Nature of interest	Number of Shares ⁽¹⁾	Approximate % of shareholding in our Company after the Global Offering ⁽¹⁾
Dr. Zhang ⁽²⁾	Interest in controlled corporations	502,452,135	56.67%
Celestial Limited ⁽²⁾	Beneficial owner	423,470,475	47.76%
Odor Nice Limited ⁽²⁾	Beneficial owner	68,880,650	7.77%
Retail Enterprise Corporation Limited ⁽²⁾	Beneficial owner	10,101,010	1.14%
Vigorous Link Group Limited ⁽³⁾	Beneficial owner	75,000,000	8.46%
IDG USD Fund Shareholders			
Olive Spark Limited ⁽⁴⁾	Beneficial owner	13,179,525	1.49%
Lovely Tree Holdings Limited ⁽⁴⁾	Beneficial owner	37,119,350	4.19%
IDG-Accel China Capital II L.P. ⁽⁴⁾	Beneficial owner	3,651,067	0.41%
IDG-Accel China Capital II Investors L.P. ⁽⁴⁾	Beneficial owner	162,862	0.02%
Handy Cloud Limited ⁽⁴⁾	Beneficial owner	1,196,429	0.13%

Notes:

- (1) The table assumes (i) the Global Offering becomes unconditional and the Offer Shares are issued pursuant to the Global Offering, (ii) the Convertible Bond is not converted, (iii) the Over-allotment Option is not exercised and no Shares are issued under the Share Incentive Plans, and (iv) no Shares are issued or canceled and no other potential change to the number of shares the Company is authorized to issue materialize as described in “Share Capital—Potential Changes to the Number of Shares the Company is Authorized to Issue After Listing.”
- (2) Celestial Limited is wholly owned by D&W Inc. which is wholly owned by Dr. Zhang. Odor Nice Limited is wholly owned by Interface Holding Inc. which is owned by D&W Inc. and Retail Enterprise Corporation Limited as to 66.44% and 33.56%, respectively. Retail Enterprise is wholly-owned by Wumei Southern Technology Company Limited, which is in turn wholly-owned by Wumei Technology. Wumei Technology is owned by Beijing Zhongsheng Huate Technology Company Limited and Beijing Jingxi Guigu Technology Company Limited as to approximately 19.40% and 77.61% respectively; Beijing Zhongsheng Huate Technology Company Limited is owned by Dr. Zhang and Beijing Jingxi Guigu Technology Company Limited as to 99% and 1%, respectively; and Beijing Jingxi Guigu Technology Company Limited is wholly-owned by Dr. Zhang. Accordingly, Dr. Zhang is deemed to be interested in the Shares held by Celestial Limited, Odor Nice Limited and Retail Enterprise Corporation Limited.
- (3) Vigorous Link Group Limited, a limited liability company incorporated under the laws of the BVI, is wholly-owned by a trust which holds Shares for the benefit of certain Directors, senior management and employees of our Group. Pursuant to the relevant trust arrangement, the exercise of the voting rights attached to all the Shares held by Vigorous Link Group Limited is ultimately directed and controlled by the Board.
- (4) As confirmed by IDG Capital, Lovely Tree Holdings Limited and Olive Spark Limited, each a private company incorporated in the BVI, are investment holding companies of USD funds ultimately controlled by Mr. HO Chi Sing and Mr. ZHOU Quan; IDG-Accel China Capital II L.P. holds more than 78% equity interests in each of Lovely Tree Holdings Limited and Olive Spark Limited. As confirmed by IDG Capital, IDG-Accel China Capital II Investors L.P. is the side fund of IDG-Accel China Capital II L.P. as the main fund; IDG-Accel China Capital II L.P. and IDG-Accel China Capital II Investors L.P., each a limited partnership established in the Cayman Islands, are ultimately controlled by Mr. HO Chi Sing and Mr. ZHOU Quan; IDG-Accel China Capital II L.P. has over 100 limited partners and none of which holds more than 10% partnership interest in it. As confirmed by IDG Capital, Handy Cloud Limited, a private company incorporated in the BVI, is an investment holding company, the voting shares of which are wholly owned by Direct Galore Limited, also a BVI company, which is in turn ultimately owned and ultimately controlled by Mr. HO Chi Sing. Mr. ZHOU Quan is a partner of IDG Capital and Mr. HO Chi Sing is the chief financial officer of IDG Capital, as confirmed by IDG Capital.

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders of members of our Group

<u>Name of Shareholder</u>	<u>Capacity / Nature of interest</u>	<u>Name of member of our Group</u>	<u>Approximate % of interest held by the substantial shareholder</u>
DFI Retail Group Management Limited ⁽¹⁾ . .	Beneficial owner	Retail Technology Asia	30.5%
Beijing Wumart Supermarket Co., Ltd. ⁽²⁾	Beneficial owner	Dmall Zhilian	20%
Sun Kewei ⁽³⁾	Beneficial owner	Shenzhen Enjoy	17.09%
Shanghai Gaussian Automation Technology Development Co., Ltd. ⁽⁴⁾	Beneficial owner	Beijing Xianmei Technology Service Co., Ltd.	45%
Li Xue ⁽³⁾	Beneficial owner	Shenzhen Firefly Circulation Information Technology Co., Ltd.	40%

Notes:

- (1) DFI Retail Group Management Limited (formerly known as Dairy Farm Management Limited) is a subsidiary of DFI Retail Group Holdings Limited (formerly known as Dairy Farm International Holdings Limited).
- (2) Beijing Wumart Supermarket Co., Ltd. is a subsidiary of Wumei Technology, which is controlled by Dr. Zhang.
- (3) An independent third party of the Company.
- (4) Shanghai Gaussian Automation Technology Development Co., Ltd. is ultimately beneficially owned by Mr. CHENG Haotian, an independent third party of the Company.

Except as disclosed above and in the section headed “Statutory and General Information” of this document, our Directors are not aware of any other person who will, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no Shares are issued under the Share Incentive Plans), have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued Shares of our Company or any other member of our Group.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARES

The following is a description of our authorized shares and the amount in issue and to be issued as fully paid or credited as fully paid immediately prior to and following completion of the Global Offering, assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no Shares are issued under the Share Incentive Plans.

As of the date of this document

Authorized shares

<u>Number</u>	<u>Description of share</u>	<u>Aggregate nominal value</u>	<u>Approximate percentage of total authorized share capital</u>
1,992,312,791	Ordinary share with a par value of US\$0.0001	US\$199,231.28	79.69%
507,687,209	Preferred share with a par value of US\$0.0001	US\$50,768.72	20.31%
2,500,000,000	Shares in total	US\$250,000.00	100.00%

Issued shares

<u>Number</u>	<u>Description of share</u>	<u>Aggregate nominal value</u>	<u>Approximate percentage of total issued share capital</u>
525,150,000	Ordinary share with a par value of US\$0.0001	US\$52,515.00	61.00%
335,766,124	Preferred share with a par value of US\$0.0001	US\$33,576.61	39.00%
860,916,124	Shares in total	US\$86,091.61	100.00%

Immediately following the completion of the Global Offering

Issued shares

<u>Number</u>	<u>Description of share</u>	<u>Aggregate nominal value</u>	<u>Approximate percentage of total issued share capital</u>
860,916,124	Shares in issues	US\$86,091.61	97.09%
25,774,000	Shares to be issued pursuant to the Global Offering	US\$2,577.40	2.91%
886,690,124	Shares in total	US\$88,669.01	100.00%

Ranking

The Offer Shares will rank equally with all Shares currently in issue or to be issued as mentioned in this document and, in particular, will rank equally for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

POTENTIAL CHANGES TO THE NUMBER OF SHARES THE COMPANY IS AUTHORIZED TO ISSUE AFTER LISTING

Circumstances under which general meeting and class meeting are required

Our Company may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by resolution of members, increase the maximum number of shares our Company is authorized to issue.

SHARE CAPITAL

Our Company may from time to time by resolution of members cancel any shares which at the date of the passing of the resolution of members have not been taken or agreed to be taken by any person, and diminish the maximum number of shares the Company is authorized to issue by the number of shares so canceled subject to the provisions of the BVI Business Companies Act.

Our Company may also divide its shares (including those shares already in issue) into a larger number of shares or consolidate them into a smaller number of shares in the same class or series, provided that the maximum number of shares our Company is authorized to issue is not exceeded (where relevant). On any such division or combination of shares, the aggregate par value (if any) of the new shares must be equal to the aggregate par value (if any) of the original shares.

See “Summary of the constitution of our Company and BVI company law—Articles of Association—Alteration to the number of shares the Company is authorized to issue” in Appendix III for further details.

If at any time the authorized shares of the Company are divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the BVI Business Companies Act, be varied or abrogated either with the consent in writing of the holders of at least three-fourths of the issued shares of that class, or with the approval of a resolution passed by at least three-fourths of the votes cast by the holders of the shares of that class present and voting in person or by proxy at a separate meeting of such holders.

See “Summary of the constitution of our Company and BVI company law—Articles of Association—Variation of rights of existing shares or classes of shares” in Appendix III for further details.

General mandate to issue Shares

Subject to the Global Offering becoming unconditional, our Directors were granted a general mandate to allot, issue and deal with any Shares (including the resale or transfer of treasury shares by our Company) or securities convertible into Shares of not more than the sum of:

- 20% of the total number of Shares in issue immediately following completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the Shares which may be issued upon conversion of the Convertible Bond, any Shares which may be issued under the Share Schemes, and any Shares that are issuable upon conversion of the Shares on a one-to-one basis); and
- the total number of Shares repurchased by our Company pursuant to the authority referred to in “—General mandate to repurchase Shares” below.

This general mandate to issue Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the BVI or the memorandum and the articles of association of our Company; and

SHARE CAPITAL

- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

General mandate to repurchase Shares

Subject to the Global Offering becoming unconditional, our Directors were granted a general mandate to repurchase our own Shares up to 10% of the total number of Shares in issue immediately following completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the Shares which may be issued upon conversion of the Convertible Bond, any Shares which may be issued under the Share Schemes, and any Shares that are issuable upon conversion of the Shares on a one-to-one basis).

This mandate only relates to repurchases on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, and in accordance with all applicable laws and the requirements under the Listing Rules or equivalent rules or regulations of any other stock exchange.

This general mandate to repurchase Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the BVI or the memorandum and the articles of association of our Company; and
- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

See “Statutory and general information—A. Further information about our Group—5. Explanatory statement on repurchase of our own securities” in Appendix IV for further details of this general mandate to repurchase Shares.

Share Incentive Plans

We have adopted the Share Incentive Plans. See “Statutory and general information—D. Share Incentive Plans” in Appendix IV for further details.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our audited consolidated financial statements as of and for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, included in the Accountants' Report set out in Appendix I to this document, together with the respective accompanying notes. This consolidated financial information includes the financial information of our discontinued operations, which we disposed of in April 2024. Our consolidated financial statements have been prepared in accordance with IFRS Accounting Standards.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this document, including "Risk Factors" and "Business."

OVERVIEW

We provide SaaS solutions to retailers in the local retail industry. We have successfully expanded our businesses to other countries and regions in Asia, comprising Hong Kong SAR, Cambodia, Singapore, Malaysia, Macau SAR, Indonesia, the Philippines and Brunei. We were the largest retail digitalization solution provider in China by revenue and a leading retail digitalization solution provider in Asia, according to Frost & Sullivan.

We distinguish ourselves from our competitors through achieving full-spectrum coverage, incorporating industry latest practices, facilitating intelligent data-driven business decision making, and continuous product development, which help retailers drive revenue growth and reduce costs. According to Frost & Sullivan, we were a leading full-spectrum omni-channel retail digitalization solution provider in China. Full-spectrum coverage refers to our capability to address retailers' needs across all critical parts of their operations. The broadest operational modules coverage enables us to reach the widest and most diverse customer base in the industry and thus obtain deep retail know-how. We continuously improve our SaaS modules based on our deep understanding of the retail industry and technological advancements to deliver tangible and measurable improvements to retailers.

We started our business in retail digitalization in collaboration with Wumei Group. We implemented our cloud solutions in Wumei Group's nationwide store network and upgraded our functionalities through their complex operation. Today, we have developed comprehensive retail digitalization solutions for customers of various sizes and formats that encompass local retail operations, from procurement and supply chain management, store and headquarters management, to marketing and omni-channel sales. Our experience with Wumei Group has inspired us to deliver many popular modules that are applicable to other retail formats from chained supermarkets, warehouse supermarkets, department stores to convenience stores, specialty retailers and retailers with new retail formats, such as membership stores and discount stores. We now cover all major retail formats, helping our expanding customer base meet ever-evolving market challenges and provide quality services to consumers. As a testament to our success, we have served 236, 436, 533, 413 and 444

FINANCIAL INFORMATION

customers in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. The dollar-based net retention ratio was 184% in 2021, 158% in 2022, 117% in 2023, and 123% in the twelve months ended June 30, 2024.

We experienced significant growth during the Track Record Period. Our revenue increased by 56.6% from RMB848.2 million in 2021 to RMB1,328.3 million in 2022, and further by 19.4% to RMB1,585.4 million in 2023. Our revenue increased by 22.9% from RMB764.0 million in the six months ended June 30, 2023 to RMB939.2 million in the same period in 2024. We had a gross profit margin of 20.4%, 38.0%, 35.0%, 36.3% and 38.3% in the years ended December 31, 2021, 2022 and 2023, and the six months ended June 30, 2023 and 2024, respectively. The general increase in gross profit margin during the Track Record Period was due to our strategic measures to focus more intently on our core service by growing our relatively high-margin operating system business in our retail core service cloud segment and gradually phasing out our e-commerce service solutions which had a lower margin.

BASIS OF PRESENTATION

Our Company was incorporated as an exempted company with limited liability in the BVI on February 5, 2015. Our Company, as the holding company of our business, indirectly owns all of our subsidiaries, including our operating subsidiaries, which run all of our operations both domestically and internationally. See “History, Reorganization and Corporate Structure” in this document for details.

Our historical financial information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board (the “IASB”). Further details of the material accounting policy information adopted are set out in Note 2 of the Accountants’ Report in Appendix I to this document.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this historical financial information, we have consistently adopted all applicable new and revised IFRS Accounting Standards, throughout the Track Record Period. We have not adopted any new standards or interpretations that are not yet effective for the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective for the Track Record Period and not yet adopted by us are set out in Note 35 of the Accountants’ Report in Appendix I to this document.

The historical financial information also complies with the applicable disclosure provisions of the Listing Rules.

FINANCIAL INFORMATION

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, many of which are outside of our control. These factors include but are not limited to the following:

General Factors

Our business and results of operations are impacted by general factors affecting the broader retail digitalization solution industry, including

- global economic growth and development of the retail digitalization solution industry in China and around the world;
- continuing integration with retail digitalization solutions and rising demand for digital transformation in the local retail industry in China and around the world;
- improved technology and performance of retail digitalization solutions; and
- governmental policies, initiatives and incentives affecting the retail industry and retail digitalization solution industry.

Company Specific Factors

Our ability to expand our customer base and retain our existing customers

Our results of operations and future growth depend on our ability to attract and retain customers. We grew and maintained our customer base in recent years with (i) our strong industry-wide brand recognition and our customers' positive perception of our services, (ii) our key accounts strategy targeting enterprise retailers and brand owners, and (iii) the exemplification of our lighthouse projects enhancing our customers' confidence in a prolonged partnership. Continued expansion of our customer base strengthens our brand and reputation within the retail digitalization solution industry, creating a virtuous cycle that helps expand our customer base in a cost-effective manner.

The following table sets forth our customers served for the years/periods indicated:

<u>Number of customers⁽¹⁾</u>	<u>Year Ended December 31,</u>			<u>Six Months Ended June 30,</u>	
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2023</u>	<u>2024</u>
- Retail core service cloud	231	432	527	409	430
- <i>Operating system</i>	164	300	324	251	283
- <i>AIoT solutions</i>	84	188	281	214	184
- E-commerce service cloud	40	35	29	29	*
- Others	3	4	4	2	19
Total number of customers⁽²⁾	<u>236</u>	<u>436</u>	<u>533</u>	<u>413</u>	<u>444</u>

Notes:

* The e-commerce cloud service solutions has been immaterial in 2024. By the end of 2023, all our customers had transitioned to in-house O2O operation, where they manage their own day-to-day O2O operations. As a result of our customers opting for in-house O2O e-commerce business, we ceased to provide system and delivery services under the e-commerce service cloud solutions for those customers accordingly, but we provide distributed e-commerce system and other services to them if they decide to subscribe to such services. Consequently, the bulk of the services we provided under the e-commerce service clouds during the Track Record Period, such as the operational support for their online stores and delivery services, had been phased out by the end of 2023. The remaining services we provided under the e-commerce service cloud solutions did not generate material revenue in 2024. In April 2024, we completed the Restructuring, which led to the divestment of the Dmall app and the online advertising services. After the Restructuring, we do not operate any business under the e-commerce service cloud. See "Summary—Recent Development," "Business—Retail Core Service Cloud Solutions—Distributed e-commerce system" and "Business—E-commerce service cloud."

FINANCIAL INFORMATION

- (1) Number of customers that have contributed revenue to us in a given year/period, including number of customers we serve through Shenzhen Enjoy as a result of our acquisition of Shenzhen Enjoy in November 2021. If we remove the number of customers solely using Shenzhen Enjoy's products from the calculation, in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, we had retail core service cloud solutions customer of 86, 162, 259, 213 and 183, respectively, including (i) operating system customer of 23, 39, 60, 47 and 60, respectively, (ii) AIoT solutions customers of 75, 142, 217, 182 and 136, respectively. The number of customers does not include those from our tax invoice management system services, which was launched in 2023 and generated revenue of RMB10 thousand in 2023 and RMB2.3 million in the six months ended June 30, 2024. We had 14 and 930 tax invoice customers in the second half of 2023 and the six months ended June 30, 2024, respectively.
- (2) Many of our customers use more than one of our cloud service solutions. Therefore eliminations are made to avoid double counting.

We have also begun to set our foundation for overseas expansion by collaborating with a number of overseas enterprise customers, such as DFI Retail Group, SM Group and Metro Group. Our overseas expansion introduced an additional stream of revenue for our operations. In 2021, 2022 and 2023, and the six months ended June 30, 2023 and 2024, our overseas revenue accounted for 2.4%, 6.0%, 7.8%, 7.6% and 8.0% of our revenue, respectively. Our overseas revenue grew by 296.6% from RMB20.3 million in 2021 to RMB80.3 million in 2022, and further increased by 53.4% to RMB123.3 million in 2023. Our overseas revenue grew by 28.7% from RMB58.3 million in the six months ended June 30, 2023 to RMB75.0 million in the same period in 2024.

Our ability to deepen our relationship with and increase spending of our existing customers

Our results of operations depend on our ability to deepen our relationship with existing customers and increase customer spending over time. Our one-stop retail digitalization solutions allows us to enhance customer engagement with our products by cross-selling additional modular functions that cater to our customer's needs. For instance, we continue to serve our existing Dmall OS customers by delivering additional modules that would streamline various aspects of a customer's retail operations and new AIoT solutions that inject greater efficiency to a customer's retail locations. As our revenue is primarily driven by charging a take rate based on our customer's transactions processed through our operating system, our revenue also benefits from our customers adopting our products and services in broad scope. Our revenue sees organic growth as customer's GMV processed through our solutions increases, especially that of our operating system customers, and in turn contributes to our increased income. GMV processed through our operating system in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024 were RMB95.1 billion, RMB123.3 billion, RMB141.9 billion, RMB69.1 billion and RMB76.1 billion. As we continue to deliver measurable business results to our customers and improve their user experience, we will further enhance customer loyalty and spending.

During the Track Record Period, we have achieved high dollar-based net retention ratio, a metric used to measure growth in revenue generated from existing customers of our services. The dollar-based net retention ratio for our customers was 184% in 2021, 158% in 2022, 117% in 2023 and 123% in the twelve months ended June 30, 2024, as calculated by revenues generated in the given period by recurring customers (excluding consumers) with the prior period divided by revenues generated in the prior period by all customers (excluding consumers). The long-term partnerships with our existing customers provided a stable source of business for our operations and highlighted our continued efforts to satisfy evolving client demands over time with our holistic line up of products and services.

Our ability to leverage industry know-how to enhance technology and product capability

We are a leading full-spectrum omni-channel retail digitalization solution provider in China, hosting the most comprehensive products portfolio. Full-spectrum coverage refers to our capability to address retailers' needs across all critical parts of their operations. We have invested, and will continue

FINANCIAL INFORMATION

to invest, significantly in product and technology to strengthen our market leadership. Our investment in research and development in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024 was RMB588.6 million, RMB586.3 million, RMB520.9 million, RMB266.1 million and RMB203.5 million, respectively. We believe our capability and dedication to developing and offering a comprehensive portfolio of solutions that addresses the diverse and evolving needs of our customers is critical to the success of our business. With the support of practical experience and industry know-how gained from our extensive operations serving a large customer base, we continue to refine and enrich our modules and functionalities to help retailers improve operation efficiency in more online and offline business scenarios across different retail formats.

We expect these efforts in product and technology development will attract more customers, increase customer loyalty and increase product sales, creating a long-term positive impact on our results of operations and growth prospects.

Our ability to improve operational efficiency

Our ability to control our expenses is critical to the success of our business. Our expenses mainly consist of research and development expenses, selling and marketing expenses and general and administrative expenses. During the Track Record Period, these expenses generally decreased as a percentage of our revenue. Our research and development expenses in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024 accounted for 69.4%, 44.1%, 32.9%, 34.8% and 21.7% of our revenue, respectively. Research and development is the cornerstone of our operations, allowing us to provide quality services to our customers and solidify our market position. Our selling and marketing expenses in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024 accounted for 52.5%, 18.0%, 9.5%, 11.1% and 4.6% of our revenue, respectively. We strategically reduced our sales and marketing expenses for promotional incentives targeting retail consumers relating to our e-commerce service cloud solutions and AIoT solutions as our brand becomes established in the market and we phased out services we provided under the e-commerce service cloud. Our general and administration expenses in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024 accounted for 24.6%, 18.9%, 16.4%, 14.5% and 14.2% of our revenue, respectively. We continue to be disciplined on general and administration expenses and keep the cost structure in check.

Strategic acquisitions and investments

We have made, and intend to continue to make, strategic acquisitions to expand our product offerings, strengthen our technological and research and development capabilities, scale up our business, expand our customer reach and solidify our market position. We take a deliberate and staged approach to our investment and acquisition strategy. In some cases, we may begin with an initial minority investment followed by business cooperation. We have chosen to make minority investments in some circumstances instead of full acquisitions for one or more of the following reasons: (i) the investee has strong management, where it allows them to have operating independence and potential upside tied to their business in order to retain them; (ii) the investee does not fit within the Group's core business operations but can generate strategic synergies through an equity relationship; and/or (iii) the investee demonstrates clear strategic value to the Group but capital or integration risk in the near term suggests a deliberate and phased-in approach. When the business results, cooperation and the overall relationship established with the management of the investee company show increasing value to the Group's ongoing business strategy, we may increase our investment or acquire the investee company completely. For example, our investment in Shenzhen Enjoy adopted part of this investment

FINANCIAL INFORMATION

and acquisition strategy, where the period from initial investment to acquisition of 51% equity interest and a staged delegation of voting rights spanned more than a fiscal year. The business of Shenzhen Enjoy mainly includes software development, sales of hardware and software products and system operation and maintenance. The acquisition not only allows us to establish in-house capability for products and services development but also enables us to reach a new set of retailer customers for cross-selling opportunities. We believe our investment in Shenzhen Enjoy strengthens our software development, marketing and distribution capabilities, and enables us to become a holistic full-service provider for more customers.

We intend to continue to selectively pursue strategic alliances and investments to further strengthen our competitiveness. We expect to evaluate and execute alliance, investment and acquisition opportunities that complement and scale up our business, increase our market power, synergize our core competencies and skills and optimize our profitability.

We have sufficient funds to pursue the strategic alliances and investment, specifically by utilizing proceeds obtained via the Listing and specifically allocated to pursue strategic cooperation, investments and acquisitions. We have allocated approximately 10%, or HK\$62.4 million, in addition to internal funds in the event the investment amount exceeds HK\$62.4 million, of our proceeds from the Listing to pursue strategic alliances and investments. According to Frost & Sullivan, the retail cloud industry in Asia in general has approximately 4,000 providers in 2023, and in China specifically, approximately 400 providers in 2023. We intend to establish a high standard in selecting potential targets from this broad pool of existing providers. We expect to seek out potential businesses and assets that are complementary to and have synergies with our current business and that will help us attract and retain customers. We intend to focus on players with a solid track record and significant growth potential. We would generally consider factors including suitability with our strategic planning, degree of potential synergies, market position, management team experience, valuation, historical operating metric, and financial performance.

IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic has materially and adversely affected China and many parts of the world, leading to widespread lockdowns. The global spread of COVID-19 and the associated prevention and control measures imposed by countries and regions around the world has resulted in systematic macro-economic distress, adversely impacting global consumer purchasing sentiment and capabilities, supply chain and logistics services.

Our retail core service cloud's online and offline product offerings experienced different operating conditions. With reduced retail consumer foot traffic in offline retail stores, our revenue generated from customer take rate suffered as a result of a general reduction of GMV processed through our system as retailer customers reduced their spending in offline stores. However, this effect is largely offset by an increase in demand by retailers and brand owners for our digitalized retail services as they seek to accelerate the digitalization of their operations to better manage the remote operating conditions imposed by COVID-19. For instance, customers such as 7-Eleven (Guangdong) further embedded our operating system modules on inventory and logistics management with their warehouses, which played an important role in the Foshan warehouse expansion, doubling the amount of stores it supplied from over 500 stores to over 1,000 stores as of June 2022.

Our e-commerce service cloud segment had positive growth during the time of the COVID-19 pandemic, as evidenced by the notable GMV growth in our e-commerce service cloud operations. The

FINANCIAL INFORMATION

segment GMV rose 18.8% year-over-year to RMB8.2 billion in 2022, as offline retailers accelerated their adoption of e-commerce functions to cope with rapidly growing market demand for online retail channels and for retailers to engage with consumers who were changing their purchase behavior in a remote retail scenario. Lockdowns and movement restrictions associated with COVID-19 further allowed us to present our e-commerce platform to consumers who required emergency support to resolve grocery shopping difficulties, and allowed us to enhance consumers' digital consumption experience in moments of need.

Since the outbreak of COVID-19, we had also benefited from pandemic-specific government relief policies during challenging economic conditions as a result of the COVID-19 pandemic mainly in the form of social insurance contribution reductions. We were granted holdover of social insurance payment of approximately RMB37.0 million in 2022 across our offices in China which resulted in savings for our general cost and expenses in 2022. At the same time, we were in receipt of government support of human resources maintenance. We also received government-granted rent relief, resulting in a temporary savings for our cost of operations.

Our Directors are of the view that the overall impact of the COVID-19 pandemic on our business operation and financial performance had been immaterial, on the basis that (i) we achieved significant revenue growth from RMB848.2 million in 2021 to RMB1,328.3 million in 2022, during which the COVID-19 pandemic had the most severe impact on our operations, (ii) our customer engagement and business development efforts resulted in the number of our customers growing from 236 in 2021 to 436 in 2022, (iii) our business operations had fully resumed since China began to modify the COVID-19 policy at the end of 2022, and (iv) the negative impact of COVID-19 on our operations and revenue related to offline retail stores was balanced to a certain extent by the increased adoption of our solutions for online retail formats. See "Risk Factors—Risks Relating to our Business and Industry—Our business had been affected by the COVID-19 pandemic."

RESTRUCTURING

In April 2024, we conducted a series of restructuring transactions to divest all of our equity interests in Dmall Fresh (Beijing), our former VIE, to minimize the underlying legal and regulatory risks. The Restructuring led to the divestment of online advertising services and the cessation of the operation of the Dmall app and mini programs. At the time of the Restructuring, Dmall app was primarily associated with the provision of online advertising services under the marketing and advertising service cloud we previously operated and payment processing services under the retail core service cloud. Revenue from such payment processing services was RMB27.4 million, RMB56.2 million, RMB36.1 million, RMB19.6 million and RMB14.7 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. Gross profit from such payment processing services was negative RMB18.2 million, RMB8.4 million, RMB4.7 million, RMB4.5 million and RMB2.9 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. The financial results of our online advertising services were classified as discontinued operations in the historical financial information. Please also refer to the following table which sets forth the results of the discontinued operations.

FINANCIAL INFORMATION

	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB	RMB	RMB	RMB	RMB
	<i>(in thousands)</i>			<i>(unaudited)</i>	
Revenue	196,400	172,695	164,334	76,721	41,781
Cost of revenue	<u>(11,110)</u>	<u>(8,767)</u>	<u>(6,552)</u>	<u>(1,472)</u>	<u>(2,510)</u>
Gross profit	<u>185,290</u>	<u>163,928</u>	<u>157,782</u>	<u>75,249</u>	<u>39,271</u>
(Loss)/profit for the year/period from discontinued operations	<u>(17,027)</u>	<u>59,498</u>	<u>93,548</u>	<u>40,032</u>	<u>233,134</u>

See “Summary—Recent Developments” and “Business—Others.”

Results of discontinued operations were accounted for as a separate line item as “(loss)/profit for the year/period from discontinued operations” in the consolidated statements of profit or loss.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on past experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management’s estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Set forth below are discussions of the accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Other material accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in Note 2 and Note 3 to the Accountants’ Report in Appendix I to this document.

Material Accounting Policy Information

Revenue recognition

We derive our revenues principally from providing retail core service cloud, e-commerce service cloud and other services and products to customers.

We recognize revenue when control over a product or service is transferred to the customer, at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of our revenue and other net income/(loss) recognition policies are as follows:

Retail core service cloud

Retail core service cloud provides digitalized solutions for retailers, including operating system and AIoT solutions.

FINANCIAL INFORMATION

Operating system

The operating system our Group mainly offers is Dmall OS, which is a SaaS solution proprietary developed by our Group to digitalize retailers' operations and support intelligent business decision making by utilizing omni-channel data. Our Group is responsible for design and implementation services to the retailer customers, which are not distinct from the utilization of the SaaS solutions during the subscription period. Therefore, design and implementation services together with the SaaS solutions are determined to be one performance obligation. Our Group usually charges retailer customers a fixed implementation fee or customization fee prior to the launch of the SaaS solutions, and charges retailer customers either by taking a percentage of the volume of sales (i.e., take rate model), or by a fixed subscription fee upon the launch of the SaaS solutions.

Revenue from services of Dmall OS is recognized over the contract term. For take rate model, our Company performs the sales reconciliation with the customers on a monthly basis. Our Company issues invoices and recognizes revenue after volume of sales being agreed by customers. For fixed implementation fee, customization fee and subscription fee model, revenue is generally recognized ratably over the contract term.

AIoT solutions

AIoT solutions offer the service to retailers to build digitally integrated retail locations that consolidate offline data to achieve more efficient store management. AIoT solutions primarily comprise intelligent delivery solutions, intelligent cleaning solutions, intelligent loss prevention solutions, intelligent package sorting solutions, intelligent cashier solutions and intelligent merchandise replenishment solutions.

When an AIoT solutions contract includes multiple performance obligations, we allocate the transaction price to each performance obligation on a relative stand-alone selling price basis, which is determined based on the prices charged to or expected to recover from customers. For AIoT solutions contracts billed based on a fixed amount for a specified service period, we recognize revenue over the subscribed period. For services provided on a consumption basis, we recognize revenue based on the customer utilization of the resources when the services are rendered to the customers. For AIoT product sales, we recognize revenue when the products are delivered and have been accepted by customers.

E-commerce service cloud

Prior to the Restructuring, we operated an online-to-offline retailer platform, Dmall mobile app, for offline retailers and merchants, to facilitate their online sales of their merchandise to the consumers. We were not primarily obligated to the consumers in their purchases of merchandise, did not take inventory risk, and did not have latitude over pricing of the merchandise. Upon the completion of sales, we charged the retailers or merchants a fixed rate commission fee, as agreed in the contract, based on the sales amount. We recognized commission fees on a net basis at the point of completion of delivery of merchandise.

Meanwhile, we fulfilled the delivery needs of O2O business by utilizing riders from outsourced delivery agencies. We were primarily responsible for and guarantee identifying and directing riders to complete the deliveries requested by the consumers, and had the ability to control the related services. We considered ourselves as a principal in the delivery arrangement. Accordingly, we recognized

FINANCIAL INFORMATION

revenues resulting from delivery services on a gross basis at the point of delivery of merchandise, with the amounts paid to the riders recorded in cost of revenue.

Other revenue

Other revenue comprises offline advertising service, offline marketing products and the provision of discounts and coupons. We recognize revenue when control over a product or service is transferred to the customers at the amount of promised consideration to which we are expected to be entitled, excluding any obligation to compensate customers.

Incentives

We offer various types of incentives to retailers, merchants and consumers. We offer customers incentives for retail core service cloud and e-commerce service cloud services when the sales volume meets pre-determined amounts during a certain period. We record such incentives as deduction of revenue as we do not receive a distinct good or service or the fair value of the good or service received cannot be reasonably estimated. We, in certain circumstances, pay incentives on behalf of certain retailers and merchants to consumers, which is not treated as our incentives.

We offer consumers incentives at our discretion that are neither specific to any retailers or merchants nor contractually required by any retailers or merchants for platform transactions in order to stimulate the transaction volume on online platforms. Such consumer incentives offered to promote our platform are recognized as selling and marketing expenses.

Rental income from operating leases

We recognize rental income receivable under operating leases in profit or loss in equal installments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. We recognize lease incentives granted in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are earned.

Interest income

We recognize interest income as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For credit-impaired financial assets, the effective interest rate is applied to the amortized cost (i.e. gross carrying amount net of loss allowance) of the asset.

Government grants

We recognize government grants in the statement of financial position initially when there is reasonable assurance that they will be received and that we will comply with the conditions attached to them. We recognize grants that compensate us for expenses incurred as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

FINANCIAL INFORMATION

Convertible bond

We account for convertible bond which do not contain an equity component as follows:

We measure at initial recognition the derivative component of the convertible bond at fair value and we present it as part of derivative financial instruments. We recognize any excess of proceeds over the amount initially recognized as the derivative component as the liability component. We allocated transaction costs that relate to the issue of the convertible bond to the liability and derivative components in proportion to the allocation of proceeds. We recognize initially the portion of the transaction costs relating to the liability component as part of the liability. We recognize the portion relating to the derivative component immediately in profit or loss.

We subsequently remeasure the derivative component in accordance with Note 2(i) of the Accountants' Report in Appendix I to this document. We subsequently carry the liability component at amortized cost. We recognize the interest expense in profit or loss on the liability component as calculated using the effective interest method. If the bond is converted, we transfer the carrying amounts of the derivative and liability components as consideration for the shares issued. If the bond is redeemed, we recognize any difference between the amount paid and the carrying amounts of both components in profit or loss.

Convertible redeemable preferred shares

Our Company designated the convertible redeemable preferred shares as financial liabilities at fair value through profit or loss ("FVPL"). We initially recognize convertible redeemable preferred shares at fair value. Subsequent to initial recognition, the convertible redeemable preferred shares are re-measured to fair value at the end of each reporting period with changes in fair value being recognized in profit or loss.

Discontinued operations

A discontinued operation is a component of our business, the operations and cash flows of which can be clearly distinguished from the rest of our Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned. Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognized on the measurement of fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Significant Accounting Judgments and Estimates

Goodwill

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of cash generating units, that

FINANCIAL INFORMATION

is expected to benefit from the synergies of the combination and is tested annually for impairment by comparing the carrying amount of a CGU or CGUs to its recoverable amount.

The recoverable amount of a CGU is determined based on value-in-use calculations. In determining the value in use, the calculations use cash flow projections based on financial forecasts prepared by our management, which requires significant judgment relating to the level of revenue and amount of operating costs. We use all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs for a five-year period. Other key estimates include an estimated annual growth rate beyond the five-year period and pre-tax discount rate. Changes in these estimates could have a significant impact on the recoverable amount of the CGU or CGUs and could result in impairment charge in goodwill in future periods.

Deferred tax assets

Deferred tax assets are recognized for all temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. In assessing whether such temporary differences can be utilized in the future, we need to make judgments and estimates on the ability of each of its subsidiaries to generate taxable income in the future years. We believe we have recorded adequate deferred taxes based on the prevailing tax rules and regulations and our current best estimates and assumptions. In the event that future tax rules and regulations or related circumstances change, adjustments to deferred taxation may be necessary which would impact our results or financial position.

SUMMARY OF OUR RESULTS OF OPERATIONS

The following table sets forth our consolidated statements of profit or loss with line items in absolute amounts and as a percentage of our revenue for the years/periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>									
	<i>(unaudited)</i>									
Continuing Operations										
Revenue	848,192	100.0	1,328,264	100.0	1,585,357	100.0	764,003	100.0	939,162	100.0
Cost of revenue	(675,453)	(79.6)	(823,068)	(62.0)	(1,030,656)	(65.0)	(486,834)	(63.7)	(579,908)	(61.7)
Gross profit	172,739	20.4	505,196	38.0	554,701	35.0	277,169	36.3	359,254	38.3
Revaluation loss on property and equipment upon transfer	(37,618)	(4.4)	—	—	—	—	—	—	—	—
Valuation gains on investment property	380	*	16,972	1.3	—	—	—	—	—	—
Other net income/(loss)	37,237	4.4	170,429	12.8	115,502	7.3	23,876	3.2	(59,134)	(6.2)
Research and development expenses	(588,611)	(69.4)	(586,330)	(44.1)	(520,887)	(32.9)	(266,087)	(34.8)	(203,527)	(21.7)
Selling and marketing expenses	(444,905)	(52.5)	(238,569)	(18.0)	(150,923)	(9.5)	(84,613)	(11.1)	(42,965)	(4.6)
General and administration expenses	(208,571)	(24.6)	(251,699)	(18.9)	(259,413)	(16.4)	(110,517)	(14.5)	(133,251)	(14.2)
Impairment loss on trade and other receivables	(1,032)	(0.1)	(1,596)	(0.1)	(1,784)	(0.1)	(578)	(0.1)	(1,533)	(0.2)
Loss from operations	(1,070,381)	(126.2)	(385,597)	(29.0)	(262,804)	(16.6)	(160,750)	(21.0)	(81,156)	(8.6)
Net finance costs	(5,222)	(0.6)	(23,065)	(1.7)	(13,344)	(0.8)	(6,775)	(0.9)	(5,740)	(0.6)

FINANCIAL INFORMATION

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>									
	<i>(unaudited)</i>									
Share of profits/(losses) of associates . . .	607	0.1	—	—	—	—	—	—	(200)	*
Share of profits of a joint venture	—	—	**	*	—	—	—	—	—	—
Fair value change of convertible redeemable preferred share	(732,280)	(86.4)	(493,191)	(37.2)	(476,160)	(30.1)	(422,261)	(55.2)	(397,118)	(42.3)
Loss before taxation from continuing operations	(1,807,276)	(213.1)	(901,853)	(67.9)	(752,308)	(47.5)	(589,786)	(77.1)	(484,214)	(51.5)
Income tax (expense)/benefit	(745)	(0.1)	1,829	0.1	3,321	0.2	1,878	0.2	2,008	0.2
Loss for the year/period from continuing operations	(1,808,021)	(213.2)	(900,024)	(67.8)	(748,987)	(47.3)	(587,908)	(76.9)	(482,206)	(51.3)
Discontinued operations										
(Loss)/profit for the year/period from discontinued operations	(17,027)	(2.0)	59,498	4.5	93,548	5.9	40,032	5.2	233,134	24.8
Loss for the year/period Attributable to:	(1,825,048)	(215.2)	(840,526)	(63.3)	(655,439)	(41.4)	(547,876)	(71.7)	(249,072)	(26.5)
Equity shareholders of the Company	(1,750,680)	(206.4)	(807,406)	(60.8)	(592,361)	(37.4)	(512,618)	(67.1)	(234,875)	(25.0)
- Continuing operations	(1,733,653)	(204.4)	(866,904)	(65.3)	(685,909)	(43.3)	(552,650)	(72.3)	(468,009)	(49.8)
- Discontinued operations	(17,027)	(2.0)	59,498	4.5	93,548	5.9	40,032	5.2	233,134	24.8
Non-controlling interests	(74,368)	(8.8)	(33,120)	(2.5)	(63,078)	(4.0)	(35,258)	(4.6)	(14,197)	(1.5)
- Continuing operations	(74,368)	(8.8)	(33,120)	(2.5)	(63,078)	(4.0)	(35,258)	(4.6)	(14,197)	(1.5)

Notes:

* Less than 0.1%

** Less than RMB500

NON-IFRS MEASURE

To supplement our consolidated financial statements, which are presented in accordance with IFRS Accounting Standards, we also use adjusted loss from continuing operations (non-IFRS measure) and adjusted net margin from continuing operations (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with IFRS Accounting Standards.

We believe adjusted loss from continuing operations (non-IFRS measure) provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted loss from continuing operations (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of adjusted loss from continuing operations (non-IFRS measure) has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS Accounting Standards.

We define adjusted loss from continuing operations (non-IFRS measure) as loss for the year/period from continuing operations adjusted by adding back equity-settled share-based payment expenses, fair value change of convertible redeemable preferred shares and listing expenses. We exclude equity-settled share-based payment expenses because they are non-cash in nature, and do not result in cash outflow. Fair value change of convertible redeemable preferred shares represents fair value changes of the convertible redeemable preferred shares issued by our Company and relate to the changes in the valuation of our Company.

FINANCIAL INFORMATION

The following table reconciles adjusted loss from continuing operations (non-IFRS measure) for the years/periods presented in accordance with IFRS Accounting Standards, which is loss from continuing operations for the years/periods:

	Year Ended December 31,			Six Months Ended June 30,	
	2021	2022	2023	2023	2024
	<i>(RMB in thousands)</i>			<i>(unaudited)</i>	
Loss from continuing operations for the year/ period	<u>(1,808,021)</u>	<u>(900,024)</u>	<u>(748,987)</u>	<u>(587,908)</u>	<u>(482,206)</u>
Add:					
Equity-settled share-based payment expenses ⁽¹⁾ ..	134,140	12,530	13,620	7,229	8,330
Fair value change of convertible redeemable preferred shares ⁽²⁾	732,280	493,191	476,160	422,261	397,118
Listing expenses ⁽³⁾	—	38,391	25,859	14,537	20,372
Adjusted loss from continuing operations (non- IFRS measure) for the year/period	<u>(941,601)</u>	<u>(355,912)</u>	<u>(233,348)</u>	<u>(143,881)</u>	<u>(56,386)</u>
Adjusted net margin from continuing operations (non-IFRS measure)	<u>(111.0%)</u>	<u>(26.8%)</u>	<u>(14.7%)</u>	<u>(18.8%)</u>	<u>(6.0%)</u>

Notes:

- (1) Equity-settled share-based payment expenses mainly represent share-based compensation expenses incurred in connection with our 2016 Share Incentive Plan and 2020 Share Incentive Plan. Equity-settled share-based payment expenses are not expected to result in future cash payments. The reconciling item is non-cash and does not result in cash outflow, and the adjustment has been consistently made during the Track Record Period. The significant increase in share-based payment expenses in 2021 was mainly due to our Company accelerating the vesting of 75,000,000 RSUs in October 2021. It resulted in unrecognized share-based compensation expenses being recognized for services that our Group would have received over the remainder of the vesting period.
- (2) Fair value change of convertible redeemable preferred shares represents fair value changes of the convertible redeemable preferred shares issued by our Company and relate to changes in the valuation of our Company. We do not expect to record any further changes in fair value of the convertible redeemable preferred shares after the Listing as such convertible redeemable preferred shares will be converted from liabilities to equity as a result of the automatic conversion into ordinary shares upon the Listing. The reconciling item is non-cash and does not result in cash outflow. The convertible redeemable preferred shares will be redesignated from liabilities to equity as a result of automatic conversion into ordinary shares upon the Listing such that the net liabilities position would turn into a net asset position.
- (3) Listing expenses represent expenses related to the Global Offering.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF CONTINUING OPERATIONS

Revenue

During the Track Record Period, we derived our revenue primarily from the provision of our services of retail core service cloud and e-commerce service cloud. Our revenue increased by 56.6% from RMB848.2 million in 2021 to RMB1,328.3 million in 2022, and further increased by 19.4% to RMB1,585.4 million in 2023. Our revenue increased by 22.9% from RMB764.0 million in the six months ended June 30, 2023 to RMB939.2 million in the same period in 2024.

FINANCIAL INFORMATION

Revenue by Operating Segment

The following table sets forth a breakdown of our revenue by operating segment both in absolute amount and as a percentage of our revenue for the years/periods presented:

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>									
	<i>(unaudited)</i>									
Retail core service cloud . . .	438,814	51.7	880,502	66.3	1,298,730	81.9	602,255	78.8	933,185	99.4
- Operating system	288,481	34.0	616,529	46.4	680,043	42.9	330,655	43.3	419,838	44.7
- AIoT solutions	150,333	17.7	263,973	19.9	618,687	39.0	271,600	35.5	513,347	54.7
- Take rate	113,894	13.4	105,638	8.0	66,057	4.2	36,624	4.8	28,878	3.1
- Subscription	16,693	2.0	85,885 ⁽¹⁾	6.5	516,473 ⁽¹⁾	32.6	211,403 ⁽¹⁾	27.7	479,418 ⁽¹⁾	51.1
- Product sales	19,746	2.3	72,450 ⁽²⁾	5.4	36,157 ⁽²⁾	2.2	23,573	3.0	5,051	0.5
E-commerce service										
cloud	409,312	48.3	447,487	33.7	300,006	18.9	160,465	21.0	4,279	0.4
Others	66	*	275	*	(13,379)	(0.8)	1,283	0.2	1,698	0.2
Revenue	848,192	100.0	1,328,264	100.0	1,585,357	100.0	764,003	100.0	939,162	100.0

Note:

* Less than 0.1%

(1) There was a general increase in the subscription fees under our AIoT solutions, mainly attributable to a greater adoption of such solutions by customers as we expanded our AIoT service during the Track Record Period, including intelligent loss prevention solutions in early 2022, as well as intelligent merchandise replenishment solutions, intelligent package sorting solutions, intelligent cashier solutions, intelligent cleaning solutions and intelligent delivery solutions in 2023.

(2) The increase in our product sales under AIoT solutions from RMB19.7 million in 2021 to RMB72.5 million in 2022 was resulted from the expansion of our product offerings of digitalized smart tags in late 2021. The decrease from RMB72.5 million in 2022 to RMB36.2 million in 2023 was mainly due to the majority of our retailer customers' stores having completed their digitalized smart tags adoption by 2022.

Retail core service cloud

We generate revenue from retail core service cloud solutions primarily by (i) charging take rate from our retailer customers based on the customers' GMV processed through operating system or subscription fees for utilizing operating system, as well as customization, implementation, software development and maintenance fees, and (ii) charging product and service fees from customers utilizing our AIoT solutions. The take rate and subscription fees we charge are determined based on various factors, including, among others, the number of modules subscribed, the subscription period, the customer's total GMV transacted through our platform, and the size and operational scope of our customers. The customization, implementation, software development and maintenance fees we charge are determined based on the number of modules subscribed through our operating system as well as the scale and complexity of our customers' businesses.

In 2021, 2022, 2023 and six months ended June 30, 2023 and 2024, revenues from our retail core service cloud solutions were RMB438.8 million, RMB880.5 million, RMB1,298.7 million, RMB602.3 million and RMB933.2 million, respectively, representing 51.7%, 66.3%, 81.9%, 78.8% and 99.4% of our revenue in the same years/periods. The increases in our revenue from retail core service cloud solutions during the Track Record Period was primarily due to (i) an increase in GMV processed through the operating system as a result of (a) a greater number of customers adopting our operating system as we continue to attract, retain and cooperate with enterprise retail customers through expanded business development channels and (b) the expansion of our product portfolio and modules, (ii) an increase in sales generated from greater adoption of our AIoT solutions by customers as we expanded our AIoT service and

FINANCIAL INFORMATION

product offerings during the Track Record Period, (iii) an increase in revenue associated with our acquisition of Shenzhen Enjoy in November 2021 which contributed revenue of RMB23.7 million, RMB72.1 million, RMB82.7 million, RMB37.2 million and RMB36.3 million in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively, representing mainly software development and maintenance service fees under our operating system segment, and (iv) new customization revenues from existing customers who demanded additional customized functionalities on our operating system due to respective business needs.

E-commerce service cloud

During the Track Record Period, we generated revenue from e-commerce service cloud solutions primarily by (i) charging retailers and brand owners a percentage of the customers' GMV processed through our O2O platform, particularly our Dmall mobile app and mini-programs, and (ii) charging consumers delivery fee upon completion of each delivery order in connection with transactions through our O2O platform.

In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, revenues from our e-commerce service cloud solutions were RMB409.3 million, RMB447.5 million, RMB300.0 million, RMB160.5 million and RMB4.3 million, respectively, representing 48.3%, 33.7%, 18.9%, 21.0% and 0.5% of our revenue in the same years/periods. The increase in our revenue from e-commerce service cloud solutions from 2021 to 2022 was primarily due to (i) the increase in total GMV processed through our O2O platform together with the expansion of our customer base and (ii) an increase in take rate we charged for certain retailer customers. The decrease in our revenue from e-commerce service cloud solutions from 2022 to 2023 was primarily due to (i) the decrease in O2O platform service fees as a result of certain customers opt to operate O2O e-commerce business in-house, where they manage their own day-to-day O2O operations, (ii) the decrease in GMV processed and number of delivery orders placed through our platform for certain major retailer customer and (iii) the cessation of our O2O e-commerce business that we used to provide to DFI Retail Group along with our disposal of DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited in April 2022. For details, see "History, Reorganization and Corporate Structure—Acquisitions and Disposals—(4) DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited."

By the end of 2023, all our customers had transitioned to in-house O2O operation, where they manage their own day-to-day O2O operations. Consequently, the bulk of the services we provided under the e-commerce service clouds during the Track Record Period, such as the operational support for their online stores and delivery services, had been phased out. As we phased out the bulk of services provided under the e-commerce service clouds by the end of 2023, the remaining services we provided under the e-commerce service cloud solutions did not generate material revenue in 2024. After the Restructuring, we do not operate any business under the e-commerce service cloud. See "Summary—Recent Developments" and "Business—E-commerce service cloud solutions."

Others

During the Track Record Period, the services we provided under our other business segment primarily included offline marketing services, offline marketing products and the provision of discounts and coupons. We determined the price of our offline marketing services, including both advertisement placement and related consultation services, on a case-by-case basis based on various factors, including, among others, the format and duration of the advertisement, targeting scope and display location, among others. Our offline marketing products are priced based on an arm's length negotiation with our customers based on the type of products provided and the relevant amount and specifications. See also "Business—Marketing Resource Collaboration Agreement with Chongqing Department Store."

FINANCIAL INFORMATION

In 2021, 2022 and 2023, revenue generated from others was RMB0.07 million, RMB0.3 million and negative RMB13.4 million, respectively. We recorded gross loss from others in 2023, primarily due to an amount of RMB18.9 million we provided to Chongqing Department Store representing the equivalent value shortage of marketing resources. We entered into a marketing resource collaboration agreement with Chongqing Department Store in late 2022, pursuant to which we agreed to assist Chongqing Department Store Group's marketing activities by gathering marketing resources from third party market participants (including but not limited to brand owners, payment solution operators, banks and other businesses or organizations) of not less than RMB50 million in value per calendar year during the service period from January 1, 2023 to December 31, 2025. We determined the RMB50 million threshold based on the amount of merchandise coupon resources we estimated we could gather in 2023, multiplied by the estimated merchandise coupon usage rate. In 2023, as the marketing resources was less than RMB50 million in value, we paid the resultant value shortage to Chongqing Department Store. The merchandise coupon usage rate of consumers in 2023, calculated by dividing the value of merchandise coupons used by consumers by the value of merchandise coupon resources provided by us, has been unexpectedly lower than in 2021 and 2022, resulting in our failure to meet the target for 2023. The lower merchandise coupon usage rate in 2023 was primarily due to the decrease in consumers' willingness to spend. In the six months ended June 30, 2023 and 2024, revenue generated from others was RMB1.3 million and RMB1.7 million, respectively.

Revenue by Geographic Location

Apart from the Chinese mainland, we have successfully expanded our businesses into markets outside the Chinese mainland, namely Hong Kong SAR, Cambodia, Singapore, Malaysia, Poland, Macau SAR, Indonesia, the Philippines and Brunei. We are also in the initial stage venturing into the European market through our collaboration with Metro Group, a leading wholesaler headquartered in Germany.

The following table sets forth the breakdown of our revenue by geographic region, expressed as an absolute amount and as a percentage of our revenue, for the years/periods presented:

	Year Ended December 31,						Six Months Ended June 30,				
	2021		2022		2023		2023		2024		
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	
	<i>(in thousands, except percentages)</i>						<i>(unaudited)</i>				
The Chinese											
Mainland	827,936	97.6	1,247,930	94.0	1,462,096	92.2	705,676	92.4	864,121	92.0	
Overseas											
- Hong Kong	18,312	2.2	76,502	5.8	113,428	7.2	54,013	7.1	60,000	6.4	
- Cambodia	989	0.1	2,598	0.2	4,842	0.3	2,628	0.3	2,389	0.3	
- Singapore	955	0.1	971	*	2,309	0.1	948	0.1	4,712	0.5	
- Malaysia	—	—	—	—	1,687	0.1	—	—	223	*	
- Poland	—	—	239	*	667	*	667	0.1	2	*	
- Macau	—	—	24	*	328	*	71	*	550	0.1	
- Indonesia	—	—	—	—	—	—	—	—	1,260	0.1	
- the Philippines	—	—	—	—	—	—	—	—	5,627	0.6	
- Brunei	—	—	—	—	—	—	—	—	278	*	
Total	848,192	100.0	1,328,264	100.0	1,585,357	100.0	764,003	100.0	939,162	100.0	

Note:

* Less than 0.1%

FINANCIAL INFORMATION

The Chinese Mainland

In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, revenue generated from the Chinese mainland were RMB827.9 million, RMB1,247.9 million, RMB1,462.1 million, RMB705.7 million and RMB864.1 million, respectively, representing 97.6%, 94.0%, 92.2%, 92.4% and 92.0% of our revenue in the same years/periods. Our revenue growth in the Chinese mainland from 2021 to 2022 was primarily due to the expansion of the Chinese mainland's retail cloud solution market, a greater subscription and utilization of Dmall OS system, and the continued growth of our high-quality enterprise customer portfolio. The increase in revenue generated from the Chinese mainland from 2022 to 2023 and from the six months ended June 30, 2023 to the same period in 2024 was mainly attributable to a greater adoption of such solutions by customers as we expanded our AIoT solutions including intelligent merchandise replenishment solutions, intelligent package sorting solutions, intelligent cashier solutions, intelligent cleaning solutions and intelligent delivery solutions in 2023.

Overseas

In 2021, 2022, 2023 the six months ended June 30, 2023 and 2024, revenue generated from overseas markets were RMB20.3 million, RMB80.3 million, RMB123.3 million, RMB58.3 million and RMB75.0 million, respectively, representing 2.4%, 6.0%, 7.8%, 7.6% and 8.0% of our revenue from continued operations in the same years/periods. Our revenue growth in overseas markets was primarily due to an increase in the adoption of our retail cloud solutions in Hong Kong SAR, Cambodia, Singapore, Malaysia, Poland, Macau SAR, Indonesia, the Philippines and Brunei, as we enter into long-term cooperation agreements with leading overseas enterprise retailers and an increase in GMV processed through our operating system from overseas retailer customers.

Cost of Revenue

Our cost of revenue primarily consists of (i) logistics costs, representing the cost of logistics service providers associated with our O2O delivery services (ii) employee benefit expenses, representing salaries for our implementation, operation and maintenance services staff, (iii) cost of inventories sold, representing procurement cost and product design cost of our AIoT solutions and other services, (iv) payment processing costs, representing fees paid to our payment processing providers, (v) cloud service, bandwidth and server custody fees, representing fees incurred for the purchase or rental of cloud and bandwidth services and servers, (vi) outsourcing and other labor costs mainly from our retail core service cloud solutions including intelligent loss prevention, intelligent merchandise replenishment solutions, intelligent package sorting solutions, intelligent cashier solutions, intelligent cleaning solutions, intelligent delivery solutions, and e-commerce service cloud solutions, (vii) customer services support fees, representing service fees charged by third-party customer service vendors who provide call center services for our O2O platform, and (viii) others, mainly including depreciation and amortization costs, text messaging cost associated with our text messaging services, travel expenses, taxes and surcharges, and others.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our cost of revenue by nature in amounts and as percentages of our revenue for the years/periods presented:

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>									
	<i>(unaudited)</i>									
Logistics costs	383,125	45.2	342,834	25.8	233,454	14.7	126,213	16.5	—	—
Employee benefit expenses	104,458	12.3	180,300	13.6	132,288	8.3	76,475	10.0	49,150	5.2
Outsourcing and other labor costs	5,073	0.6	49,069	3.7	465,496	29.4	190,698	25.0	439,715	46.8
Payment processing costs	67,179	7.9	67,901	5.1	41,709	2.6	21,853	2.9	11,944	1.3
Cost of inventories sold	27,528	3.2	70,724	5.3	31,725	2.0	20,719	2.7	11,348	1.2
Cloud service, bandwidth and server custody fees	46,419	5.5	59,514	4.5	40,355	2.5	21,127	2.8	14,804	1.6
Customer service fees	22,535	2.7	19,128	1.4	11,696	0.7	6,060	0.8	—	—
Others	19,136	2.2	33,598	2.6	73,933	4.8	23,689	3.0	52,947	5.6
Total	675,453	79.6	823,068	62.0	1,030,656	65.0	486,834	63.7	579,908	61.7

During the Track Record Period, the three largest components of our cost of revenue were logistics costs, employee benefit expenses and outsourcing and other labor costs. Our logistics costs decreased from RMB383.1 million in 2021 to RMB342.8 million in 2022, in line with the growth of our e-commerce service cloud solutions, partially offset by (i) certain customers transitioning to an in-house delivery model in lieu of using our on-demand delivery service and (ii) our efforts to reduce logistics costs for our O2O business as we introduced the delivery vendor bidding since April 2020. Our logistics costs decreased from RMB342.8 million in 2022 to RMB233.5 million in 2023, primarily due to (i) the decrease in delivery order volume for certain major customer and (ii) the cessation of our O2O e-commerce business we used to provide to DFI Retail Group along with our disposal of DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited in April 2022. For details, see “History, Reorganization and Corporate Structure—Acquisitions and Disposals—(4) DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited.” Our logistics costs decreased from RMB126.2 million in the six months ended June 30, 2023 to nil in the same period in 2024, primarily due to the cessation of the e-commerce service cloud solutions due to product optimization.

Our employee benefit expenses increased from RMB104.5 million in 2021 to RMB180.3 million in 2022, primarily due to the increase in our number of employees in line with our overall business growth, especially those associated with the implementation of our operating system in overseas markets. Our employee benefit expenses decreased from RMB180.3 million in 2022 to RMB132.3 million in 2023 and from RMB76.5 million in the six months ended June 30, 2023 to RMB49.2 million in the same period in 2024, primarily due to our concerted efforts to optimize our labor structure and increase overall operational efficiency.

Outsourcing and other labor costs mainly represent the labor costs we incurred for our collaboration with outsourcing service providers to support (i) our AIoT solutions which involve in-store personnel deployment in addition to digital services and (ii) our e-commerce service cloud solutions where we stimulated traffic for our O2O platform via offline promotions. See “Business—Retail Core Service Cloud—Service Components—AIoT Solutions.” Our outsourcing and other labor costs increased from RMB5.1 million in 2021 to RMB49.1 million in 2022, and RMB465.5 million in 2023, and from RMB190.7 million in the six months ended June 30, 2023 to RMB439.7 million in the same period in 2024, primarily due to the launch and expansion of our new AIoT solutions, including our intelligent loss

FINANCIAL INFORMATION

prevention solutions in early 2022 and our intelligent merchandise replenishment solutions, intelligent package sorting solutions, intelligent cashier solutions, intelligent cleaning solutions and intelligent delivery solutions in 2023. Our new AIoT solutions generally incur higher outsourcing and other labor costs at their launching stage, during which in-store personnel deployment to facilitate the adoption of our solutions by our outsourcing service providers are the most common. This is primarily because we need to deploy more personnel to assist our customers in familiarizing themselves with the new products and workflows during the product launching stage. After the launching stage, our AIoT solutions generally continue to incur outsourcing and other labor costs due to continued use of outsourcing service providers to support our AIoT solutions, and finally the outsourcing and other labor costs gradually decline to a stable level as our AIoT solutions mature, which based on our estimates will happen generally within three years. Take the intelligent merchandise solutions for example: outsourced personnel authenticate their identity through a mobile workstation, and the system records their online status. When replenishment tasks arise, the system generates task orders which are then claimed by the outsourced personnel. They complete the replenishment tasks according to designated workflow, and crucial milestones are recorded by the system and verified by cameras. The efficiency of outsourced personnel in replenishment operations tends to improve over time as we and retailers streamline workflows and optimize work allocation, and as relevant personnel become more familiar with the products and workstream. We contract with third-party labor outsourcing companies that recruit their own skilled employees, ensuring a consistently high level of replenishment efficiency. Moreover, the intelligent merchandise solutions system strategically plans for the location of commodities at retail locations, which significantly minimizes the time spent by personnel in locating goods. These together result in enhanced personnel efficiency and cost reduction as the intelligent merchandise solutions mature. See “Business—Employees—Dispatched Workers.”

Our payment processing costs remained relatively stable at RMB67.2 million in 2021 and RMB67.9 million in 2022. Our payment processing costs decreased from RMB67.9 million in 2022 to RMB41.7 million in 2023, primarily due to the decrease in sales volume processed through our Scan-and-Go solutions and O2O platforms. Our payment processing costs decreased from RMB21.9 million in the six months ended June 30, 2023 to RMB11.9 million in the same period in 2024, primarily due to the disposal of payment processing services as a result of the Restructuring.

Our cost of inventories sold increased from RMB27.5 million in 2021 to RMB70.7 million in 2022, primarily as a result of an increase in purchase and design costs due to increased sales for AIoT solutions including digitalized smart tags. Our cost of inventories sold decreased from RMB70.7 million in 2022 to RMB31.7 million in 2023, as the majority of our retailer customers’ stores have completed their digitalized smart tags adoption by 2022. Our cost of inventories decreased from RMB20.7 million in the six months ended June 30, 2023 to RMB11.3 million in the same period in 2024, primarily due to a decrease in procurement from our customers.

Our others costs increased from RMB19.1 million in 2021 to RMB33.6 million in 2022, primarily due to (i) network costs relating to operating system business in 2022, (ii) travel expenses, and (iii) others. Our other costs increased from RMB33.6 million in 2022 to RMB73.9 million in 2023 and from RMB23.7 million in the six months ended June 30, 2023 to RMB52.9 million in the same period in 2024, primarily due to text messaging costs incurred to meet the business needs of customers under our retail core service solutions.

FINANCIAL INFORMATION

The following table sets forth the breakdown of our cost of revenue by operating segment in amounts and as percentages of our revenue for the years/periods presented:

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>									
	<i>(unaudited)</i>									
Retail core service										
cloud	178,651	21.1	385,932	29.1	757,009	47.8	336,947	44.1	564,619	60.1
E-commerce service										
cloud	496,802	58.5	437,136	32.9	269,148	17.0	147,911	19.4	2,571	0.3
Others	—	—	—	—	4,499	0.2	1,976	0.3	12,718	1.4
Total	<u>675,453</u>	<u>79.6</u>	<u>823,068</u>	<u>62.0</u>	<u>1,030,656</u>	<u>65.0</u>	<u>486,834</u>	<u>63.7</u>	<u>579,908</u>	<u>61.7</u>

Our cost of revenue for our retail core service cloud solutions increased from RMB178.7 million in 2021 to RMB385.9 million in 2022, primarily due to an increase in (i) direct labor costs associated with implementation, operation and maintenance of operating system solutions as well as operation of AIoT solutions due to the general business expansion, (ii) purchase and design costs due to increased sales for AIoT solutions including digitalized smart tags, (iii) third-party labor costs from the launch of intelligent loss prevention solutions in early 2022 and (iv) cloud server rental fees consistent with our expanding operating system operations. Our cost of revenue for our retail core service cloud solutions increased from RMB385.9 million in 2022 to RMB757.0 million in 2023, primarily due to an increase in third-party labor costs as we launched intelligent merchandise replenishment solutions, intelligent package sorting solutions, intelligent cashier solutions, intelligent cleaning solutions and intelligent delivery solutions in 2023, which was partially offset by the decrease in our cost of inventories sold as the majority of our retailer customers' stores have completed their digitalized smart tags adoption in late 2022. Our cost of revenue for our retail core service cloud solutions increased from RMB336.9 million in the six months ended June 30, 2023 to RMB564.6 million in the same period in 2024, primarily due to an increase in third-party labor costs as we expanded our intelligent merchandise replenishment solutions, intelligent package sorting solutions, intelligent cashier solutions, intelligent cleaning solutions and intelligent delivery solutions.

Our cost of revenue for our e-commerce service cloud solutions decreased from RMB496.8 million in 2021 to RMB437.1 million in 2022, and further decreased to RMB269.1 million in 2023, primarily due to (i) lower logistics costs due to the establishment of a delivery service bidding process as well as certain customers' transitioning to an in-house delivery model in lieu of using our on-demand delivery service and (ii) lower labor costs, customer service costs and cloud service costs as a result of our strategic decision to control costs and limit investment in our O2O operations. Our cost of revenue for our e-commerce service cloud solutions decreased from RMB147.9 million in the six months ended June 30, 2023 to RMB2.6 million in the same period in 2024, primarily due to the cessation of the e-commerce service cloud solutions due to product optimization.

Our cost of revenue for others was nil in 2021, nil in 2022 and RMB4.5 million in 2023. Our cost of revenue for others increased from RMB2.0 million in the six months ended June 30, 2023 to RMB12.7 million in the same period in 2024, primarily due to the additional cost of products sold to our certain customer.

FINANCIAL INFORMATION

Gross Profit and Gross Margin

Our gross profit represents our revenue less our cost of revenue. Our gross profit margin represents our gross profit as a percentage of our revenue. We had a gross profit margin of 20.4%, 38.0%, 35.0%, 36.3% and 38.3% in the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively. The increase from 2021 to 2022 was driven by our strategic shift towards high-gross-margin operating segments and greater revenue contribution of our retail core service cloud business, which has a notably high gross profit margin. The decrease from 2022 to 2023 was due to the change in our product mix with greater adoption of our AIoT solutions by our customers, which has a relatively lower gross profit margin compared to our other products. The increase from the six months ended June 30, 2023 to the same period of 2024 was driven by our efforts to improve the efficiency of our outsourced labor under our AIoT solutions.

The following table sets forth our gross profit in absolute amounts and as percentages of relevant segment revenue, or gross margin, for the years/periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	Gross Profit/(Loss)	Gross Margin	Gross Profit	Gross Margin	Gross Profit/(Loss)	Gross Margin	Gross Profit/(Loss)	Gross Margin	Gross Profit/(Loss)	Gross Margin
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>						<i>(unaudited)</i>			
Retail core service										
cloud	260,163	59.3	494,570	56.2	541,721	41.7	265,308	44.1	368,566	39.5
<i>Operating</i>										
<i>system</i>	209,300	72.6	436,128	70.7	478,330	70.3	234,728	71.0	322,233	76.8
<i>AIoT solutions</i> . . .	50,863	33.9	58,442	22.2	63,391	10.2	30,580	11.3	46,332	9.0
E-commerce service										
cloud	(87,490)	(21.4)	10,351	2.3	30,858	10.3	12,554	7.8	1,708	39.9
Others	66	100.0	275	100.0	(17,878)	—	(693)	(54.0)	(11,020)	(649.0)
Total	<u>172,739</u>	<u>20.4</u>	<u>505,196</u>	<u>38.0</u>	<u>554,701</u>	<u>35.0</u>	<u>277,169</u>	<u>36.3</u>	<u>359,254</u>	<u>38.3</u>

The retail core service cloud solutions segment had a gross profit margin of 59.3%, 56.2%, 41.7%, 44.1%, 39.5% in the years ended December 31, 2021, 2022, 2023 and six months ended June 30, 2023 and 2024, respectively, driven by increased scale of our AIoT solutions with relatively lower gross margins in comparison to other components of our retail core service cloud solutions.

The e-commerce service cloud solutions segment had a gross margin of negative 21.4%, 2.3% and 10.3% in the years ended December 31, 2021 and 2022 and 2023, respectively. The gross loss margin in 2021 and the low gross profit margin in 2022 and 2023 were mainly due to high logistics cost incurred from the delivery service we provided to consumers to fulfill their delivery orders, accounting for over 70% of revenue from our e-commerce service cloud solutions. Our gross margin increased from 2.3% in 2022 to 10.3% in 2023 primarily due to the decrease in logistics costs as certain customers opt to operate O2O e-commerce business in-house, where they manage their own day-to-day O2O operations. The e-commerce service cloud solutions segment had a gross profit margin of 7.8% and 39.3% in the six months ended June 30, 2023 and 2024, respectively, due to the cessation of e-commerce service cloud solutions by the end of 2023. We discontinued providing the cost-intensive logistics services when customers transitioned their O2O operations in-house, which also contributed to an increase in the gross margin of our e-commerce service cloud.

FINANCIAL INFORMATION

We adopted a competitive bidding process in April 2020 which we believe provides a thorough way for us to evaluate a logistics service provider's service proposal and competencies. After the introduction of our delivery service bidding process, our Company terminated cooperation with substantially all delivery vendors with minimum order quantity requirements which required us to account for the gap amount of delivery fees when the required minimum quantity of O2O delivery orders was not met. By enhancing our fulfillment capabilities in O2O business with collaboration with a larger delivery vendor base through our delivery bidding process, we have also reduced our subsidy granted to riders during high demand periods since 2021.

Others had a gross profit margin of 100.0% in 2021 and 2022 and of negative 54.0% and negative 649.0% in the six months ended June 30, 2023 and 2024, respectively. We recorded negative revenue for others in 2023.

We completed our acquisition of Shenzhen Enjoy in November 2021. As a result, in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, the gross profit contributed from Shenzhen Enjoy were RMB16.5 million, RMB55.4 million, RMB58.0 million, RMB27.8 million and RMB23.4 million, respectively. For details, see "History, Reorganization and Corporate Structure—Acquisitions and Disposals—Shenzhen Enjoy."

Other net income/(loss)

Our other net income/(loss) primarily consists of (i) gains from disposal of subsidiaries, (ii) government grants and tax preference relating to financial assistance from local authorities in China and additional deductible input value-added tax, (iii) fair value change in financial assets measured at FVPL, (iv) rental income from investment property, (v) investment income from wealth management products, and (vi) gain from re-measurement of previously held equity interest upon acquisition of Shenzhen Enjoy. There were no unfulfilled conditions or contingencies relating to the government grants income recorded during the Track Record Period.

The following table sets forth a breakdown of the major components of our other net income/(loss) in both in absolute amount and as a percentage of revenue for the years/periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>									
	<i>(unaudited)</i>									
Government grants and tax preference	15,890	1.5	52,849	3.5	71,653	4.1	22,620	3.0	26,486	2.8
Rental income	230	*	2,451	0.2	—	—	—	—	—	—
Investment income from wealth management products	6,841	0.7	1,195	0.1	167	*	46	*	547	0.1
Fair value change in financial assets measured at FVPL	11,433	1.1	12,460	0.8	43,762	2.5	1,374	0.2	(87,107)	(9.2)
Gain from re-measurement of equity interest upon acquisition	2,782	0.3	—	—	—	—	—	—	—	—
Gain/(loss) on disposal of subsidiaries	—	—	100,131	6.7	(1)	*	—	—	—	—
Others	61	*	1,343	0.1	(79)	*	(164)	*	940	0.1
Total	37,237	4.4	170,429	12.8	115,502	7.3	23,876	3.2	(59,134)	(6.2)

Note:

* Less than 0.1%

FINANCIAL INFORMATION

Our other net income/(loss) increased from RMB37.2 million in 2021 to RMB170.4 million in 2022, primarily due to (i) gains from our disposal of DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited and (ii) an increase in government grants and tax preference, partially offset by a decrease in investment income from wealth management products. Government grants and tax preference mainly represent cash grants we received from provincial and municipal governments in Guangdong, China, in connection with capital increases in our Shenzhen WOFE from its overseas shareholder pursuant to government policies encouraging overseas investments in local enterprises. Such grants are generally calculated as a percentage of the actual capital increase amount received by such WOFE in the immediate prior year, capped at RMB100.0 million. Our government grants and tax preference increased from RMB15.9 million in 2021 to RMB52.8 million in 2022, mainly attributable to the increase in capital injection into our WOFE from overseas shareholders, resulting in additional grants of RMB32.0 million from the municipal government of Shenzhen, Guangdong.

Our other net income/(loss) decreased from RMB170.4 million in 2022 to RMB115.5 million in 2023, primarily due to (i) the absence of a one-off gain of RMB100.1 million from disposal of DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited in April 2022, and (ii) the absence of rental income from investment properties held in Shenzhen, Guangdong, following the disposal of Dmall (Shenzhen) Development in 2022, partially offset by the increase in (i) fair value change in financial assets measured at FVPL as a result of the increased valuation of Guoquan and (ii) government grants and tax preference as a result of the utilization of additional deductible input value-added tax in 2023.

Our other net income/(loss) decreased from RMB23.9 million in the six months ended June 30, 2023 to negative RMB59.1 million in the same period in 2024, primarily due to a decrease in fair value change in financial assets measured at FVPL as a result of the decreased valuation of Guoquan.

Disposal of DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited

Pursuant to the share and business transfer agreement dated April 4, 2022, 100% equity interest in each of DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited (formerly known as Retail Technology (Hong Kong) Limited and Retail Technology (Singapore) PTE. Ltd.) was acquired from Retail Technology Asia for a consideration valued at US\$6.9 million (the “Transactions”). The consideration was determined based on arm’s length negotiation between our Company and DFI Retail Group. Prior to the disposal, DFI Digital (Hong Kong) Limited served as an operating entity of Retail Technology Asia to provide Dmall OS solutions and services in relation to O2O business to DFI Retail Group, and DFI Digital (Singapore) PTE. Limited was an operating entity domiciled in Singapore to provide O2O services to local retailer customers operated by DFI Retail Group. At the time of disposal, O2O business mainly refers to the included online ordering and delivery services DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited provided to DFI Retail Group for which to sell products to consumers online via software and digital applications, including customer mobile applications, e-commerce website, e-commerce operations team, e-commerce picking and delivery operations, digitalized smart tag, customer service call centers, smart trolley and last mile delivery services. The disposal was based on the Group’s overall strategic considerations to focus on our core business as a one-stop digitalization solutions provider, enhance Retail Technology Asia’s service capabilities to facilitate our global expansion and build a more sustainable business model for strong and visible growth. Upon completion of such transfer, DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited became owned as to 100% by DFI Retail Group and Retail Technology Asia continued to provide Dmall OS solutions to DFI Retail Group.

FINANCIAL INFORMATION

The financial information of the disposed subsidiaries at the disposal date are set out as below:

	RMB'000
Cash and cash equivalents	35,616
Trade receivables	8,521
Prepayments, deposits and other receivables	192,394
Property and equipment	492
Trade payables	(27,678)
Accrued expenses and other payables	<u>(265,604)</u>
Net liabilities	(56,259)
Net cash outflow arising on disposal:	
Consideration received, satisfied in cash	—
Less: cash and cash equivalents disposed of	<u>35,616</u>
Net cash outflow	<u><u>(35,616)</u></u>

The disposed entities, namely DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited, were incorporated in 2020 and 2021, respectively, focusing on providing operating system and O2O services to our retailer customers primarily by charging a take rate. During their ordinary course of business, these entities incurred costs and expenses including employee benefit expenses and cloud service fees for their overall business growth. They also incurred logistics costs, expenses for promotional and marketing activities and customer service fees specifically for providing O2O services. As these entities had not achieved economies of scale despite relatively large spending associated with their O2O operations since their incorporation, they incurred accumulated losses as of March 31, 2022. These entities were in net liabilities position as of March 31, 2022 primarily due to their accumulated operating losses. See Note 32 of the Accountants' Report in Appendix I to this document.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) promotion and marketing expenses, which primarily represent marketing incentives and advertising expenses we incur when marketing our cloud solutions, (ii) employee benefit expenses for our selling and marketing personnel, and (iii) others, which primarily represent travel and entertainment expenses and depreciation and amortization. Our selling and marketing expenses in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024 were RMB444.9 million, RMB238.6 million, RMB150.9 million, RMB84.6 million and RMB43.0 million, respectively, accounting for 52.5%, 18.0%, 9.5%, 11.1% and 4.6% of our revenue, respectively.

FINANCIAL INFORMATION

The following table sets forth details of our selling and marketing expenses both in absolute amount and as a percentage of our revenue for the years/periods indicated:

	Year Ended December 31,						Six Months Ended June 30			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>									
	<i>(unaudited)</i>									
Expenses of promotion and marketing activities	245,246	28.9	118,358	8.9	48,002	3.0	29,737	3.9	2,075	0.2
Employee benefit expenses	177,243	20.9	101,806	7.7	80,980	5.1	44,832	5.9	30,108	3.2
Others	22,416	2.7	18,405	1.4	21,941	1.4	10,044	1.3	10,782	1.2
Total	444,905	52.5	238,569	18.0	150,923	9.5	84,613	11.1	42,965	4.6

Our selling and marketing expenses decreased from RMB444.9 million in 2021 to RMB238.6 million in 2022 further decreased to RMB150.9 million in 2023, and decreased from RMB84.6 million in the six months ended June 30, 2023 to RMB43.0 million in the same period in the 2024, primarily due to (i) the decrease in promotion and marketing expenses as a result of reduced promotional incentives to retail consumers and our strategic decision to limit investment in our O2O operations and (ii) the decrease in employee benefit expenses as a result of our efforts to control costs and optimize our operational efficiency.

General and Administration Expenses

Our general and administrative expenses primarily consist of (i) employee benefit expenses for our administrative personnel, (ii) professional service fees, which primarily represent fees paid to third parties for professional services they provided, (iii) depreciation and amortization, (iv) expenses relating to short-term leases and leases of low-value assets, incurred primarily for office leases with lease terms no more than 12 months, property management services fees, and leases for low-value assets representing leases of printers for general office use and (v) others, which primarily represent travel and entertainment expenses as well as general office expenses. Our general and administrative expenses in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024 were RMB208.6 million, RMB251.7 million, RMB259.4 million, RMB110.5 million and RMB133.3 million, respectively, accounting for 24.6%, 18.9%, 16.4%, 14.5% and 14.2% of our revenue, respectively.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our general and administrative expenses both in absolute amount and as a percentage of our revenue for the years/periods indicated:

	Year Ended December 31,						Six Months Ended June 30			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>									
	<i>(unaudited)</i>									
Employee benefit expenses	126,855	15.0	145,910	11.0	185,373	11.7	73,645	9.6	86,473	9.2
Depreciation and amortization	30,503	3.6	23,489	1.8	15,686	1.0	7,888	1.0	6,112	0.7
Professional fees	34,370	4.1	54,709	4.1	34,572	2.2	18,672	2.4	23,649	2.5
Expenses relating to short-term leases and leases of low-value assets ⁽¹⁾	5,977	0.7	4,312	0.3	3,852	0.2	1,924	0.3	1,234	0.1
Outsourcing and other labor costs	715	0.1	8,069	0.6	1,856	0.1	411	0.1	8,503	0.9
Others	10,151	1.1	15,210	1.1	18,074	1.2	7,977	1.1	7,280	0.8
Total	208,571	24.6	251,699	18.9	259,413	16.4	110,517	14.5	133,251	14.2

Note:

- (1) Expenses relating to short-term leases and leases of low-value assets are internally allocated to different functions for their respective uses and are respectively recorded under cost of revenue, general and administration expenses, research and development expenses, or selling and marketing expenses, if any.

The increase in our general and administrative expenses from RMB208.6 million in 2021 to RMB251.7 million in 2022, was primarily due to (i) increases in employee benefit expenses associated with (a) increases in our number of administrative personnels primarily driven by our growing demand for business expansion in 2022, (b) new labor structure optimization costs related to our cost control measures in 2022 and (c) additional employee benefit expenses associated with our acquisition of Shenzhen Enjoy in November 2021, and (ii) increases in financing-related costs and consulting fees paid to professional parties including listing expenses incurred. The increase in our general and administrative expenses from RMB251.7 million in 2022 to RMB259.4 million in 2023 was primarily due to the increase in employee benefit expenses due to our operational efficiency optimizing efforts and the addition of management positions for our AIoT solutions, which was partially offset by the (i) the decrease in depreciation and amortization as a result of certain equipment having been fully depreciated as well as the expiry of certain long-term office leases, (ii) the decrease in outsourcing and other labor costs as a result of our full settlement of labor costs paid by DFI Retail Group on our behalf following our disposal of DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited to DFI Retail Group, and (iii) the decrease in professional fees after the one-off cost impact of the disposition of DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited in 2022 and lower listing expenses in 2023. The increase in our general and administrative expenses from RMB110.5 million in the six months ended June 30, 2023 to RMB133.3 million in the same period in 2024 was primarily due to (i) increases in employee benefit expenses associated with the growing demand for our AIoT solutions, and (ii) increases in outsourcing and other labor costs driven by the addition of outsourced personnel for intelligent package sorting solutions, intelligent cashier solutions and intelligent cleaning solutions.

Research and Development Expenses

Our research and development expenses primarily consist of (i) employee benefit expenses for our research and development personnel, (ii) cloud service, bandwidth and server custody fees, which are internally allocated cost, incurred when we purchase cloud and bandwidth services and rent service

FINANCIAL INFORMATION

from third party service suppliers for the purpose of ramping up and maintaining sufficient technological capacity for our research and development efforts, (iii) depreciation and amortization, (iv) expenses relating to short-term leases and leases of low-value assets, incurred primarily for office leases with lease terms no more than 12 months, property management services fees, and leases for low-value assets representing leases of printers for general office use by our research and development function, among which leases for low-value assets account for less than 4% of the total short-term leases and leases of low-value assets, (v) outsourcing and other labor costs, and (vi) other expenses, which include travel expenses for research and development activities. Our research and development expenses in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024 were RMB588.6 million, RMB586.3 million, RMB520.9 million, RMB266.1 million and RMB203.5 million, respectively, accounting for 69.4%, 44.1%, 32.9%, 34.8% and 21.7% of our revenue, respectively.

The following table sets forth a breakdown of our research and development expenses both in absolute amount and as a percentage of our revenue for the years/periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>									
	<i>(unaudited)</i>									
Employee benefit expenses . . .	531,312	62.6	535,104	40.3	472,980	29.8	240,441	31.5	183,460	19.5
Cloud service, bandwidth and server custody fees	16,736	2.0	13,967	1.1	17,186	1.1	7,925	1.0	6,300	0.7
Depreciation and amortization	18,572	2.2	17,492	1.2	11,850	0.7	7,671	1.0	5,952	0.6
Expenses relating to short-term leases and leases of low-value assets ⁽¹⁾	6,746	0.8	7,564	0.6	6,080	0.4	3,441	0.5	2,064	0.2
Outsourcing and other labor costs	2,553	0.3	1,590	0.1	1,939	0.1	1,356	0.2	128	*
Others	12,692	1.5	10,613	0.8	10,852	0.8	5,253	0.6	5,623	0.7
Total	588,611	69.4	586,330	44.1	520,887	32.9	266,087	34.8	203,527	21.7

Note:

* Less than 0.1%

(1) Expenses relating to short-term leases and leases of low-value assets are internally allocated to different functions for their respective uses and are respectively recorded under cost of revenue, general and administration expenses, research and development expenses, or selling and marketing expenses, if any.

The decrease in our research and development expenses from RMB588.6 million 2021 to RMB586.3 million in 2022 was primarily due to decreases in cloud service rental fees as a result of our cost control measures. The decrease in our research and development expenses from RMB586.3 million in 2022 to RMB520.9 million in 2023 was primarily due to (i) the decrease in our employee benefit expenses in relation to our cost control measures and (ii) the decrease in depreciation and amortization as a result of office equipment having been fully depreciated, partially offset by the increase in cloud services, bandwidth and server custody fees to meet the increased need for product testing. The decrease in our research and development expenses from RMB266.1 million in the six months ended June 30, 2023 to RMB203.5 million in the same period in 2024 was primarily due to the decrease in our employee benefit expenses in relation to our cost control measures and the

FINANCIAL INFORMATION

accumulation of technological capabilities, which enabled us to replicate and upgrade our product offerings without significant further investments.

Net Finance Costs

Our finance costs and income primarily consist of (i) interest on bank loans and other borrowings, (ii) accrued financial charges of convertible bond, (iii) changes in fair value on the derivative components of convertible bond, (iv) interest on lease liabilities, (v) interest income from bank deposits, (vi) net foreign currency exchange loss and (vii) gains on partial derecognition of convertible bond.

The following table sets forth a breakdown of the major components of our finance costs and income in absolute amounts and as percentages of revenue for the years/periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>									
	<i>(unaudited)</i>									
Interest on bank loans and other borrowings	4,061	0.4	3,348	0.2	9,027	0.5	3,471	0.4	6,462	0.7
Accrued financial charges of convertible bond	—	—	7,233	0.5	13,595	0.8	6,803	0.9	6,606	0.7
Interest on lease liabilities	1,197	0.1	1,091	0.1	1,870	0.1	887	0.1	870	0.1
Interest income from bank deposits	(2,356)	(0.2)	(4,965)	(0.3)	(10,897)	(0.6)	(4,959)	(0.6)	(4,748)	(0.5)
Gains on partial derecognition of convertible bond	—	—	—	—	—	—	—	—	(2,379)	(0.3)
Changes in fair value on the derivative components of convertible bond	—	—	4,370	0.3	2,570	0.1	3,752	0.5	(172)	*
Foreign currency exchange loss/(gain)	2,320	0.2	11,988	0.8	(2,821)	(0.1)	(3,179)	(0.4)	(899)	(0.1)
Total	<u>5,222</u>	<u>0.6</u>	<u>23,065</u>	<u>1.7</u>	<u>13,344</u>	<u>0.8</u>	<u>6,775</u>	<u>0.9</u>	<u>5,740</u>	<u>0.6</u>

Note:

* Less than 0.1%

In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, we incurred finance costs of RMB5.2 million, RMB23.1 million, RMB13.3 million, RMB6.8 million and RMB5.7 million respectively. The increase in our finance costs from RMB5.2 million in 2021 to RMB23.1 million in 2022 was primarily due to accrued financial charges of convertible bond which we issued in June 2022, changes in fair value on the derivative components of convertible bond and an increase in foreign currency exchange loss primarily incurred for repayment of US dollar denominated loans as a result of rising currency value for US dollar against Renminbi in 2022. The decrease in our finance costs from RMB23.1 million in 2022 to RMB13.3 million in 2023 was primarily due to the decrease in foreign currency exchange loss and the increase in interest income from bank deposits, partially offset by the increases in accrued financial charges of convertible bond and interest on bank loans and other borrowings. The decrease in our finance costs from RMB6.8 million in the six months ended June 30, 2023 to RMB5.7 million in the same period in 2024 was primarily due to changes in fair value on the derivative components of convertible bond and gains on partial derecognition of convertible bond due to the repayment of convertible bond, partially offset by increases in interest on bank loans and other borrowings and decrease in foreign currency exchange gains.

FINANCIAL INFORMATION

Share of profits/losses of associates

During the Track Record Period, our associate primarily engaged in the business of software development and maintenance services, and we recognized our shares of gains in such associate in our consolidated statements of profit or loss.

Our share of profits of associates was a gain of RMB0.6 million in 2021, nil in 2022, nil in 2023, nil in the six months ended June 30, 2023, and a loss of RMB0.2 million in the six months ended June 30, 2024, respectively.

Fair Value Change of Convertible Redeemable Preferred Shares

Historically we have completed multiple rounds of financing by issuing convertible redeemable preferred shares to investors. Our fair value changes of convertible redeemable preferred shares represent changes in fair value of the preferred shares issued by us. We designated the preferred shares as financial liabilities at FVPL. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as general and administrative expense. Subsequent to initial recognition, the preferred shares are carried at fair value with changes in fair value recognized through profit or loss.

We recorded fair value losses of convertible redeemable preferred shares of RMB732.3 million, RMB493.2 million, RMB476.2 million, RMB422.3 million, and RMB397.1 million in 2021, 2022 and 2023, and the six months ended June 30, 2023 and 2024, respectively. Prior to the Global Offering, the preferred shares are not traded in an active market and their value at respective reporting dates is determined using valuation techniques. We applied the discounted cash flow method to determine the underlying equity value of our Company and adopted the equity allocation model to determine the fair value of the convertible redeemable preferred shares. Please refer to Note 28 to the Accountants' Report in Appendix I to this document for details of the key assumptions of the valuations. Upon the completion of the Global Offering, all of the preferred shares will be automatically converted to our ordinary shares.

Income tax

Our income tax expense is comprised primarily of deferred tax expense or benefit and current tax expense attributable to our profitable subsidiaries. We recorded a tax expense of RMB0.7 million and tax benefits of RMB1.8 million, RMB3.3 million, RMB1.9 million and RMB2.0 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. In 2021, our effective tax rate was less than 0.1%. In 2022, 2023 and the six months ended June 30, 2023 and 2024, our tax benefits were primarily due to reversal of deferred tax liabilities through amortization of acquired customer relationship and technological know-how from Shenzhen Enjoy as well as increasing unused tax losses which were recognized as deferred tax assets. As of the Latest Practicable Date, we did not have any dispute with any tax authority.

We are subject to various rates of income tax under different jurisdictions. The following summarizes the income tax rates applicable to our Group during the Track Record Period:

British Virgin Islands

Our Company and Dmall BVI are incorporated in the BVI as BVI business companies and are not subject to tax on income or capital gain. In addition, the BVI does not impose a withholding tax on payments of dividends to shareholders.

FINANCIAL INFORMATION

Cayman Islands

Dmall Cayman was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law and has not been subject to any taxation in the Cayman Islands since its incorporation.

Hong Kong

Dmall Hong Kong Limited, Retail Technology Asia, DFI Digital (Hong Kong) Limited (formerly known as Retail Technology (Hong Kong) Ltd., which was disposed in 2022) and Digital Retail Technology (Hong Kong) Limited, our subsidiaries incorporated in Hong Kong are subject to a Hong Kong profits tax rate of 16.5%. In 2021, 2022 and 2023, our subsidiaries in Hong Kong did not have any assessable profits.

PRC

Generally, our subsidiaries, consolidated affiliated entities and their subsidiaries in China are subject to the statutory income tax rate of 25%, except that (i) Dmall Life Network was qualified as a High and New Technology Enterprise in 2018 and was entitled to a preferential rate of 15% until December 31, 2020, and it is further entitled to a preferential rate of 15% until December 31, 2024, subsequent to obtaining renewal of its qualifications in 2022, (ii) Dmall Life Chengdu was qualified as a High and New Technology Enterprise in 2019 and was entitled to a preferential rate of 15% until December 31, 2021, and it is further entitled to a preferential rate of 15% until December 31, 2024, subsequent to obtaining renewal of its qualifications in 2022, (iii) Zhilian Wuhan was qualified as a High and New Technology Enterprise in 2019 and was entitled to a preferential rate of 15% until December 31, 2021, and it is further entitled to a preferential rate of 15% until December 31, 2024 subsequent to obtaining renewal of its qualification in 2022, (iv) Shenzhen Enjoy was qualified as a High and New Technology Enterprise in 2020 and was entitled to a preferential rate of 15% until December 31, 2022, and it is further entitled to a preferential rate of 15% until December 31, 2025 subsequent to obtaining renewal of its qualification in 2023, (v) Dmall (Shenzhen) Digital was qualified as a High and New Technology Enterprise in 2021 and was entitled to a preferential rate of 15% until December 31, 2023, (vi) Dmall Fresh (Beijing) was qualified as a High and New Technology Enterprise in 2023 and is entitled to a preferential rate of 15% until December 31, 2025, and (vii) certain subsidiaries of our Group were qualified as Small Low-Profit Enterprises and were entitled to a preferential rate of 20% during the Track Record Period.

Other jurisdictions

Taxation for subsidiaries incorporated in other jurisdictions is charged at the appropriate current rates of taxation rulings in the relevant jurisdiction.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF CONTINUING OPERATIONS

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

Revenue

Our revenue increased by 22.9% from RMB764.0 million in the six months ended June 30, 2023 to RMB939.2 million in the six months ended June 30, 2024. This increase in our revenue was mainly driven by increases in revenue from retail core service cloud solutions as a result of our continuous business expansion of our operating system and AIoT solutions described below.

FINANCIAL INFORMATION

Retail core service cloud. Our revenue generated from retail core service cloud increased by 54.9% from RMB602.3 million in the six months ended June 30, 2023 to RMB933.2 million in the six months ended June 30, 2024, primarily due to (i) the increase in AIoT revenue from intelligent delivery solutions, intelligent merchandise replenishment solutions, intelligent package sorting solutions, intelligent cashier solutions and intelligent cleaning solutions, partially offset by the decrease in the sales of hardware products and (ii) the increase in operating system revenue, primarily due to (a) revenue contribution of the text messaging services, (b) expansion of our overseas operation and (c) revenue increase from our distributed e-commerce system services.

E-commerce service cloud. Our revenue from e-commerce service cloud decreased by 97.3% from RMB160.5 million in the six months ended June 30, 2023 to RMB4.3 million in the six months ended June 30, 2024, as all of our customers shifted to operating their e-commerce business in-house by the end of 2023. See “Summary—Recent Developments.”

Others. Our revenue from others increased by 32.3% from RMB1.3 million in the six months ended June 30, 2023 to RMB1.7 million in the six months ended June 30, 2024, primarily due to the additional sales to a certain retailer, which was partially offset by a decrease in our payment to Chongqing Department Store pursuant to the Marketing Resource Collaboration Agreement. See “Business—Marketing Resource Collaboration Agreement with Chongqing Department Store.”

Cost of revenue

Our cost of revenue increased by 19.1% from RMB486.8 million in the six months ended June 30, 2023 to RMB579.9 million in the six months ended June 30, 2024. This increase in our cost of revenue was primarily driven by an increase in our outsourcing and other labor costs from RMB190.7 million in the six months ended June 30, 2023 to RMB439.7 million in the six months ended June 30, 2024, primarily due to the expansion of our AIoT solutions, including intelligent merchandise replenishment solutions, intelligent package sorting solutions, intelligent cashier solutions, intelligent cleaning solutions and intelligent delivery solutions, partially offset by a decrease in logistics costs from RMB126.2 million in the six months ended June 30, 2023 to nil in the six months ended June 30, 2024 primarily due to the cessation of the e-commerce service cloud solutions due to product optimization.

Gross profit and gross margin

As a result of the foregoing, our gross profit from continuing operations increased from RMB277.2 million in the six months ended June 30, 2023 to RMB359.3 million in the six months ended June 30, 2024. Our gross profit margin increased from 36.3% in the six months ended June 30, 2023 to 38.3% in the six months ended June 30, 2024.

Other net income/(loss)

We recorded other net income/(loss) of negative RMB59.1 million in the six months ended June 30, 2024, compared with other net income/(loss) of RMB23.9 million in the six months ended June 30, 2023. The decrease was primarily due to the decrease in fair value change in financial assets measured at FVPL from RMB1.4 million in the six months ended June 30, 2023 to negative RMB87.1 million in the same period in 2024, due to the decreased valuation of Guoquan.

FINANCIAL INFORMATION

Selling and marketing expenses

Our selling and marketing expenses decreased by 49.2% from RMB84.6 million in the six months ended June 30, 2023 to RMB43.0 million in the six months ended June 30, 2024. The decrease was primarily due to a decrease in expenses of promotion and marketing activities from RMB29.7 million in the six months ended June 30, 2023 to RMB2.1 million in the same period in 2024, attributable to a decrease in promotional incentives to retail consumers as customers transitioned to operate their e-commerce business in house, and a decrease in employee benefit expenses from RMB44.8 million in the six months ended June 30, 2023 to RMB30.1 million in the same period in 2024 a result of our efforts to control costs and optimize our operational efficiency.

General and administration expenses

Our administrative expenses increased by 20.6% from RMB110.5 million in the six months ended June 30, 2023 to RMB133.3 million in the six months ended June 30, 2024. The increase was primarily due to (i) increases in employee benefit expenses associated with the growing demand for our AIoT solutions, and (ii) increases in outsourcing and other labor costs driven by the addition of outsourced personnel for intelligent package sorting solutions, intelligent cashier solutions and intelligent cleaning solutions.

Research and development expenses

Our research and development expenses decreased by 23.5% from RMB266.1 million in the six months ended June 30, 2023 to RMB203.5 million in the six months ended June 30, 2024. The decrease was primarily due to a decrease in employee benefit expenses from RMB240.4 million in the six months ended June 30, 2023 to RMB183.5 million in the same period in 2024 in relation to our cost control measures and the accumulation of technological capabilities, which enabled us to replicate and upgrade our product offerings without significant further investments.

Net Finance Costs

Net finance costs decreased from RMB6.8 million in the six months ended June 30, 2023 to RMB5.7 million in the six months ended June 30, 2024, primarily due to (i) the decrease in changes in fair value on the derivative components of convertible bond of RMB3.9 million, and (ii) the decrease in gains on partial derecognition of convertible bond of RMB2.4 million, partially offset by (i) the increase in interest on bank loans and other borrowings of RMB3.0 million, and (ii) the decrease in foreign currency exchange gains of RMB2.3 million.

Fair value change of Convertible Redeemable Preferred Shares

Our fair value change of convertible redeemable preferred shares was negative RMB397.1 million in the six months ended June 30, 2024, as compared to negative RMB422.3 million in the six months ended June 30, 2023, which reflected the continued increase in the equity value of our Company and the rising currency value of US dollars against Renminbi.

Profit / loss for the period from continuing operations

As a result of the foregoing, we recorded loss for the period from continuing operations in the six months ended June 30, 2024 of RMB482.2 million, as compared to loss from for the period from continuing operations of RMB587.9 million in the six months ended June 30, 2023.

FINANCIAL INFORMATION

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our revenue increased by 19.4% from RMB1,328.3 million in 2022 to RMB1,585.4 million in 2023. This increase in our revenue was driven by increases in revenue from retail core service cloud solutions as a result of our continuous business expansion of our operating system and AIoT solutions described below, partially offset by decreases in revenues from e-commerce service cloud solutions.

Retail core service cloud. Our revenue generated from retail core service cloud increased by 47.5% from RMB880.5 million in 2022 to RMB1,298.7 million in 2023, primarily due to an increase in AIoT revenue due to our new AIoT solutions, including intelligent merchandise replenishment solutions, intelligent package sorting solutions, intelligent cashier solutions, intelligent cleaning solutions and intelligent delivery solutions, launched in 2023.

E-commerce service cloud. Our revenue from e-commerce service cloud decreased by 33.0% from RMB447.5 million in 2022 to RMB300.0 million in 2023, primarily due to (i) the decrease in O2O platform service fees as a result of certain customers opting to operate O2O e-commerce business in-house, where they manage their own day-to-day O2O operations, (ii) the decrease in GMV processed and number of delivery orders placed through our platform for certain major retailer customer, and (iii) the cessation of our O2O e-commerce business we used to provide to DFI Retail Group along with our disposal of DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited in April 2022. For details, see “History, Reorganization and Corporate Structure—Acquisitions and Disposals—(4) DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited.”

Others. Our revenue from others decreased from RMB0.3 million in 2022 to negative RMB13.4 million in 2023, primarily due to an amount of RMB18.9 million we provided to Chongqing Department Store representing the equivalent value shortage of marketing resources we collaborated with third party marketing participants. We entered into a marketing resource collaboration agreement with Chongqing Department Store in late 2022, pursuant to which we agreed to assist Chongqing Department Store Group’s marketing activities by gathering marketing resources from third party market participants (including but not limited to brand owners, payment solution operators, banks and other businesses or organizations) of not less than RMB50 million in value per calendar year during the service period from January 1, 2023 to December 31, 2025. In 2023, as the marketing resources was less than RMB50 million in value, we paid the resultant value shortage to Chongqing Department Store.

Cost of revenue

Our cost of revenue increased by 25.2% from RMB823.1 million in 2022 to RMB1,030.7 million in 2023. This increase in our cost of revenue was primarily driven by an increase in our outsourcing and other labor costs that increased from RMB49.1 million in 2022 to RMB465.5 million in 2023, primarily due to the launch of our AIoT solutions, including intelligent merchandise replenishment solutions, intelligent package sorting solutions, intelligent cashier solutions, intelligent cleaning solutions and intelligent delivery solutions in 2023. Our new AIoT solutions generally incur higher outsourcing and other labor costs at their launching stage, during which in-store personnel deployment to facilitate the adoption of our solutions by our outsourcing service providers are the most frequent. After the launching stage, our AIoT solutions generally continues to incur outsourcing and

FINANCIAL INFORMATION

other labor costs due to continued use of outsourcing service providers to support our AIoT solutions, and outsourcing and other labor costs gradually decline to a stable level as our AIoT solutions matures. The increase is partially offset by (i) a decrease in logistics costs from RMB342.8 million in 2022 to RMB233.5 million in 2023, primarily due to (a) a decrease in delivery order volume for major customer and (b) the cessation of our O2O e-commerce business we used to provide to DFI Retail Group along with our disposal of DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited in April 2022, (ii) a decrease in employee benefit expenses from RMB180.3 million in 2022 to RMB132.3 million in 2023, primarily due to our concerted efforts to optimize our labor structure and increase overall operational efficiency and (iii) a decrease in cost of inventories sold from RMB70.7 million in 2022 to RMB31.7 million in 2023, as the majority of our retailer customers' stores have completed their digitalized smart tags adoption by 2022.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased from RMB505.2 million in 2022 to RMB554.7 million in 2023. Our gross profit margin decreased from 38.0% in 2022 to 35.0% in 2023 during the same year.

Other net income/(loss)

We recorded other net income/(loss) of RMB115.5 million in 2023, compared with other net income/(loss) of RMB170.4 million in 2022. The decrease was primarily due to (i) the decrease in gain/(loss) on disposal of subsidiaries from positive RMB100.1 million to negative RMB1 thousand, due to the absence of a one-off gain of RMB100.1 million from disposal of DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE Limited in April 2022 and (ii) the decrease in rental income from RMB2.5 million in 2022 to nil in 2023, due to the absence of rental income from investment properties held in Shenzhen, Guangdong, following the disposal of Dmall (Shenzhen) Development in 2022, partially offset by (i) the increase in fair value change in financial assets measured at FVPL from RMB12.5 million in 2022 to RMB43.8 million in 2023, due to the increased valuation of Guoquan and (ii) the increase in government grants and tax preference from RMB52.8 million in 2022 to RMB71.7 million in 2023, due to the increase in utilization of additional deductible input value-added tax in 2023.

Selling and marketing expenses

Our selling and marketing expenses decreased by 36.7% from RMB238.6 million in 2022 to RMB150.9 million in 2023. The decrease was primarily due to (i) a decrease in expenses of promotional and marketing activities from RMB118.4 million in 2022 to RMB48.0 million in 2023 as a result of reduced promotional incentives to retail consumers and our strategic decision to limit investment in our O2O operations, and (ii) a decrease in employee benefit expenses from RMB101.8 million in 2022 to RMB81.0 million in 2023 as a result of our strategic decision to control cost and optimize our operational efficiency.

General and administration expenses

Our general and administrative expenses increased by 3.1% from RMB251.7 million in 2022 to RMB259.4 million in 2023. The increase was primarily due to the increase in employee benefit expenses from RMB145.9 million in 2022 to RMB185.4 million in 2023, mainly due to our operational

FINANCIAL INFORMATION

efficiency optimizing efforts and the addition of management positions for our AIoT solutions, which was partially offset by the (i) the decrease in professional fees from RMB54.7 million in 2022 to RMB34.6 million in 2023 after the one-off cost impact of the disposition of DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited in 2022 and lower listing expenses in 2023, (ii) the decrease in outsourcing and other labor costs from RMB8.1 million in 2022 to RMB1.9 million in 2023, mainly due to our full settlement of labor costs paid by DFI Retail Group on our behalf following our disposal of DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited to DFI Retail Group in 2022, and (iii) the decrease in depreciation and amortization from RMB23.5 million in 2022 to RMB15.7 million in 2023, mainly due to certain equipment having been fully depreciated in 2022.

Research and development expenses

Our research and development expenses decreased by 11.2% from RMB586.3 million in 2022 to RMB520.9 million in 2023. The decrease was primarily due to (i) the decrease in our employee benefit expenses from RMB535.1 million in 2022 to RMB473.0 million in 2023, in relation to our cost control measures, (ii) the decrease in depreciation and amortization from RMB17.5 million in 2022 to RMB11.9 million in 2023, as a result of office equipment having been fully depreciated, partially offset by the increase in cloud services, bandwidth and server custody fees from RMB14.0 million in 2022 to RMB17.2 million in 2023 to meet the increased need for product testing.

Net Finance Costs

Net finance costs decreased from RMB23.1 million in 2022 to RMB13.3 million in 2023, primarily due to (i) the improvement in foreign currency exchange loss, from a loss of RMB12.0 million in 2022 to a gain of RMB2.8 million in 2023, and (ii) the increase in interest income from bank deposits of RMB5.9 million due to our proactive cash management policy, partially offset by (i) the increase in accrued financial charges of convertible bond of RMB6.4 million and (ii) the increase in interest on bank loans and other borrowings of RMB5.7 million.

Fair value change of Convertible Redeemable Preferred Shares

Our fair value change of convertible redeemable preferred shares were RMB476.2 million in 2023, as compared to RMB493.2 million in 2022, which reflected the continued increase in the equity value of our Company and the rising currency value of US dollars against Renminbi.

Loss for the year from continuing operations

As a result of the foregoing, our loss for the year from continuing operations decreased by 16.8% from RMB900.0 million in 2022 to RMB749.0 million in 2023.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our revenue increased by 56.6% from RMB848.2 million in 2021 to RMB1,328.3 million in 2022. This increase in our revenue was driven by increases in revenue from retail core service cloud, e-commerce service cloud as the result of our continuous business expansion described below.

FINANCIAL INFORMATION

Retail core service cloud. Our revenue generated from retail core service cloud increased by 100.7% from RMB438.8 million in 2021 to RMB880.5 million in 2022, primarily due to (i) an increase in our GMV processed through our operating system from RMB95.1 billion in 2021 to RMB123.3 billion in 2022 due to the expansion in customer base as well as additional purchases of our operating system modules both in the Chinese mainland and overseas markets, (ii) an increase in our AIoT solutions sales, including new revenue generated from intelligent loss prevention solutions and digitalized smart tags, (iii) an increase in revenue generated from software development and maintenance services associated with our acquisition of Shenzhen Enjoy in November 2021, and (iv) new customization revenue from existing customers who demanded additional customized functionalities on our operating system due to respective business needs. For details of our acquisition of Shenzhen Enjoy, see “History, Reorganization and Corporate Structure—Acquisitions and Disposals—Shenzhen Enjoy.”

E-commerce service cloud. Our revenue from e-commerce service cloud increased by 9.3% from RMB409.3 million in 2021 to RMB447.5 million in 2022, primarily due to growth in GMV processed through our e-commerce service cloud solutions with the increased adoption of our O2O services from approximately RMB6.9 billion in 2021 to approximately RMB8.2 billion in 2022 as well as an increase in take rate we charged for certain retailer customers.

Others. Our revenue from others increased by 316.7% from RMB0.1 million in 2021 to RMB0.3 million in 2022.

Cost of revenue

Our cost of revenue increased by 21.9% from RMB675.5 million in 2021 to RMB823.1 million in 2022. This increase in our cost of revenue was primarily driven by (i) an increase in employee benefit expenses from RMB104.5 million in 2021 to RMB180.3 million in 2022, primarily due to the increased number of implementation, operation and maintenance employees associated with our business expansion, (ii) an increase in cost of inventories sold from RMB27.5 million in 2021 to RMB70.7 million in 2022, primarily due to an increase in procurement cost and product design cost of our AIoT solutions associated with the increase in product sales volume, and (iii) an increase in outsourcing and other labor costs from RMB5.1 million in 2021 to RMB49.1 million in 2022, primarily due to third-party outsourced services fees for the launch of our intelligent loss prevention business under our AIoT solutions in early 2022.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased from RMB172.7 million in 2021 to RMB505.2 million in 2022. Our gross profit margin increased from 20.4% to 38.0% during the same year.

Other net income/(loss)

We recorded other net income/(loss) of RMB37.2 million in 2021, compared with other net income/(loss) of RMB170.4 million in 2022. The increase was primarily due to (i) a gain of RMB100.1 million from our disposal of DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited in April 2022, and (ii) an increase in government grants and tax preference from RMB15.9 million to RMB52.8 million during the same year, partially offset by a decrease in investment income from wealth management products from RMB6.8 million to RMB1.2 million during the same year.

FINANCIAL INFORMATION

Selling and marketing expenses

Our selling and marketing expenses decreased by 46.4% from RMB444.9 million in 2021 to RMB238.6 million in 2022. The decrease was primarily due to (i) a decrease in expenses of promotional incentives to retail consumers from RMB245.2 million in 2021 to RMB118.4 million in 2022, and (ii) a decrease in employee benefit expenses from RMB177.2 million in 2021 to RMB101.8 million in 2022 as a result of our strategic decision to control cost and limit investment in our O2O operations.

General and administration expenses

Our administrative expenses increased by 20.7% from RMB208.6 million in 2021 to RMB251.7 million in 2022. The increase was primarily due to (i) an increase in employee benefit expenses from RMB126.9 million in 2021 to RMB145.9 million in 2022 as a result of (a) additional employee benefit expenses associated with our acquisition of Shenzhen Enjoy in November 2021, (b) new labor structure optimization cost related to our cost control measures in 2022, (ii) an increase in professional fees from RMB34.4 million to RMB54.7 million as a result of financing-related costs and consulting fees paid to professional parties including listing expenses incurred, and (iii) a decrease in depreciation and amortization from RMB30.5 million to RMB23.5 million as our office properties in Shenzhen, Guangdong that we purchased in 2020 were reclassified to investment property in late 2021.

Research and development expenses

Our research and development expenses decreased by 0.4% from RMB588.6 million in 2021 to RMB586.3 million in 2022. The decrease was primarily due to decreases in cloud service rental fees as a result of our cost control measures.

Net Finance Costs

Net finance costs increased from RMB5.2 million in 2021 to RMB23.1 million in 2022, primarily due to (i) an increase of RMB4.3 million in fair value on the derivative components of convertible bond as we issued convertible bond in June 2022, (ii) an increase of RMB7.2 million in accrued financial charges of convertible bond, and (iii) an increase in foreign currency exchange loss incurred for repayment of US dollar denominated loans as a result of rising currency value for US dollar against Renminbi in 2022. These were partially offset by an increase of RMB2.6 million in interest income from bank deposits as well as an increase of RMB9.7 million in foreign currency exchange gains.

Fair value change of Convertible Redeemable Preferred Shares

Our fair value change of convertible redeemable preferred shares were RMB732.3 million in 2021, as compared to RMB493.2 million in 2022, which reflected the continued increase in the equity value of our Company for the respective years and is also attributable to the rising currency value of US dollars against Renminbi.

Loss for the year from continuing operations

As a result of the foregoing, our loss for the year from continuing operations decreased by 50.2% from RMB1,808.0 million in 2021 to RMB900.0 million in 2022.

FINANCIAL INFORMATION

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from the Accountants' Report set out in Appendix I to this document:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Total non-current assets	632,979	496,240	533,589	516,093
Total current assets	648,123	810,924	844,183	839,292
Total assets	1,281,102	1,307,164	1,377,772	1,355,385
Total non-current liabilities	104,676	272,689	349,295	137,296
Total current liabilities	5,915,674	7,111,842	7,793,601	8,271,650
Total liabilities	6,020,350	7,384,531	8,142,896	8,408,946
Net current liabilities	(5,267,551)	(6,300,918)	(6,949,418)	(7,432,358)
Total assets less current liabilities	(4,634,572)	(5,804,678)	(6,415,829)	(6,916,265)
Share capital	323	323	323	323
Reserves	(4,822,726)	(6,160,824)	(6,865,150)	(7,138,067)
Total deficit attributable to equity shareholders of the				
Company	(4,822,403)	(6,160,501)	(6,864,827)	(7,137,744)
Non-controlling interests	83,155	83,134	99,703	84,183
Total deficit	(4,739,248)	(6,077,367)	(6,765,124)	(7,053,561)

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of
	2021	2022	2023	2024	September 30,
	<i>(RMB in thousands)</i>				<i>(unaudited)</i>
Current assets:					
Cash and cash equivalents	368,716	533,054	533,171	469,536	365,353
Trade receivables	93,239	140,609	165,142	256,453	272,383
Prepayments, deposits and other					
receivables	106,834	64,655	75,496	87,384	83,706
Restricted bank deposits	55,667	56,086	20,933	498	643
Inventories and other contract costs	7,150	5,994	11,269	11,137	13,095
Contract assets	1,464	1,497	3,237	3,073	3,233
Other financial assets	15,053	9,029	34,935	11,211	103,318
Total current assets	648,123	810,924	844,183	839,292	841,731
Current liabilities:					
Trade payables	49,361	63,778	86,563	98,367	93,488
Accrued expenses and other payables	590,868	533,737	422,749	227,537	215,850
Bank loans and other borrowings	76,163	70,090	202,076	281,264	276,285
Contract liabilities	44,506	49,473	91,288	78,597	88,524
Lease liabilities	17,570	16,029	25,428	27,422	25,407
Convertible redeemable preferred shares	5,137,156	6,378,735	6,965,493	7,407,194	8,028,123
Convertible bond	—	—	—	151,039	151,883
Current taxation	50	—	4	230	132

FINANCIAL INFORMATION

	As of December 31,			As of June 30,	As of September 30,
	2021	2022	2023	2024	2024
	<i>(RMB in thousands)</i>				<i>(unaudited)</i>
Total current liabilities	5,915,674	7,111,842	7,793,601	8,271,650	8,879,692
Net current liabilities	(5,267,551)	(6,300,918)	(6,949,418)	(7,432,358)	(8,037,961)

We recorded net current liabilities of RMB5,267.6 million as of December 31, 2021, compared to net current liabilities of RMB6,300.9 million as of December 31, 2022, primarily due to (i) an increase of RMB1,241.6 million in convertible redeemable preferred shares, (ii) a decrease of RMB42.2 million in prepayments, deposits and other receivables and (iii) an increase of RMB14.4 million in our trade payables, partially offset by (i) an increase of RMB164.3 million in our cash and cash equivalents, (ii) a decrease of RMB57.1 million in our accrued expenses and other payables and (iii) an increase of RMB47.4 million in our trade receivables. We recorded net current liabilities of RMB6,300.9 million as of December 31, 2022, compared to net current liabilities of RMB6,949.4 million as of December 31, 2023, primarily due to (i) an increase of RMB586.8 million in convertible redeemable preferred shares, (ii) an increase of RMB132.0 million in bank loans and other borrowings, (iii) an increase of RMB41.8 million in contract liabilities, (iv) a decrease of RMB35.2 million in restricted bank deposits and (v) an increase of RMB22.8 million in trade payables, partially offset by (i) a decrease of RMB111.0 million in accrued expenses and other payables, (ii) an increase of RMB25.9 million in other financial assets and (iii) an increase of RMB24.5 million in trade receivables. We recorded net current liabilities of RMB6,949.4 million as of December 31, 2023, compared to net current liabilities of RMB7,432.4 million as of June 30, 2024, primarily due to (i) an increase of RMB441.7 million in convertible redeemable preferred shares, (ii) an increase of RMB151.0 million in convertible bond, reclassified from non-current liabilities, (iii) an increase of RMB79.2 million in bank loans and other borrowings, and (iv) a decrease of RMB63.6 million in cash and cash equivalents, partially offset by (i) a decrease of RMB195.2 million in accrued expenses and other payables, and (ii) an increase of RMB91.3 million in trade receivables.

Our net liabilities increased from RMB4,739.2 million as of December 31, 2021 to RMB6,077.4 million as of December 31, 2022, primarily due to (i) loss for the year of RMB840.5 million, (ii) other comprehensive loss of RMB500.0 million representing exchange difference on translation of financial statements, (iii) purchase of non-controlling interests of RMB96.0 million, representing share buy-back and cancellation of Retail Technology Asia shares and our purchase of additional 9.93% shares of interests in Shenzhen Enjoy, and (iv) dividends declared by a subsidiary attributable to non-controlling interests of RMB4.3 million, representing the dividends paid to the non-controlling shareholders of Shenzhen Enjoy in May 2022, partially offset by (i) contribution from non-controlling shareholders of subsidiaries of RMB90.2 million, representing the capital injection into Retail Technology Asia from the non-controlling shareholder and capital injection into Dmall Zhilian from Beijing Wumart Supermarket Co., Ltd., and (ii) reserve from equity settled share-based transactions of RMB12.5 million. Our net liabilities increased from RMB6,077.4 million as of December 31, 2022 to RMB6,765.1 million as of December 31, 2023, primarily due to (i) loss for the year of RMB655.4 million, and (ii) other comprehensive income of negative RMB107.7 million representing exchange difference on translation of financial statements, partially offset by (i) contribution from a non-controlling shareholder of a subsidiary of RMB59.5 million, representing the capital injection into Retail Technology Asia from the non-controlling shareholder, and (ii) reserve from equity settled share-based transactions of RMB13.6 million. Our net liabilities increased from RMB6,765.1 million as of December 31, 2023 to RMB7,053.6 million as of June 30, 2024, primarily

FINANCIAL INFORMATION

due to (i) loss for the period of RMB249.1 million, and (ii) other comprehensive income of negative RMB45.2 million, representing exchange difference on translation of financial statements.

Property and Equipment

Our property and equipment primarily consist of (i) buildings, (ii) electronic equipment, (iii) right-of-use assets associated with properties leased for own use, (iv) office equipment and furniture and (v) leasehold improvement.

The following table sets forth our property and equipment as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	June 30, 2024
	<i>(RMB in thousands)</i>			
Buildings	5,430	5,113	4,796	18,864
Electronic equipment	28,896	14,287	6,822	8,837
Right-of-use assets	26,369	20,620	38,474	31,895
Office equipment and furniture	9,463	7,125	3,892	3,838
Leasehold improvement	4,943	26,836	22,815	19,950
Motor vehicles	727	471	—	—
Total	<u>75,828</u>	<u>74,452</u>	<u>76,799</u>	<u>83,384</u>

Our property and equipment decreased slightly from RMB75.8 million as of December 31, 2021 to RMB74.5 million as of December 31, 2022, primarily due to depreciation in overall property and equipment as substantially offset by an increase in leasehold improvement mainly from capital injection into Dmall Zhilian from Beijing Wumart Supermarket Co., Ltd. Our property and equipment increased from RMB74.5 million as of December 31, 2022 to RMB76.8 million as of December 31, 2023, primarily due to (i) the increase in right-of-use assets resulting from additional leases for offline advertising business use, (ii) the increase in equipment rental obtained through the acquisition and operation of Beijing Xianmei Technology Service Co., Ltd. and (iii) the increase in renewed and additional rental leases for office space, partially offset by depreciation in overall property and equipment. Our property and equipment increased from RMB76.8 million as of December 31, 2023 to RMB83.4 million as of June 30, 2024, primarily due to (i) the increase in building resulting from asset capitalization of the property held by Shandong Orange Bay and (ii) the increase in photovoltaic equipment, partially offset by depreciation in overall property and equipment.

For further information regarding our property and equipment, see Note 13 to the Accountants' Report in Appendix I.

Intangible Assets

Our intangible assets primarily consist of (i) customer relationship, (ii) technological know-how, and (iii) software. Customer relationship and technological know-how were acquired through the acquisition of Shenzhen Enjoy in November 2021 and recognized at fair value at the date of acquisition and is subsequently amortized on a straight-line basis. Fair value of the customer relationship and technological know-how at the date of acquisition was determined by the directors of the Company with reference to the valuation performed by an independent qualified professional valuer. The amortization of intangible assets is included in the consolidated statements of profit or loss during the Relevant Period. For details, see "History, Reorganization and Corporate Structure—

FINANCIAL INFORMATION

Acquisitions and Disposals—Shenzhen Enjoy” and Note 14 to the Accountants’ Report in Appendix I to this document. We recorded intangible assets of RMB105.3 million, RMB93.2 million, RMB83.7 million and RMB158.0 million as of December 31, 2021, 2022 and 2023 and June 30, 2024. Our intangible assets increased from 83.7 million as of December 31, 2023 to RMB158.0 million as of June 30, 2024, primarily due to the software acquired from Dmall Fresh (Beijing) upon its disposal, which was based on an arm’s length transaction and recognized at fair value. In December 2023 and January 2024, Dmall Fresh (Beijing) entered into copyright transfer agreements with Dmall (Shenzhen) Digital. Pursuant to these agreements, Dmall Fresh (Beijing) agreed to transfer a total of 22 software copyrights to Dmall (Shenzhen) Digital for a consideration of RMB94.7 million, including value-added tax. These assets were internally developed by Dmall Fresh (Beijing) and were not capitalized as intangible assets in Dmall Fresh (Beijing)’s standalone financial statements. Dmall (Shenzhen) Digital recognized intangible assets of RMB89.3 million on its standalone financial statements after the purchase. Prior to the disposal of Dmall Fresh (Beijing), such intangible assets were eliminated upon consolidation when the Group prepared its consolidated financial statements. Upon the disposal of Dmall Fresh (Beijing), the intangible assets were recognized in the consolidated financial statements. In the meantime, the unrealized profit from intergroup transactions was realized as disposal gain, which was included in the results of discontinued operations.

The following table sets forth our intangible assets as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	June 30, 2024
	<i>(RMB in thousands)</i>			
Customer relationship	75,367	67,767	60,167	56,367
Technological know-how	29,026	24,928	20,830	19,096
Software	925	508	2,684	82,532
Total	<u>105,318</u>	<u>93,203</u>	<u>83,681</u>	<u>157,995</u>

Goodwill

Goodwill arising from acquisitions represents the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer’s previous held equity interest in the acquiree, if any, over the net amount of the identifiable assets acquired and the liabilities assumed as of the acquisition date. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Determining whether goodwill is impaired requires us to estimate the recoverable amounts of the cash generating unit to which we have allocated goodwill, which is the higher of fair value less costs of disposal and value in use. This recoverable amounts calculation requires us to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate to calculate the present value. Where the book value of the cash generating unit exceeds its recoverable amounts, an impairment loss may arise. See Note 15 to the Accountants’ Report in Appendix I to this document.

Goodwill is attributed to significant synergies expected to arise after the Group’s acquisition of Shenzhen Enjoy in 2021 and Beijing Xianmei Technology Service Co., Ltd. in 2023.

Goodwill acquired in business combination in 2021 is allocated to the cash generating unit (“CGU”) of Shenzhen Enjoy. The Directors of our Company forecasted an average annual revenue

FINANCIAL INFORMATION

growth rate of 17.0%, 18.8% and 17.8% in 2021, 2022 and 2023, respectively, for the next five-year period, and the cash flows beyond the five-year period were extrapolated using an estimated annual growth rate of 3.0%, 3.0% and 2.5%. Pre-tax discount rate of 14% was used to reflect market assessment of time value and the specific risks relating to the CGU.

We perform annual impairment tests on goodwill at the end of reporting year. Based on the result of the goodwill impairment tests, the estimated recoverable amount of Shenzhen Enjoy was RMB219.2 million, RMB213.3 million and RMB207.1 million as of December 31, 2021, 2022 and 2023, exceeding carrying amount by RMB20.9 million, RMB19.2 million and RMB18.7 million, respectively. No impairment was recognized in respect of the goodwill as of December 31, 2021, 2022 and 2023. As of June 30, 2024, we consider there are no significant changes to Shenzhen Enjoy's operations, and as a result, no impairment assessment as of June 30, 2024 was considered necessary.

We performed a sensitivity analysis on key assumptions used in management's annual impairment test of goodwill. Had the discount rate during the forecast period been 1% higher, the remaining headroom would have decreased to RMB4.0 million, RMB6.4 million and RMB0.2 million as of December 31, 2021, 2022 and 2023, respectively. Had the estimated profit during the forecast period been decreased by 5%, the remaining headroom would have decreased to RMB14.0 million, RMB3.7 million and RMB8.3 million as of December 31, 2021, 2022 and 2023.

Reasonably possible changes in key assumptions would not lead to impairment as of December 31, 2021, 2022 and 2023.

The parameters of average revenue growth rate, annual growth rate and pre-tax discount rate used for impairment test of goodwill remained largely the same throughout the Track Record Period because our management considered that there were no material changes in business and operation of Shenzhen Enjoy or external market conditions when determining the key assumptions.

As of December 31, 2021, 2022 and 2023 and June 30, 2024, we had goodwill of RMB151.9 million, RMB151.9 million, RMB152.0 million and RMB152.0 million, respectively. Our goodwill remained stable at RMB151.9 million as of December 31, 2021 and 2022, and increased slightly to RMB152.0 million as of December 31, 2023, due to our acquisition of Beijing Xianmei Technology Service Co., Ltd. in February 2023. Our goodwill remained stable at RMB152.0 million as of June 30, 2024. For details, see "History, Reorganization and Corporate Structure—Acquisitions and Disposals—Shenzhen Enjoy" and "—Beijing Xianmei Technology Service Co., Ltd."

Impairment of Other Non-current Assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

- property and equipment, including right-of-use assets;
- intangible assets;
- goodwill; and
- investments in subsidiaries in the Company's statements of financial position.

FINANCIAL INFORMATION

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognized.

As of December 31, 2021, 2022 and 2023 and June 30, 2024, we did not recognize any impairments of non-financial assets.

Other Financial Assets

Our financial assets at FVPL consist of (i) wealth management products purchased from banks in the PRC and (ii) equity investment in Guoquan. As of December 31, 2021, 2022 and 2023 and June 30, 2024, we had current financial assets at FVPL of RMB15.1 million, RMB9.0 million, RMB34.9 million and RMB11.2 million, respectively. As of December 31, 2021, 2022 and 2023 and June 30, 2024, we had non-current financial assets at FVPL of RMB140.7 million, RMB153.2 million, RMB196.6 million and RMB109.7 million, respectively. For details, see Note 17 to the Accountants' Report in Appendix I to this document.

FINANCIAL INFORMATION

The following table sets forth our other financial assets as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	June 30, 2024
	<i>(RMB in thousands)</i>			
Current				
Financial assets measured at FVPL				
- Wealth management products	15,053	9,029	34,935	11,211
Non-current				
Financial assets measured at FVPL				
- Equity investment				
- Guoquan	140,734	153,218	196,574	109,692

To monitor and control the investment risks associated with our wealth management product portfolio, we have adopted a set of internal policies and guidelines to manage our investment in wealth management products. Our internal policies and guidelines set forth the procedures for requests to purchase and to redeem wealth management products. Our finance department is responsible for managing our investments in wealth management products. Any request to purchase or redeem is subject to the supervision of our chief financial officers, both of whom are well equipped to manage and supervise our wealth management product portfolio, with over 15 years of experiences in investment and financial having worked at securities companies, investment banks and top accounting firms. Our chief financial officers supervise the procedures for the purchase of new wealth management products in accordance with appropriate authorizations granted by our Company's Memorandum and Articles or by our Board of Directors. Prior to making any material investments in wealth management products or modifying our existing investment portfolio, the proposal shall be approved by our chief financial officers and their designated member of our management. Our investment strategy related to wealth management products aims to minimize the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, and to generate investment returns for the benefits of our shareholders. We primarily invest in wealth management products with relatively low risks and the proposed investment must not interfere with our daily operation and business prospects. We make investment decisions related to wealth management products on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions and the expected profit or potential loss of the investment. After the Listing, the investments in wealth management products will be subject to our Company's compliance with the requirements under Chapter 14 of the Listing Rules, and we also intend to continue our investments in these products strictly in accordance with our internal policies and guidelines.

The fair value of equity investment we made in Guoquan with principal amount of RMB129.4 million was RMB140.7 million, RMB153.2 million, RMB196.6 million and RMB109.7 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. Guoquan Shihui is a home meal products brand in China owned by Guoquan, offering a variety of ready-to-eat, ready-to-heat, ready-to-cook and prepared ingredients, with a focus on at-home hotpot and barbecue products. We entered into cooperation with Guoquan Shihui in 2021. Guoquan Enterprise Consulting (Shanghai) Co., Ltd. is a wholly owned subsidiary of Guoquan, and holds approximately 7.1 million convertible redeemable preferred shares of our Company. For our investment in Guoquan, we have no significant influence, joint control or control over the relevant entity based on the fact that we do not participate in any operating and financial policies of the relevant entity nor exercise our influence on the operating and financial policies or have representation on the board of directors of the relevant entity.

FINANCIAL INFORMATION

Inventories and Other Contract Costs

Our inventories and other contract costs primarily consist of finished goods, raw materials, goods in transit and other contract costs. Other contract costs relate to costs and expenses incurred to fulfill a contract if the costs and expenses relate directly to an existing contract or to a specifically identifiable anticipated contract and are expected to be recovered. Other contract costs are recognized as cost of revenue or research and development expenses in the period in which revenue from the related sales is recognized. The amount of capitalized costs recognized in profit or loss in 2021, 2022, 2023 and the six months ended June 30, 2024 were RMB6.4 million, RMB7.8 million, RMB17.3 million and RMB12.7 million, respectively.

To minimize the risk of inventory build-up, we review our inventory levels regularly. We believe that maintaining appropriate levels of inventories can help us better plan raw material procurement and deliver our products to meet customer demand timely without straining our liquidity. Inventories are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. We recognize the amount of any write-down of inventories to net realizable value and all losses of inventories as an expense in the year the write-down or loss occurs. We further recognize the amount of any reversal of any write-down of inventories as a reduction in the amount of inventories recognized as an expense in the year in which the reversal occurs. We have made full provision of the inventories aged over one year measured in 2022. Further, (i) the balance of our inventories remains low as we continue to procure inventories on a per-order basis, and (ii) other contract costs associated with Shenzhen Enjoy generally have an inventory age of less than one year and are recognized as cost of revenue as Shenzhen Enjoy completes the provision of services to customers. As such, our Directors believe that there is no recoverability issue for inventories and sufficient provision has been made.

The following table sets forth details of our inventories and other contract costs as of the dates indicated:

	<u>As of December 31,</u>			<u>As of</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>June 30,</u>
	<i>(RMB in thousands)</i>			<u>2024</u>
Finished goods	1,934	706	1,393	2,098
Raw materials	337	—	—	—
Goods in transit	934	—	—	—
Other contract costs	3,945	5,288	9,876	9,039
Total	<u>7,150</u>	<u>5,994</u>	<u>11,269</u>	<u>11,137</u>

Our inventories and other contract costs decreased from RMB7.2 million as of December 31, 2021 to RMB6.0 million as of December 31, 2022, mainly due to a decrease in finished goods, raw materials and goods in transit that were subsequently recognized in profit or loss, partially offset by an increase in other contract costs, representing labor costs associated with Shenzhen Enjoy's additional customer projects not yet recognized as cost of revenue.

Our inventories and other contract costs increased from RMB6.0 million as of December 31, 2022 to RMB11.3 million as of December 31, 2023, mainly due to the addition of labor costs associated with our research and development efforts for Dmall OS in connection with our overseas business not yet recognized in research and development expenses.

FINANCIAL INFORMATION

Our inventories and other contract costs slightly decreased from RMB11.3 million as of December 31, 2023 to RMB11.1 million as of June 30, 2024.

The following table sets for the turnover days of our average inventory turnover days for the years/period indicated:

	Year Ended December 31,			Six Months Ended June 30,
	2021	2022	2023	2024
Average inventories and other contract costs turnover days ⁽¹⁾	3.2	2.9	3.1	3.5

Note:

(1) Average inventories and other contract costs turnover days are equal to the average balances of inventories and other contract costs at the beginning and at the end of the year divided by cost of revenue during the year and multiplied by the respective number of days in that year.

Our inventories and other contract costs turnover days generally remained stable from 2021 to the six months ended June 30, 2024.

As of September 30, 2024, RMB3.1 million or 28.0% of our inventories and other contract costs as of June 30, 2024 had been subsequently recognized as cost of revenue.

Trade Receivables

Our trade receivables primarily represent outstanding service fees associated with our operating system business, product and service fees associated with our AIoT solutions, and marketing and advertising fees due from our customers. We recognize a loss allowance for expected credit losses on trade receivables measured at amortized cost.

The following table sets forth our trade receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Trade receivables	95,888	144,120	168,395	261,007
Less: loss allowance	(2,649)	(3,511)	(3,253)	(4,554)
Total	93,239	140,609	165,142	256,453

Our trade receivables increased from RMB93.2 million as of December 31, 2021 to RMB140.6 million as of December 31, 2022, primarily due to (i) new revenue stream from overall expansion of our operating system business both in China and overseas, (ii) new consultation revenue from certain customer in demand of customized digitalized solutions, and (iii) additional revenue from AIoT solutions including digitalized smart tags business and newly launched intelligent loss prevention business, which were partially offset by a decrease in receivables for our marketing and advertising service. Our trade receivables increased from RMB140.6 million as of December 31, 2022 to RMB165.1 million as of December 31, 2023, primarily due to additional revenue from AIoT solutions, especially intelligent merchandise replenishment solutions, intelligent package sorting solutions, intelligent cashier solutions, intelligent cleaning solutions and intelligent delivery solutions. Our trade receivables increased from RMB165.1 million as of December 31, 2023 to RMB256.5 million as of June 30, 2024, primarily due to (i) additional revenue generated from system development for Dmall Fresh (Beijing) in demand of customized digitalized solutions, and (ii) additional revenue generated from intelligent delivery services and intelligent cleaning services due to business expansion.

FINANCIAL INFORMATION

We generally allow a credit period of 30 to 90 days to our customers. The following table sets forth an aging analysis of our trade receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Within 3 months	72,619	126,556	148,234	169,437
3 to 6 months	15,625	2,213	4,491	74,647
7 to 12 months	1,150	7,004	5,621	4,955
More than 1 year but less than 3 years	4,116	6,138	9,072	11,124
Over 3 years	2,378	2,209	977	844
Less: loss allowance	<u>(2,649)</u>	<u>(3,511)</u>	<u>(3,253)</u>	<u>(4,554)</u>
Total	<u>93,239</u>	<u>140,609</u>	<u>165,142</u>	<u>256,453</u>

Our trade receivables aged between 3 to 6 months increased from RMB2.2 million as of December 31, 2022 to RMB4.5 million as of December 31, 2023 and further to RMB74.7 million as of June 30, 2024, primarily due to expansion of software development and implementation business under customer contracts for our retail core service cloud solutions, which generally have a credit period of under one year.

Our trade receivables aged between 7 to 12 months increased from RMB1.2 million as of December 31, 2021 to RMB7.0 million as of December 31, 2022, primarily due to outstanding receivables relating to digitalized smart tags business and software development and implementation business under customer contracts for our retail core service cloud solutions, which generally have a credit period of under one year. Our trade receivables aged between 7 to 12 months decreased from RMB7.0 million as of December 31, 2022 to RMB5.6 million as of December 31, 2023 and further to RMB5.0 million as of June 30, 2024. This change is considered a normal fluctuation within the ordinary course of our operations.

Our trade receivables aged over one year increased from RMB6.5 million as of December 31, 2021 to RMB8.3 million as of December 31, 2022, and further to RMB10.0 million as of December 31, 2023, and further to RMB12.0 million as of June 30, 2024 primarily due to outstanding software implementation fees associated with our acquisition of Shenzhen Enjoy which may grant relatively longer credit periods to its creditworthy customers.

The following table sets for the turnover days of our trade receivables for the years/period indicated:

	Year Ended December 31,			Six Months Ended June 30,
	2021	2022	2023	2024
Trade receivables turnover days ⁽¹⁾	24.9	32.1	35.2	41.0

Note:

(1) Trade receivables turnover days for a year equals the average of the opening and closing trade receivables balance divided by revenue for that year and multiplied by the respective number of days in that year.

Our trade receivables turnover days stabilized at around 30 days, at 24.9 days in 2021, 32.1 days in 2022, 35.2 days in 2023. Our trade receivables increased in the six months ended June 30, 2024, primarily due to unsettled payments from certain related parties.

As of September 30, 2024, RMB166.6 million or 65.0% of our trade receivables as of June 30, 2024 had been subsequently settled.

FINANCIAL INFORMATION

We do not foresee any material recoverability issue with our trade receivables based on our evaluation of the historical credit standing and the credit records of our customers, which are generally leading local retail enterprises with strong economic performance and credit history, and with whom we have maintained long-term commercial cooperation. We will continue to strengthen our management in trade receivables and improve the collection rate in the future, and our Directors are of the view that sufficient provision has been made to trade receivables during the Track Record Period. See “—Financial Risk Disclosure—Credit Risk.”

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables primarily consist of receivable from a supplier, receivable for transferring software copyright, deductible input value-added tax, receivable from third party payment platform, receivables from retailers and advertisers, lease and security deposits, and others. Our prepayments, deposits and other receivables are partially offset by a loss allowance. Current balances of prepayments, deposits and other receivables are expected to be recovered or recognized within one year.

The following table sets forth details of our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Current:				
Prepayments for purchase of services/goods	2,113	1,993	8,142	5,833
Receivable from a supplier	43,558	43,558	43,558	43,558
Deposits	1,156	1,648	2,335	2,231
Receivable from third party payment platform	22,885	13,819	19,482	—
Deductible input Value-added tax	47,884	16,457	19,803	10,035
Receivables from retailers and advertisers	23,271	18,649	17,906	8,099
Receivable for transferring software copyright	—	—	—	31,717
Other receivables	10,216	12,974	8,103	29,832
Less: loss allowance	<u>(44,249)</u>	<u>(44,443)</u>	<u>(43,833)</u>	<u>(43,921)</u>
Non-current:				
Prepayments for purchase of property and equipment	1,541	15,810	15,615	3,229
Lease and security deposits	8,915	5,539	4,467	3,984
Others	76	39	—	—
	<u>117,366</u>	<u>86,043</u>	<u>95,578</u>	<u>94,597</u>

Historically in 2019 and 2020, our prepayments, deposits and other receivables were affected by receivables from retailers and advertisers due to our strategic exit of almost all of the legacy commodity business in 2020. Our legacy commodity business was an early business involving the purchase and sale of household consumer goods such as foods as well as consumer electronics. We conducted our legacy commodity business as a way to expand our services to our retailer and merchant customers offline, in addition to the e-commerce service cloud solutions that helps them sell products online. We mainly arranged for the purchase of merchandise from consumer goods wholesalers and mobile phone suppliers, and sold such merchandise to merchants, supermarkets, mobile phone dealers and retail consumers. Consequently, revenue from the legacy commodity business are recorded on a net basis as we were not primarily obligated to our customers in their purchases of merchandise, nor did we have latitude over merchandise pricing. The legacy commodity business accounted for RMB0.1

FINANCIAL INFORMATION

million, RMB0.5 million, nil and nil of our revenues in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively. The wholesale of mobile phones, which accounted for the majority of our legacy commodity business, ended in 2020. However, the remainder of our legacy commodity business comprise the purchases and sales of household consumer goods and foods and limited retail services for consumer electronics, which positively contributed to our Company's revenue. As a result, we continued to generate revenue from and record gross transaction amounts for the remainder of our legacy commodity business in 2021 and 2022. The gross transaction amounts for our legacy commodity business were RMB422.0 million, RMB17.8 million, nil and nil in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively. Receivables from customers for our legacy commodity business decreased from RMB2.4 million as of December 31, 2021 to nil as of December 31, 2022 and 2023 and June 30, 2024. We have fully exited the legacy commodity business due to its insignificant contribution to and impact on the growth and profitability of our Company as well as its strategic incompatibility with our Company's focus of providing retail cloud products and services to customers who are undergoing digitalization. Historically, part of the legacy commodity business was conducted through our O2O platform to consumers, while the remaining part was conducted offline to merchants and retailers. In particular, we sold some household consumer goods through our O2O platform in 2019 but has ceased the online distribution in 2020 and afterwards.

Since 2020, we had prepayments for purchase of goods of RMB43.6 million in connection with a dispute where we sued a supplier of our Company for undelivered goods. In May 2020, Dmall Life Digital entered into a merchandise purchase and sale agreement (the "**Purchase and Sale Agreement**") with a certain supplier ("**Supplier X**"). Under the Purchase and Sale Agreement, Dmall Life Digital agreed to buy and Supplier X agreed to sell cellphones pursuant to the procedures set forth in the agreement. In June 2020, Dmall Life Digital and Supplier X entered into a safekeeping agreement related to the merchandise purchase and sale agreement (the "**Safekeeping Agreement**"). Under the Safekeeping Agreement, Supplier X agreed to keep within its custody cellphones purchased under the Purchase and Sale Agreement by Dmall Life Digital. In June 2020, we made a payment amount of RMB43.6 million for a cellphone order to Supplier X without verifying delivery receipt of the cellphone order. However, we did not receive the cellphones. As a result, we reported the incident to the Beijing Municipal Public Security Bureau in July 2020, and we made a provision in the same year for bad debts since such loss was determined to be probable. The incident is under investigation by the relevant authority since 2020; therefore, there were no movements of the "receivable from a supplier" item from 2020 and throughout the Track Record Period.

Subsequently, our Company conducted an internal review of the internal control mechanisms and adopted corresponding internal control measures. For instance, the procurement department shall obtain and verify copies of suppliers' business licenses and authorization letters to the contacts before further arrangements. The purchase demand department and procurement department are responsible for the inspection and acceptance of goods when purchased goods arrives (or services are provided). During the inspection process, we collect documents from the supplier that describe the details of the orders and that certify the quality of the goods delivered. These documents, together with our own order receipt form, are recorded in our inventory management system by our designated inventory management personnel for further periodic inspection and verification. The finance department shall verify the performance of each contract and corresponding bank account information before releasing payment to suppliers strictly in accordance with the details of our contracts with our suppliers. For details, please see "Risk Factors—Risks Relating to our Business and Industry—If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately report our results of operations, meet our reporting obligations or prevent fraud."

FINANCIAL INFORMATION

Our prepayments, deposits and other receivables decreased from RMB117.4 million as of December 31, 2021 to RMB86.0 million as of December 31, 2022, which was primarily due to (i) a decrease in deductible input value added tax from its utilization claimed against output VAT incurred from increasing sales and VAT credit refund, (ii) a decrease in receivables from third party payment platform mainly due to cash received from consumers pending settlement to us through certain online payment service provider transitioned to be reserved in a bank supervised account directly for our subsequent settlement with retailers and merchants since early December 2022, and (iii) a decrease in prepayment of promotional incentives on behalf of our retailer and advertising customers through expedited payment collection and continued settlement with them, partially offset by Shenzhen Enjoy's prepayment to purchase the property and equipment. We made prepayments of promotional incentives to certain of our advertising customers as part of our collaboration with advertising customers for promotional activities. Prior to a promotional event, our Company agrees with the advertising customer regarding the format and amount of promotional incentives to be deployed on our platform for consumers; we subsequently grant such incentives to the consumers' accounts and keep a record of utilization amount of such incentives associated with the promotional event; upon completion of the promotional event, we agree to split of utilization of such incentives with our advertising customer who would then pay us for their corresponding portion of incentives actually applied during the promotional event. These effectively constitute a prepayment by us of promotional incentives to consumers on behalf of our advertising customers.

Our prepayments, deposits and other receivables increased from RMB86.0 million as of December 31, 2022 to RMB95.6 million as of December 31, 2023, which was primarily due to (i) an increase in prepayments for listing expenses that have been capitalized and new software purchases and, (ii) an increase in receivables from third party payment platform due to extra settlement period as a result of holiday impact at the end of 2023.

Our prepayments, deposits and other receivables decreased from RMB95.6 million as of December 31, 2023 to RMB94.6 million as of June 30, 2024, which was primarily due to (i) the derecognition of receivable from third-party payment platform as a result of the Restructuring and (ii) a decrease in advance payment for the purchase of certain assets of Shandong Orange Bay upon such assets were reclassified to property and equipment, partially offset by (i) an increase in receivable from Dmall Fresh (Beijing) relating to its purchase of software copyright from us and (ii) an increase in other current prepayments, deposits and other receivables relating to hardware equipment transaction where we purchase on behalf of customers.

As of September 30, 2024, RMB30.8 million or 32.6% of our prepayments, deposits and other receivables as of June 30, 2024 had been subsequently settled.

Trade Payables

Our trade payables consist of logistics cost, AIoT product and service fees, third-party customer service fees and other procurement cost.

FINANCIAL INFORMATION

The following table sets forth our trade payables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Logistics cost payable	31,033	29,284	28,016	—
AIoT product and service fee payable	13,049	23,404	50,140	89,602
Customer service fee and other procurement cost payable	5,279	11,090	8,407	8,765
Total	49,361	63,778	86,563	98,367

Our trade payables increased from RMB49.4 million as of December 31, 2021, to RMB63.8 million as of December 31, 2022, primarily due to (i) the increase in product procurement cost associated with the growth of our digitalized smart tags business launched in December 2021 and (ii) new procurement cost under our points program collaboration with Maidelong Entities, partially offset the elimination of certain logistics costs as a result of the disposal of our overseas O2O business. Our trade payables increased from RMB63.8 million as of December 31, 2022 to RM86.6 million as of December 31, 2023, which was primarily due to the increase in AIoT product and service fee payable associated with additional outsourcing for the launch and expansion of our AIoT solutions, including intelligent merchandise replenishment solutions, intelligent package sorting solutions, intelligent cashier solutions and intelligent cleaning solutions. Our trade payables increased from RM86.6 million as of December 31, 2023 to RMB98.4 million as of June 30, 2024, which was primarily due to the increase in AIoT product and service fee payable associated with additional outsourcing for the expansion of the intelligent cleaning solutions.

The following table sets forth an aging analysis of our trade payables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Within 3 months	47,884	56,737	77,959	89,623
3 to 6 months	1,069	5,420	1,775	746
7 to 12 months	97	1,284	2,989	1,780
Over 1 year	311	337	3,840	6,218
Total	49,361	63,778	86,563	98,367

Our trade payables aged over 1 year increased from RMB0.3 million as of December 31, 2022 to RMB3.8 million as of December 31, 2023, and further to RMB6.2 million as of June 30, 2024, primarily due to unsettled payables relating to digitalized smart tags business, which were within the credit period that our vendors provided to us.

The following table sets for the turnover days of our trade payables turnover days for the years/ periods indicated:

	Year Ended December 31,			Six Months Ended June 30,
	2021	2022	2023	2024
Trade payables turnover days ⁽¹⁾	21.7	25.1	26.6	29.1

Note:

(1) Trade payables turnover days are equal to the average balances of trade payables at the beginning and at the end of the year divided by cost of revenue during the year and multiplied by the respective number of days in that year.

FINANCIAL INFORMATION

Our trade payables turnover days increased slightly from 21.7 days in 2021 to 25.1 days in 2022 and further increased to 26.6 days in 2023, and 29.1 days in the six months ended June 30, 2024. Our trade payables turnover days stabilized at around 30 days over time, which is on par with industry average.

As of September 30, 2024, RMB89.4 million or 90.9% of our trade payables as of June 30, 2024 had been subsequently settled.

Accrued Expenses and Other Payables

Our accrued expenses and other payables mainly consist of (i) payables to retailers and merchants, representing cash collected on behalf of retailers and merchants from consumers, (ii) accrued payroll and welfare, (iii) advances from consumers, representing advances from consumers we received on behalf of retailers and merchants before merchandise is delivered when consumers pay for merchandise online through our platform until (x) such consumers pick up their merchandise offline from our customer or (y) the merchandise is arranged for delivery on a next-day basis, at which time the merchandise payment is reclassified to payables to retailers and merchants and will be settled with the corresponding customer of ours in due settlement period, (iv) refundable government subsidy, representing the cash received from the government but the conditions attaching to the grant have not been fulfilled, (v) Sales incentive payables, representing fees payable to retailer customers related to using and promoting our e-commerce service cloud solutions and scan-and-go solutions in order to encourage consumers to transact through the Dmall mobile app and mini-programs, (vi) advance from an investor, (vii) cloud services fee payables and (viii) others.

The following table sets forth details of our accrued expenses and other payables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Current				
Payables to retailers and merchants	216,661	237,748	153,677	19,113
Advance from an investor	127,384	—	—	—
Accrued payroll and welfare	116,345	159,573	137,375	78,280
Advances from consumers	16,878	16,105	2,568	—
Deposits from merchants	17,717	9,908	4,175	5,170
Refundable government subsidy	23,000	23,000	23,000	23,000
Cloud services fee payables	18,434	11,591	4,343	2,348
Taxes payable	6,351	7,516	16,768	6,321
Professional fee payables	3,281	23,202	20,784	17,635
Sales incentive payables	5,579	2,486	—	—
Others	39,238	42,608	60,059	75,670
Non-current				
Rental deposits	1,001	—	—	—
Others	635	622	959	1,006
Total	592,504	534,359	423,708	228,543

Our accrued expenses and other payables decreased from RMB592.5 million as of December 31, 2021, to RMB534.4 million as of December 31, 2022, primarily due to that advance from an investor in 2021 was recognized in convertible redeemable preferred shares in February 2022,

FINANCIAL INFORMATION

as partially offset by (i) an increase in accrued payroll and welfare including holdover of social insurance payment under pandemic-specific government relief policies across our offices in 2022, (ii) an increase in professional fee payables in relation to the Listing and (iii) an increase in payables to retailers and merchants.

Our accrued expenses and other payables decreased from RMB534.4 million as of December 31, 2022 to RMB423.7 million as of December 31, 2023, which was primarily due to (i) a decrease in payables to retailers and merchants due to our timely settlement with them at the end of 2023, (ii) a decrease in accrued payroll and welfare, including social insurance payment under pandemic-specific government relief policies, and (iii) a decrease in advances from consumers upon completion of consumer orders placed through our O2O platform.

Our accrued expenses and other payables decreased from RMB423.7 million as of December 31, 2023 to RMB228.5 million as of June 30, 2024, which was primarily due to (i) a decrease in payables to retailers and merchants as a result of the Restructuring, and (ii) a decrease in accrued payroll and welfare.

As of September 30, 2024, RMB164.5 million or 72.2% of the current portion of our accrued expenses and other payables as of June 30, 2024 had been subsequently settled.

Contract Liabilities

Our contract liabilities mainly consist of customer advances for our retail core service cloud solution business, customer advances for our marketing and advertising services and advances from consumers for our membership programs. Our contract liabilities increased from RMB44.5 million as of December 31, 2021 to RMB49.5 million as of December 31, 2022. The increase was primarily due to an increase in customer advances under our marketing and advertising service. Customer advances for our marketing and advertising services mainly represent the advance payments we receive from our advertising customers prior to us rendering services to them as advertising customers transition into a prepayment fee model. We instated the prepayment fee model in early 2022 for brand owners using our marketing and advertising services to prepay fees associated with advertising and marketing campaigns, with limited exception for our long-term brand owner customers. This fee model is consistent with market practice for marketing and advertising services, and improves operating cash flow for our marketing and advertising services. The increase in contract liabilities from RMB49.5 million as of December 31, 2022 to RMB91.3 million as of December 31, 2023 was primarily attributable to the increase in customer advances for our operating system implementation under our retail core service cloud solutions, together with the scaling up of our business in both domestic and overseas markets. The decrease in contract liabilities from RMB91.3 million as of December 31, 2023 to RMB78.6 million as of June 30, 2024 was primarily attributable to the derecognition of customer advances for our marketing and advertising services and advances from consumers for our membership programs as a result of the Restructuring, partially offset by the increase in contract liabilities as a result of advance payments relating to Dmall OS business during the period.

As of September 30, 2024, RMB23.2 million or 29.6% of our contract liabilities as of June 30, 2024 had been subsequently recognized as revenue.

Convertible Redeemable Preferred Shares

The convertible redeemable preferred shares were designated as financial liabilities at fair value through profit or loss. The carrying amount of the convertible redeemable preferred shares was

FINANCIAL INFORMATION

RMB5,137.2 million, RMB6,378.7 million, RMB6,965.5 million and RMB7,407.2 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. Such amounts include the initial proceeds received on the issuance of the convertible redeemable preferred shares and their subsequent fair value.

For further information regarding our convertible redeemable preferred shares, see “History, Reorganization and Corporate Structure—Pre-IPO Investments” of this document and Note 28 to the Accountants’ Report in Appendix I to this document.

Convertible Bond

The outstanding convertible bond of RMB151.0 million was classified as our current liability as at June 30, 2024. See “History, Reorganization and Corporate Structure—Pre-IPO Investments—Issuance of Convertible Bond” of this document and Note 29 to the Accountants’ Report in Appendix I to this document for details of the convertible bond.

KEY FINANCIAL RATIOS

The table below sets forth our key financial ratios for the years/periods or as of the dates indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30	
	2021	2022	2023	2023	2024
				<i>(unaudited)</i>	
Growth of revenue	—	56.6%	19.4%	—	22.9%
Gross margin ⁽¹⁾	20.4%	38.0%	35.0%	36.3%	38.3%
Net margin ⁽²⁾	(213.2%)	(67.8%)	(47.3%)	(76.9%)	(51.3%)
Adjusted net margin from continuing operations (non-IFRS measure) ⁽³⁾	(111.0%)	(26.8%)	(14.7%)	(18.8%)	(6.0%)

Notes:

- (1) Equals gross profit for the year/period divided by revenue for the year/period and multiplied by 100%.
- (2) Equals loss for the year from continuing operations divided by revenue for the year/period and multiplied by 100%.
- (3) Equals adjusted loss from continuing operations (non-IFRS measures) for the year/period divided by revenue for the year/period and multiplied by 100%.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we funded our cash requirements principally from cash generated from our business operations and funds raised through private placements and bank loans. After the Global Offering, we intend to finance our future capital requirements through cash generated from our business operations, the net proceeds received from the Global Offering, and other future equity or debt financings. We currently do not anticipate any changes to the availability of financing to fund our operations in the near future.

We had cash and cash equivalents of RMB368.7 million, RMB533.1 million, RMB553.2 million and RMB469.5 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively.

FINANCIAL INFORMATION

The following table sets forth details of our cash and cash equivalents and restricted bank deposits as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Cash at bank and on hand	424,383	589,140	554,104	470,034
Less: Restricted bank deposits	(55,667)	(56,086)	(20,933)	(498)
Cash and cash equivalents	368,716	533,054	533,171	469,536

As of December 31, 2021, we recorded restricted bank deposits of RMB55.7 million, due to the freezing of certain disputed assets. During the Track Record Period, a subsidiary of our Company was involved in a contractual dispute lawsuit with a supplier of our Company, and certain disputed assets were frozen by the court from the subsidiary’s bank account. In September 2022, the court dismissed the case and disputed assets were unfrozen in October 2022. See “Risk Factors—Risks Relating to our Business and Industry—We have been and may again, from time to time, be subject to legal proceedings during the course of our business operations. Our directors, management, shareholders and employees may also again from time to time be subject to legal proceedings, which could adversely affect our reputation and results of operations.”

We recorded restricted bank deposits of RMB56.1 million as of December 31, 2022 and RMB20.9 million as of December 31, 2023 mainly representing cash received from consumers and reserved in a bank supervised account for payments to retailers and merchants.

During the Track Record Period, Zhilian Wuhan, a subsidiary of our Company was involved in a contractual dispute with a product manufacturer for our AIoT solutions. On April 15, 2019, Dmall Zhilian and a certain product manufacturer (the “**Manufacturer**”) entered into a manufacturing contract (the “**Manufacturing Contract**”), pursuant to which the Manufacturer agreed to manufacture AIoT equipment. On May 25, 2019, Dmall Zhilian, the Manufacturer, and Zhilian Wuhan entered into an agreement to change the Manufacturing Contract signing party to Zhilian Wuhan and have Zhilian Wuhan to assume the rights and obligations under the Manufacturing Contract. According to the Manufacturing Contract, if the AIoT equipment has quality problems, the quality assurance deposit will be paid after the quality problems are solved. Zhilian Wuhan believes that the product manufacturer delivered equipment of substandard quality and have not subsequently resolved such quality problems. Furthermore, Zhilian Wuhan has incurred additional equipment repairment costs of RMB0.03 million and it is expected to incur further equipment repairment costs in subsequent equipment use with a third-party service provider. Correspondingly, Zhilian Wuhan withheld the quality assurance deposit.

In July 2022, the product manufacturer brought a contractual dispute claim against Zhilian Wuhan and an amount equal to the quality assurance deposit and its interest expense was frozen by the court from the subsidiary’s bank account. As a result of the contractual dispute, we incurred RMB20,000 in legal fees. On November 16, 2023, the court made a final judgment that dismissed the product manufacturer’s claim. Consequently, the amount frozen by the court from the subsidiary’s bank account had been released in January 2024. See “Risk Factors—Risks Relating to our Business and Industry—We have been and may again, from time to time, be subject to legal proceedings during the course of our business operations. Our directors, management, shareholders and employees may also again from time to time be subject to legal proceedings, which could adversely affect our reputation and results of operations.”

FINANCIAL INFORMATION

The following table sets forth a summary of our cash flows for the years/periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2021	2022	2023	2023	2024
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Operating cash flows before changes in working capital	(870,007)	(383,173)	(125,538)	(76,532)	27,832
Changes in working capital	(404,660)	177,917	(53,805)	(116,261)	(84,553)
Cash used in operations	(1,274,667)	(205,256)	(179,343)	(192,793)	(56,721)
Income tax (paid)/refunded	(10)	(245)	95	127	(22)
Net cash used in operating activities	(1,274,677)	(205,501)	(179,248)	(192,666)	(56,743)
Net cash (used in)/generated from investing activities	(321,400)	68,847	(31,031)	(12,150)	(6,049)
Net cash generated from financing activities	833,719	282,425	207,061	132,409	144
Net (decrease)/increase in cash and cash equivalents	(762,358)	145,771	(3,218)	(72,407)	(62,648)
Cash and cash equivalents at the beginning of the year/period	1,134,873	368,716	533,054	533,054	533,171
Effect of foreign currency exchange rate changes	(3,799)	18,567	3,335	3,337	(987)
Cash and cash equivalents at the end of the year/period	368,716	533,054	533,171	463,984	469,536

Net Cash Used in Operating Activities

Net cash used in operating activities in the six months ended June 30, 2024 was RMB56.7 million. Our net cash used in operating activities is calculated by adjusting our loss before tax of RMB251.1 million for non-cash and non-operating items of RMB278.9 million, changes in working capital of negative RMB84.6 million, and income tax paid of less than RMB0.1 million. Adjustments mainly include (i) fair value change of convertible redeemable preferred shares of RMB397.1 million, and (ii) fair value change on financial assets at FVPL of RMB87.1 million and (iii) depreciation on property and equipment of RMB19.4 million partially offset by gain on disposal of subsidiaries of RMB253.9 million. Changes in working capital mainly include (i) an increase in trade receivables and contract asset of RMB92.6 million, primarily due to additional revenue from system development services, intelligent delivery services and intelligent cleaning services, and (ii) an increase in other receivables and prepayments of RMB41.4 million, primarily due to an increase in receivable from Dmall Fresh (Beijing) relating to its purchase of software copyright from our Group, partially offset by (i) a decrease in other payables and accruals of RMB37.9 million, primarily due to a decrease in payables to retailers and a decrease in accrued payroll and welfare, and (ii) an increase in trade payables of RMB11.8 million, primarily due to an increase in AIoT product and service fee payable.

Net cash used in operating activities in 2023 was RMB179.3 million. Our net cash used in operating activities is calculated by adjusting our loss before tax of RMB658.8 million for non-cash and non-operating items of RMB533.2 million, changes in working capital of negative RMB53.8 million, and income tax refunded of less than RMB0.1 million. Adjustments mainly include (i) fair value change of convertible redeemable preferred shares of RMB476.2 million and (ii) depreciation on property and equipment of RMB45.8 million, partially offset by fair value change on financial assets at FVPL of RMB43.8 million. Changes in working capital mainly include (i) a decrease in other payables and accruals of RMB109.7 million, primarily due to a decrease in payables to retailers and merchants, a decrease in accrued payroll and welfare and a decrease in advances from consumers and (ii) an

FINANCIAL INFORMATION

increase in trade receivables and contract assets of RMB25.2 million, primarily due to additional revenue from AIoT solutions, partially offset by (i) an increase in contract liabilities of RMB41.8 million, primarily due to an increase in customer advances for our operating system implementation (ii) a decrease in restricted bank deposits of RMB35.2 million, primarily due to settlement of payments to retailers and merchants from the restricted bank supervised account, and (iii) an increase in trade payables of RMB20.8 million, primarily due to an increase in AIoT product and service fee payable.

Net cash used in operating activities in 2022 was RMB205.5 million. Our net cash used in operating activities is calculated by adjusting our loss before tax of RMB842.4 million for non-cash and non-operating items of RMB459.2 million, changes in working capital of RMB177.9 million, and income tax paid of RMB0.2 million. Adjustments mainly include (i) fair value change of convertible redeemable preferred shares of RMB493.2 million, and (ii) depreciation on property and equipment of RMB51.9 million, partially offset by gain on disposal of subsidiaries of RMB100.1 million. Changes in working capital mainly include (i) an increase in other payables and accruals of RMB158.6 million, primarily due to an increase in accrued payroll and welfare, an increase in professional fee payables and an increase in payables to retailers and merchants, (ii) a decrease in other receivables and prepayments of RMB50.9 million, primarily due to a decrease in deductible input VAT and VAT credit refund, a decrease in receivables from third-party payment platform and a decrease in prepayment of promotional incentives on behalf of our retailer customers and advertising customers, and (iii) an increase in trade payables of RMB14.4 million, partially offset by an increase in trade receivables of RMB47.8 million, primarily due to new revenue stream from overall expansion of our operating system business, new consultation revenue from certain customer, and additional revenue from AIoT solutions.

Net cash used in operating activities in 2021 was RMB1,274.7 million. Our net cash used in operating activities is calculated by adjusting our loss before tax of RMB1,824.3 million for non-cash and non-operating items of RMB954.3 million, changes in working capital accounts of negative RMB404.7 million, and income tax paid of less than RMB0.1 million. Adjustments mainly include (i) fair value change of convertible redeemable preferred shares of RMB732.3 million, (ii) equity settled share-based payment expenses of RMB134.1 million, and (iii) depreciation on property and equipment of RMB63.5 million. Changes in working capital mainly include (i) a decrease in other payables and accruals of RMB340.7 million, primarily due to a decrease in outstanding sales incentives payables, a decrease in payables to retailers and merchants, and a decrease in advances from consumers, and (ii) an increase in trade receivables and contract asset of RMB57.8 million, primarily due to operating system deployment for new retailer customers, new software development and maintenance revenue, new revenue stream from digitalized smart tags under our AIoT solutions, and additional advertising and marketing fees derived from new advertising customers, and (iii) an increase in restricted bank deposit of RMB55.7 million primarily due to the freezing of certain disputed assets, partially offset by (i) an increase in contract liabilities of RMB15.7 million, and (ii) an increase in trade payables of RMB14.6 million.

Despite experiencing a net operating cash outflow in the Track Record Period, we anticipate an improvement in our operating cash flow as we expect to improve our loss making position gradually. Firstly, our business scale is continuously expanding as we deploy our operating system which has a notably higher gross margin to a broader range of customers. We expect to grow our customer base by bringing in new customers and generating additional revenue from existing customers who continue to deepen the digitalization of their operations through the adoption of our additional offerings. For instance, we have entered into cooperation agreements with major regional retailers operating

FINANCIAL INFORMATION

supermarkets and convenience stores, which will start contributing to our revenue in 2023. Additionally, we are diversifying our revenue stream through our AIoT solutions. We anticipate an increase in the number of AIoT customers as we cross-sell AIoT solutions to our Dmall OS and other customers, which will also lead to higher revenue per customer. In particular, we expect to generate more revenue from our new AIoT initiatives, such as intelligent loss prevention solutions, intelligent cleaning solutions, intelligent merchandise replenishment solutions, intelligent package sorting solutions, and intelligent cashier solutions. These solutions provide customers with a comprehensive AIoT hardware and services package which we expect will generate positive returns for us. We will also generate additional fees from advertising customers as we integrate and enhance our online and offline marketing channels. For example, we are expanding our marketing collaboration with broader customer base for offline marketing and promotional services, such as partner stores and banks. Furthermore, our concerted efforts to control costs and optimize our operational efficiency, including but not limited to, labor structure optimization and reducing promotional incentives to retail consumers for our e-commerce service cloud solutions, will also contribute to improvement in our operating cash flow.

Net Cash (Used in)/Generated from Investing Activities

In the six months ended June 30, 2024, our net cash used in investing activities was RMB6.0 million, primarily attributable to (i) net cash outflow from disposal of Dmall Fresh (Beijing) of RMB26.1 million and (ii) purchase of financial assets at FVPL of RMB14.0 million, partially offset by proceeds from disposal of financial assets at FVPL of RMB38.0 million.

In 2023, our net cash used in investing activities was RMB31.0 million, primarily attributable to purchase of financial assets at FVPL of RMB164.5 million partially offset by proceeds from disposal of financial assets at FVPL of RMB139.2 million.

In 2022, our net cash generated from investing activities was RMB68.8 million, primarily attributable to (i) proceeds from disposal of financial assets at FVPL of RMB256.7 million, and (ii) net proceeds from disposal of a subsidiary of RMB78.2 million partially offset by purchase of financial assets at FVPL of RMB249.5 million.

In 2021, our net cash used in investing activities was RMB321.4 million, primarily attributable to purchase of financial assets at FVPL of RMB3,833.4 million, payment for acquisition of subsidiaries of RMB103.4 million, and payment for acquisition of equity investments of RMB102.6 million, partially offset by proceeds from disposal of financial assets at FVPL of RMB3,733.8 million.

Net Cash Generated from Financing Activities

In the six months ended June 30, 2024, our net cash generated from financing activities was RMB0.1 million, primarily attributable to proceeds from bank loans of RMB182.0 million, partially offset by repayment of bank loans of RMB99.6 million, repayment of convertible bond of RMB50.0 million, payment of interests of convertible bond of RMB11.2 million and capital element of lease rentals paid of RMB10.7 million.

In 2023, our net cash generated from financing activities was RMB207.1 million, primarily attributable to proceeds from bank loans of RMB260.7 million and capital contribution from non-controlling interests of RMB59.5 million, partially offset by repayment of bank loans of RMB70.0 million as well as capital element of lease rentals paid of RMB25.8 million.

FINANCIAL INFORMATION

In 2022, our net cash generated from financing activities was RMB282.4 million, primarily attributable to proceeds from convertible bond of RMB190.0 million, proceeds from bank loans of RMB120.4 million and proceeds from issuance of convertible redeemable preferred shares RMB111.0 million, partially offset by repayment of borrowings from related parties of RMB85.3 million as well as cash paid for acquisition of non-controlling interests of RMB48.5 million.

In 2021, net cash generated from financing activities was RMB833.7 million, primarily attributable to proceeds from issuance of convertible redeemable preferred shares of RMB742.1 million, partially offset by interests paid of RMB68.0 million and payments for capital element of lease rentals of RMB22.9 million and payments for interest element of lease rentals of RMB1.2 million.

INDEBTEDNESS

The table below sets forth a breakdown of our lease liabilities, contingent liabilities or guarantees, bank loans and other borrowings, convertible redeemable preferred shares and convertible bond as of the dates indicated:

	As of December 31,			As of June 30,	As of September 30,
	2021	2022	2023	2024	2024
	<i>(RMB in thousands)</i>				<i>(unaudited)</i>
Lease liabilities	25,612	20,313	40,584	36,650	31,441
Bank loans and other borrowings	155,261	120,490	314,176	396,664	391,685
Convertible redeemable preferred shares	5,137,156	6,378,735	6,965,493	7,407,194	8,028,123
Convertible bond	—	203,193	208,577	151,039	151,883
Total	5,318,029	6,722,731	7,528,830	7,991,547	8,603,132

Bank Loans and Other Borrowings

The table below sets forth our bank loans, borrowings from related parties and borrowings from other company as of the dates indicated:

	As of December 31,			As of June 30,	As of September 30,
	2021	2022	2023	2024	2024
	<i>(RMB in thousands)</i>				<i>(unaudited)</i>
Current					
Bank loans—secured	11,364	41,655	60,994	68,284	68,278
Bank loans—unsecured	—	28,435	138,337	210,186	205,188
Borrowings from related parties—unsecured	64,799	—	—	—	—
Borrowings from other company—unsecured	—	—	2,745	2,794	2,819
Non-current					
Bank loans—secured	79,098	50,400	112,100	115,400	115,400
Total	155,261	120,490	314,176	433,314	391,685

FINANCIAL INFORMATION

Our balances with related parties as at the end of each reporting period are as follows:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Trade in nature:				
Amounts due from related parties	76,434	109,593	143,112	248,284
Amounts due to related parties	197,474	244,698	169,081	40,962
Non-trade in nature:				
Borrowings and interests due to related parties	64,799	—	—	—

Amounts due from and to related parties of the Group are unsecured, interest-free, repayable on demand/on contract terms.

Amounts due to related parties include mainly logistics cost payable, promotion and other service fee payable, sales incentive payables and cash collected on behalf of retailer customers from consumers, among which sales incentive payables and cash collected on behalf of retailer customers from consumers did not correspond to our purchase transactions with related parties.

In July 2017 and May 2018, we and Dmall Life Network entered into a series of loan agreements with Retail Enterprise Corporation Limited, a subsidiary of Wumei Technology, and Wumei Technology, respectively. Under these agreements, (i) we provided interest-free borrowings of US\$101.0 million, using our overseas financing proceeds, to Retail Enterprise Corporation Limited, obtained by Retail Enterprise Corporation for the purpose of funding several potential acquisitions of retailers; and (ii) Dmall Life Network obtained interest-free borrowings in RMB equivalent to US\$101.0 million from Wumei Technology for the purpose of meeting funding needs for its operations. These borrowings were fully repaid by Retail Enterprise Corporation Limited and Dmall Life Network in 2020, respectively.

Our PRC Legal Adviser is of the view that, with respect to the U.S. dollar loans between the Group and the subsidiary of Wumei Technology (namely, Retail Enterprise Corporation Limited) (the “**U.S. Dollar Loans**”), in accordance with the provisions of the Circular of the National Development and Reform Commission on Promoting the Administrative Reform of the Filing and Registration System for the Issuance of Foreign Debts by Enterprises (《國家發展改革委關於推進企業發行外債備案登記制管理改革的通知》), the “**Circular 2044**”) promulgated by the NDRC on September 14, 2015, effective on the same day, and relevant Q&As published on the NDRC’s official website, the Group, as the lender, were not subject to any filing or reporting requirements under the Circular 2044. Based on the above, our PRC legal adviser has advised that, the Group is in compliance with the relevant PRC laws and regulations in all material respects in the U.S. Dollar Loans transactions.

With respect to the RMB loans between the Group’s subsidiary (namely, Dmall Life Network) and Wumei Technology (the “**RMB Loans**”), in accordance with the provisions of the General Lending Provisions (《貸款通則》) issued by the PBOC, any financing arrangements or lending transactions between non-financial institutions is prohibited, and PBOC may impose on the non-compliant lender a fine of one to five times the income received by the lender from such loans. However, according to the Provisions of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》), the “**Private Lending Provisions**”), borrowing agreements between enterprises which are not financial institutions shall be classified as private lending and should be valid if such lending is for business operation purposes and do not fall into certain situations stipulated in the Civil Code of the PRC and Private Lending Provisions. PRC courts will support an enterprise’s claim for

FINANCIAL INFORMATION

interest in respect of such lending as long as the annual interest rate does not exceed four times of the applicable one-year loan prime rate. The RMB Loans did not fall into the scope of the certain situations stipulated in the Civil Code of the PRC and Private Lending Provisions and were interest-free. Based on the above, our PRC legal adviser is of the view that, the possibility of the Group being penalized in respect of the RMB Loans pursuant to the General Lending Provisions is remote, the Group is in compliance with the relevant PRC laws and regulations in all material respects in the RMB Loans transactions.

We have entered into revolving loan facilities with Bank of Beijing. In September 2022, we entered into a revolving loan facility of RMB300.0 million with Bank of Beijing, with an expiration date in September 2026. In November 2023, we entered into another loan facility to extend the expiration date to November 2027. The loan facilities are committed, secured and unrestricted. The interest rate and repayment schedule of any drawdown will be determined by separate agreement with Bank of Beijing per each drawdown. As of September 30, 2024, we have drawn down borrowings with the principal amount of RMB227.0 million under these loan facilities, out of which we have repaid RMB43.5 million and the unutilized loan facility was RMB116.5 million.

In June 2023, we entered into another revolving loan facility of RMB10.0 million with Bank of Beijing, with an expiration date in June 2025. In June 2024, we entered into another revolving loan facility with Bank of Beijing to extend the expiration date to June 2025 and raise the loan facility of RMB10.0 million to RMB20.0 million. The loan facility is committed, unsecured and unrestricted. As of September 30, 2024, we have drawn down borrowings with the principal amount of RMB30.0 million under this loan facility, out of which we have repaid RMB10.0 million in June 2024 and the unutilized loan facility was nil.

In March 2023, we entered into a revolving loan facility of RMB100.0 million with Bank of China, with an expiration date in March 2024. In April 2024, we entered into another loan facility to extend the expiration date to March 2025. The loan facility is committed, unsecured and unrestricted. The interest rate and repayment schedule of any drawdown will be determined by separate agreement with Bank of China per each drawdown. As of September 30, 2024, we have drawn down borrowings with the principal amount of RMB85.0 million under these loan facilities, out of which we have repaid RMB50.0 million and the unutilized loan facility was 65.0 million.

In March 2023, we entered into a revolving loan facility of RMB100.0 million with Shanghai Pudong Development Bank Co., Ltd., with an expiration date in March 2024. In June 2024, we entered into another loan facility to extend the expiration date to April 2025 and raise the loan facility of RMB100.0 million to RMB110.0 million. The loan facility is unsecured and unrestricted. The interest rate and repayment schedule of any drawdown will be determined by separate agreement with Shanghai Pudong Development Bank Co., Ltd., per each drawdown. As of September 30, 2024, we have drawn down borrowings with the principal amount of RMB124.6 million under these facilities, out of which we have repaid RMB14.6 million and the unutilized loan facility was nil.

In November 2023 we entered into a non-revolving loan facility of RMB30.0 million with Industrial and Commercial Bank of China, with an expiration date in October 2024. The loan facility is unsecured and unrestricted. The interest rate and repayment schedule of any drawdown will be determined by separate agreement with Industrial and Commercial Bank of China per each drawdown. As of September 30, 2024, we have drawn down borrowings with the principal amount of RMB30.0 million under this facility and the unutilized loan facility was nil.

FINANCIAL INFORMATION

In September 2023 we entered into a revolving loan facility of RMB100.0 million with China Zheshang Bank, with an expiration date in August 2024. In August 2024, we entered into another loan facility to extend the expiration date to July 2025. The loan facility is unsecured and unrestricted. The interest rate and repayment schedule of any drawdown will be determined by separate agreement with China Zheshang Bank per each drawdown. As of September 30, 2024, we have drawn down borrowings with the principal amount of nil under this facility and the unutilized loan facility was RMB100.0 million.

In August 2024, we entered into a revolving loan facility of RMB50.0 million with Bank of Nanjing, with an expiration date in August 2025. The loan facility is secured and unrestricted. The interest rate and repayment schedule of any drawdown will be determined by separate agreement with Bank of Nanjing per each drawdown. As of September 30, 2024, we have drawn down borrowings with the principal amount of nil under this facility and the unutilized loan facility was RMB50.0 million.

In September 2024, we entered into a revolving loan facility of RMB200.0 million with Industrial Bank Co., Ltd., with an expiration date in September 2025. The loan facility is unsecured and unrestricted. The interest rate and repayment schedule of any drawdown will be determined by separate agreement with Industrial Bank Co., Ltd., per each drawdown. As of September 30, 2024, we have drawn down borrowings with the principal amount of RMB10.0 million under this facility and the unutilized loan facility was RMB190.0 million.

In September 2024, we entered into a revolving loan facility of RMB50.0 million with Bank of Shanghai, with an expiration date in August 2025. The loan facility is secured and unrestricted. The interest rate and repayment schedule of any drawdown will be determined by separate agreement with Bank of Shanghai per each drawdown. As of September 30, 2024, we have drawn down borrowings with the principal amount of nil under this facility and the unutilized loan facility was RMB50.0 million.

As of September 30, 2024, we recorded RMB388.5 million in bank loans and other borrowings and had RMB571.5 million in unutilized banking facilities.

Some of our bank loan agreements contain standard terms, conditions and covenants that are customary for commercial bank loans in the PRC. Such covenants primarily include requirements for us to obtain the relevant lenders' prior consent for certain transactions, such as disposal of material assets and merger or consolidation. Save as disclosed above, so far as our Directors are aware, we do not have any material covenants relating to the outstanding debts which limited our ability to undertake additional debt or equity financing. Our Directors also confirm that (i) there was no delay or defaults in the repayment of borrowings during the Track Record Period, (ii) they are not aware of any breach of any of the covenants contained in our bank loan arrangements and other borrowing arrangements or any event of default during the Track Record Period and up to the Latest Practicable Date, (iii) they are not aware of any restrictions that will limit our ability to drawdown on our unutilized facilities. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

FINANCIAL INFORMATION

Lease Liabilities

Our lease liabilities amounted to RMB25.6 million, RMB20.3 million, RMB40.6 million and RMB36.7 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. As of September 30, 2024, we recorded RMB31.4 million in lease liabilities. For further information regarding our lease liabilities, see Note 25 to the Accountants' Report in Appendix I to this document.

Contingent Liabilities or Guarantees

We did not have any material contingent liabilities or guarantees as of December 31, 2021 and 2022, 2023 and June 30, 2024.

Except as disclosed above and under the paragraphs headed “—Discussion of Certain Key Items of Consolidated Statements of Financial Position—Convertible Redeemable Preferred Shares” and “—Discussion of Certain Key Items of Consolidated Statements of Financial Position—Convertible Bond” in this section, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees as of June 30, 2024. Our Directors have confirmed that there is no material change in our indebtedness since September 30, 2024 and up to the date of this prospectus.

CAPITAL EXPENDITURES

Our capital expenditures are primarily incurred for purchase of property and equipment and intangible assets.

The table below sets forth our capital expenditures as of the dates indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2021	2022	2023	2023	2024
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Payment for the purchase of property and equipment	16,261	16,641	3,578	1,475	4,421
Payment for the purchase of intangible assets	314	363	2,963	1,441	—
Total	16,575	17,004	6,541	2,916	4,421

We intend to fund our future capital expenditures with our existing cash balance, cash generated from our operating operations and proceeds from the Global Offering. We may reallocate the fund to be utilized on capital expenditure and long-term investments based on our ongoing business needs.

CONTRACTUAL OBLIGATIONS

Capital Commitments

We did not have any material capital commitments as of December 31, 2021, 2022, 2023 and June 30, 2024.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet commitments or arrangements.

FINANCIAL INFORMATION

MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

We enter into transactions with our related parties from time to time. During the Track Record Period, we entered into a number of related party transactions, see Note 34 to the Accountants' Report in Appendix I to this document.

Our Directors are of the view that each of our transactions with related parties during the Track Record Period were conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our results of operations or cause our historical results to become non-reflective of our future performance.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including currency risk, interest risk, credit risk and liquidity risk. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner, minimizing any potential adverse effects on our financial performance. See Note 33 to the Accountants' Report in Appendix I to this document for a detailed description of our financial risk management.

Currency Risk

We are exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars.

Interest Rate Risk

Interest rate risk arises from fair value or future cash flows of a financial instrument fluctuating because of changes in market interest rates. We are exposed to fair value interest rate risk primarily due to lease liabilities and cash flow risk in relation to variable-rate bank balances. We currently do not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, our management monitors our interest rate risk exposure and will consider hedging significant interest rate risk should the need arise. Our Directors are of the view that our exposure to interest rate risk arising from variable-rate bank balances and cash is insignificant because current market interest rates are relatively low and stable.

Credit Risk

Credit risk arises from a counterparty defaulting on its contractual obligations, resulting in a financial loss to us. We are exposed to credit risk primarily in relation to trade receivables and contract assets. We measure loss allowances for trade receivables at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix. As our historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between our different customer bases. See Note 33 to the Accountants' Report in Appendix I. Our exposure to credit risk arising from cash and cash equivalents is limited because our counterparties are banks and financial institutions having high-credit-quality. We do not provide any guarantees which would expose us to credit risk.

FINANCIAL INFORMATION

Liquidity Risk

Our policy is to regularly monitor our liquidity requirements and compliance with lending covenants, to ensure that we maintain a sufficient reserve of cash and cash equivalents as well as committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

Our Directors have considered our future liquidity and performance and our available sources of finance, including our cash balance of RMB469.5 million as of June 30, 2024, unutilized bank loan facilities in an amount of RMB266.5 million as of June 30, 2024 and the net proceeds from the Global Offering, in assessing we will have sufficient financial resources to continue as a going concern.

FAIR VALUE MEASUREMENT

The fair value of the Company's financial instruments measured at the end of each reporting period on a recurring basis are categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1—Fair value measured using only Level 1 inputs, i.e., unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2—Fair value measured using Level 2 inputs, i.e., observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3—Fair value measured using significant unobservable inputs.

Level 3 fair value measurement

Wealth management products held by us are categorized within Level 3, of which we estimate the fair value by reviewing contractual terms of the respective wealth management products to understand their nature, considering all information with particular emphasis on non-market related informational inputs, analyzing the basis of interest return rates and reviewing the retrospective analysis results of comparable settled wealth management products. Our investment in unlisted equity securities of Guoquan was categorized within Level 3 in 2021 and 2022, of which we estimated the fair value by engaging independent external valuers to perform valuation procedures with financial and non-financial information we provided as well as with discussions on relevant assumptions, considering all information with particular emphasis on non-market related informational inputs and relying on the management team's assessments and estimates of such inputs. Due to Guoquan's initial public offering in November 2023, fair value measurement of Guoquan's securities was transferred from Level 3 to Level 1.

Convertible redeemable preferred shares and derivative components of the convertible bond are categorized within Level 3, of which we estimate the fair value, with reference to the guidance under the "Guidance Note on Directors' Duties in the Context of Valuations in Corporate Transactions" issued by the SFC in May 2017 applicable to directors of companies listed on the Stock Exchange, and with reliance on professional advice, by reviewing the relevant contractual terms of the investment agreements with investors, understanding the nature of the financial instruments issued, engaging an

FINANCIAL INFORMATION

independent qualified professional valuer with financial and non-financial information we provided such as historical financial performance, financial forecast and industry conditions as well as with discussions on relevant assumptions, considering all information comprehensively including but not limited non-market related information such as fair value of our ordinary shares, possibilities under different scenarios, time to liquidation and discounts for lack of marketability, reviewing comparison results of the equity fair value of our Company prepared by the valuer with recent implied financial value of our Company.

Based on the above, and having considered the relevant facts, we are satisfied that the estimated fair values resulting from the valuation technique recorded in the consolidated statement of financial position and the relevant changes in fair values recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the Track Record Period.

The Reporting Accountants have conducted their work in accordance with HKSIR 200 issued by HKICPA to express an opinion on the Group's historical financial information included in the Historical Financial Information. This standard requires that the Reporting Accountants plan and perform their work to obtain reasonable assurance about whether the Historical Financial Information as a whole is free from material misstatement.

Details of the valuation measurement of financial assets at FVPL and financial liabilities at FVPL, particularly the valuation techniques and key inputs are disclosed in Note 17, Note 18 and Note 29 to the Accountants' Report in Appendix I to this prospectus. The Reporting Accountants' opinion on our historical financial information for the Track Record Period as whole is set out in the Appendix I to this prospectus.

The Joint Sponsors have conducted relevant independent due diligence work in relation to the level 3 fair value measurement, including but not limited to: (i) reviewed the relevant notes included in the Accountants' Report as contained in Appendix I to this prospectus; (ii) discussed and conducted due diligence with our Company on the primary factors taken into account by us, key assumptions, parameters and methodologies adopted for the valuation of the level 3 financial assets, and the internal control measures undertaken by us for reviewing and approving the relevant valuation; (iii) obtained and reviewed the underlying contracts for the financial assets and liabilities; and (iv) discussed with the Reporting Accountants in respect of the work performed in relation to the valuation of the level 3 financial assets for the purpose of reporting on the historical financial information of our Group for the Track Record Period as a whole. Based on the due diligence work conducted by the Joint Sponsors as stated above, and having considered the work performed by our management and audit procedures carried out by the Reporting Accountants, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to question the valuation analysis in relation to the level 3 financial assets and liabilities performed by us and the audit procedures carried out by the Reporting Accountants for the purpose of expressing an opinion on the historical financial information of our Group as a whole.

DIVIDEND

We are a holding company incorporated under the laws of the BVI. As a result, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year determined according to the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China. PRC laws also require foreign-invested enterprises to set aside at least

FINANCIAL INFORMATION

10% of its after-tax profits, if any, to fund its statutory reserves until the aggregate amount of such fund reaches 50% of its registered capital, which are not available for distribution as cash dividends. Dividend distribution to our shareholders is recognized as a liability in the period in which the dividends are approved by our shareholders or Directors, where appropriate. During the Track Record Period, no dividends have been paid or declared by our Company.

Any future determination to pay dividends will be made at the discretion of our Directors and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors may deem relevant. Our BVI legal adviser has advised that, so long as we satisfy the solvency test, namely, (i) the value of the our assets exceeds our liabilities, and (ii) we are able to pay our debts as they become due immediately after the distribution, our Directors may authorize a distribution by way of dividend at a time and of such an amount as they see fit, subject to our Memorandum and Articles. The declaration, payment and amount of dividends will be subject to our Directors' discretion, if they are satisfied, on reasonable grounds, that immediately after the payment of the dividend, the value of our Company's assets will exceed its liabilities and our Company is able to pay its debts as they fall due. Investors should not purchase our shares with the expectation of receiving cash dividends. We did not declare or pay any dividends on our shares during the Track Record Period. Currently, we do not have a formal dividend policy or a fixed dividend distribution ratio.

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including the estimated net proceeds from the Global Offering, cash flow generated from operations, bank facilities available to us, cash and cash equivalents on hand, financial assets at fair value through profit or loss, and after due and careful enquiry, our Directors are of the view that we and our subsidiaries have sufficient working capital to meet our present needs and for the next 12 months from the date of this document. Taking into account the above, as well as based on the written confirmation from our Company in respect of working capital sufficiency, the financial due diligence conducted on the financial information of our Group during the Track Record Period and the discussion with our Directors, the Joint Sponsors concur with our Directors' view that we and our subsidiaries have sufficient working capital to meet our present needs and for the next 12 months from the date of this document.

DISTRIBUTABLE RESERVES

We did not have any distributable reserves.

LISTING EXPENSES

Based on the Offer Price of HK\$30.21 per share, the total estimated listing expenses in relation to the Global Offering is approximately RMB143.1 million, assuming the Over-allotment Option is not exercised. The total estimated listing expenses will represent approximately 19.9% of the total gross proceeds from the Global Offering of approximately HK\$778.6 million. Out of the total listing expenses, we estimate RMB116.3 million will be charged to our consolidated statement of profit or loss. The remaining balance of approximately RMB26.8 million, which mainly includes underwriting commission, is expected to be accounted for as a deduction from equity upon the completion of the Global Offering. These listing expenses mainly comprise professional fees paid and payable to the professional parties for their services rendered in relation to the Listing and the Global Offering which

FINANCIAL INFORMATION

are non-underwriting related expenses, including fees for legal advisers, Reporting Accountants and internal control consultant of RMB77.4 million, and other non-underwriting-related fees of RMB42.3 million, as well as the underwriting commission (including SFC transaction levy, AFRC transaction levy, and Stock Exchange trading fee) of RMB23.4 million, payable to the Underwriters in connection with the offering of Offer Shares under the Global Offering.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF OUR COMPANY

The following unaudited pro forma statement of adjusted net tangible assets of our Group is prepared in accordance with Rule 4.29 of the Listing Rules and set out below to illustrate the effect of the Global Offering on the consolidated net tangible liabilities attributable to equity shareholders of the Company as at June 30, 2024 as if the Global Offering had taken place on June 30, 2024.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at June 30, 2024 or at any future date.

	Consolidated net tangible liabilities attributable to equity shareholders of the Company as at June 30, 2024 ⁽¹⁾ RMB'000	Estimated net proceeds from the Global Offering ⁽²⁾ RMB'000	Estimated impact to net tangible assets upon reclassification of convertible redeemable preferred shares ⁽³⁾ RMB'000	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company RMB'000	Unaudited pro forma adjusted net tangible assets per Share ⁽⁴⁾ RMB	HK\$ ⁽⁵⁾
Based on an Offer Price of HK\$30.21 per Share	(7,409,957)	660,935	7,407,194	658,172	0.74	0.80

Notes:

- (1) The consolidated net tangible liabilities of the Group attributable to equity shareholders of the Company as of June 30, 2024 are calculated based on the consolidated total deficit attributable to equity shareholders of the Company as of June 30, 2024 of RMB7,137,744,000 extracted from the Accountants' Report set out in Appendix I to this prospectus, after deduction of goodwill of RMB151,993,000 and intangible assets of RMB157,995,000 and adjusting the share of intangible assets attributable to non-controlling interests of RMB37,775,000.
- (2) The estimated net proceeds from the Global Offering are based on 25,774,000 Shares to be issued pursuant to the Global Offering and the Offer Price of HK\$30.21 per Share, after deduction of the estimated underwriting fees and other related listing expenses paid or payable by the Group (excluding the listing expenses that have been charged to profit or loss during the Track Record Period), assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no Shares are issued under the Share Incentive Plans. The estimated net proceeds from the Global Offering are converted to Renminbi at the exchange rate of HK\$1 to RMB0.9237. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted into Renminbi, or vice versa, at that rate.
- (3) As at June 30, 2024, the carrying amount of the convertible redeemable preferred shares was RMB7,407,194,000 (as set out in Note 28 of Appendix I to this prospectus). Upon the Listing, the redeemable preferred shares will be automatically converted into ordinary shares and will be reclassified from liabilities to equity.
- (4) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 886,690,124 Shares were in issue (being the outstanding 525,150,000 ordinary shares as at June 30, 2024, 335,766,124 ordinary shares being converted from the outstanding redeemable preferred shares as at June 30, 2024 and 25,774,000 Shares to be issued pursuant to the Global Offering) assuming that the Global Offering and the conversion of redeemable preferred shares into ordinary shares had been completed on June 30, 2024, and assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no Shares are issued under the Share Incentive Plans.
- (5) The unaudited pro forma adjusted net tangible assets per Share amounts in RMB are converted into Hong Kong dollar at a rate of RMB1.00 to HK\$1.0826. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollar, or vice versa, at that rate.
- (6) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to June 30, 2024.

FINANCIAL INFORMATION

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work considered appropriate by our Directors and after due and careful consideration, our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since June 30, 2024, and there is no event since June 30, 2024 that would materially affect the information as set out in the Accountants' Report included in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

CORNERSTONE INVESTOR

THE CORNERSTONE PLACING

We have entered into a cornerstone investment agreement (the “**Cornerstone Investment Agreement**”) with the cornerstone investor set out below (the “**Cornerstone Investor**”), pursuant to which the Cornerstone Investor has agreed to, subject to certain conditions, subscribe, or cause its designated entities to subscribe, at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 100 Shares) that may be purchased for an aggregate amount of approximately US\$39.06 million (or approximately HK\$304.07 million, calculated based on an exchange rate of US\$1.00 to HK\$7.7846) (exclusive of brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy) (the “**Cornerstone Investment**” or “**Cornerstone Placing**”).

We believe that the Cornerstone Placing demonstrates our Cornerstone Investor’s confidence in our Company and its business prospect, and that the Cornerstone Placing will help to raise the profile of our Company. DFI Development Holdings Limited is an indirect wholly-owned subsidiary of DFI Retail Group, our customer and a minority shareholder of Retail Technology Asia (an insignificant subsidiary of our Company whose total assets, profits and revenue accounted for less than 10% of our Group for each of the latest three financial years) holding 30.5% equity interest thereof. Accordingly, DFI Development Holding Limited will, upon the Listing, constitute a core connected person of the Company under Rule 1.01 of the Listing Rules.

The Cornerstone Placing will form part of the International Offering, and the Cornerstone Investor and its respective close associates will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreement). The Offer Shares to be subscribed by the Cornerstone Investor will rank *pari passu* in all respects with the fully paid Shares in issue following the Global Offering of the Company and will not be counted towards the public float of our Company under Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, the Cornerstone Investor or its close associates will not, by virtue of its cornerstone investment, have any Board representation in our Company; and the Cornerstone Investor and its close associates will not become a substantial Shareholder of our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investor does not have any preferential rights under its Cornerstone Investment Agreement, as compared with other public Shareholders. There are no side arrangements or agreements between our Company and the Cornerstone Investor or any benefit, direct or indirect, conferred on the Cornerstone Investor by virtue of or in relation to the Listing, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, following the principles as set out in Chapter 4.15 of the Guide for New Listing Applicants.

Save as otherwise disclosed, to the best knowledge of our Company, the Cornerstone Investor is (i) not accustomed to take instructions from our Company or any of our Directors, chief executive of our Company, our Controlling Shareholders, substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in its name or otherwise held by it; (ii) not financed by our Company or any of our Directors, chief executive of our Company, our Controlling Shareholders, substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates; and (iii) independent of our Group, our connected persons and their respective associates, and not an existing Shareholder or a close associate of our Group.

CORNERSTONE INVESTOR

As confirmed by the Cornerstone Investor, its subscription under the Cornerstone Placing would be financed by its own internal financial resources and/or intra-group borrowing and it has sufficient funds to settle its respective investment under the Cornerstone Placing. The Cornerstone Investor has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange (if relevant) is required for its Cornerstone Investment.

The Cornerstone Investor has agreed to pay for the relevant Offer Shares that it has subscribed before dealings in the Company's Shares commence on the Stock Exchange. There will be no delayed delivery of the Offer Shares and no deferred settlement of payment of the investment amounts for the Cornerstone Investor under the Cornerstone Investment Agreement.

The total number of Offer Shares to be subscribed by the Cornerstone Investor may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering. If the total demand for Shares in the Hong Kong Public Offering falls within the circumstance as set out in the section headed "Structure of the Global Offering—The Hong Kong Public Offering—Reallocation" in this prospectus, the Overall Coordinators have the absolute discretion, but not obliged, to deduct the number of Offer Shares to be subscribed by the Cornerstone Investor on a *pro rata* basis under the Hong Kong Public Offering pursuant to Practice Note 18 of the Listing Rules. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the allotment results announcement of our Company to be published on or around Thursday, December 5, 2024.

THE CORNERSTONE INVESTOR

The information about our Cornerstone Investor set forth below has been provided by the Cornerstone Investor in connection with the Cornerstone Placing.

DFI DEVELOPMENT HOLDINGS LIMITED

DFI Development Holdings Limited is an indirect wholly-owned subsidiary of DFI Retail Group. DFI Retail Group Holdings Limited has a primary listing in the equity shares (transition) category of the London Stock Exchange, with secondary listings in Bermuda and Singapore. DFI Retail Group is a leading pan-Asian retailer operating a number of well-known brands across food, convenience, health and beauty, home furnishings, restaurants and other retailing in 13 Asian markets and territories. DFI Retail Group is also a member of the Jardine Matheson group.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us a waiver from strict compliance with Rule 9.09(b) of the Listing Rules in relation to the subscription of the Shares as a cornerstone investor by DFI Development Holdings Limited. Please refer to the section headed "Waivers and Exemptions—Cornerstone Subscription by a Close Associate of a Substantial Shareholder of our Subsidiary" in this prospectus for further details.

CORNERSTONE INVESTOR

The table below sets forth details of the Cornerstone Placing:

Based on the Offer Price of HK\$30.21 per Offer Share

Cornerstone Investor	Subscription amount (US\$ in millions)	Number of Offer Shares ⁽¹⁾	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
			Approximate % of the Offer Shares	Approximate % of the issued share capital ⁽²⁾	Approximate % of the Offer Shares	Approximate % of the issued share capital ⁽²⁾
DFI Development Holdings Limited . . .	39.06	10,065,000	39.05	1.14%	33.96%	1.13%
Total	39.06	10,065,000	39.05	1.14%	33.96%	1.13%

Notes:

- (1) Subject to rounding down to the nearest whole board lot of 100 Offer Shares. Calculated based on the exchange rate set out in the section headed “Information about this document and the Global Offering—Exchange Rate Conversion”. The actual investment amount in Hong Kong dollars, the number of Shares agreed to be subscribed for, percentage to the initial number of Offer Shares, and percentage to the enlarged number of Shares in issue immediately upon completion of the Global Offering may change due to the actual exchange rate to be used as prescribed in the Cornerstone Investment Agreement.
- (2) Immediately upon completion of the Global Offering, assuming the Convertible Bond is not converted and no Shares are issued under the Share Incentive Plans.

CLOSING CONDITIONS

The obligation of the Cornerstone Investor to subscribe for the Offer Shares under its Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (a) the Underwriting Agreements being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the aforesaid Underwriting Agreements having been terminated;
- (b) the Offer Price having been agreed upon between our Company and the Overall Coordinators (on behalf of themselves and the underwriters of the Global Offering);
- (c) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares (including the Shares subscribed for by the Cornerstone Investor) as well as other applicable waivers and approvals, and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (d) no laws, rules or rulings shall have been enacted or promulgated by any governmental authority (including, without limitation, the Stock Exchange, the SFC, and the CSRC) of all relevant jurisdictions which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (e) the acknowledgements, representations, warranties, undertakings and confirmations of such Cornerstone Investor under the Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of such Cornerstone Investor.

CORNERSTONE INVESTOR

RESTRICTIONS ON THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed that it will not, and will cause its affiliates not to, whether directly or indirectly, at any time during the period of six months from (and inclusive of) the Listing Date (the “**Lock-up Period**”), dispose of, in any way, any of the Offer Shares or any interest in any company or entity holding such Offer Shares that it has purchased pursuant to the Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business—Our Strategies” in this document for a detailed discussion of our future plans.

USE OF PROCEEDS

With an Offer Price of HK\$30.21 per Offer Share, we estimate that we will receive net proceeds of approximately HK\$623.7 million from the Global Offering after deducting the underwriting commissions and fees, and other estimated expense in connection with the Global Offering and assuming that the Over-allotment Option is not exercised. In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set out below:

- Approximately 42.1%, or HK\$262.6 million, will be allocated to develop new applications and new service modules. More specifically, we intend to use:
 - Approximately 22.0%, or HK\$137.2 million, to develop functionalities that propel our overseas expansion and enhance our solutions’ capabilities through improving our existing offerings, and creating market-particular applications or modules that suits the unique needs of our overseas customers. For example, we have entered the markets of Brunei and Indonesia in 2024. We intend to deepen our local know-hows and launch innovative solutions specifically designed for our target overseas customers.
 - Approximately 16.8%, or HK\$104.8 million, to hire approximately 160 research and development personnel with overseas industry experience to develop modules in support of our overseas development in Macau SAR, Hong Kong SAR, Southeast Asia, including Cambodia, Singapore, Malaysia, Indonesia, the Philippines and Brunei and the EMEA area, including Poland and the United Arab Emirates. In particular, we plan to enlarge our overseas project team with a focus on overseas products localization and customization by hiring approximately 55 product and projects managers with an average salary of HK\$0.7 million per employee per year, including: (i) 13 for ERP management service; (ii) 27 for IT support service; and (iii) 15 for data middleware service by the end of 2027. In order to achieve better product localization, including local language version Dmall OS system, and consistently upgrade the system to incorporate latest industry best practices, we also plan to hire approximately 4 research and development personnel, including: (i) 2 for EMEA local implementation with an average salary of HK\$0.8 million per employee per year; and (ii) 2 for Southeast Asia local implementation with an average salary of HK\$0.6 million per employee per year with local expertise for continuous business development and customer base expansion. We also plan to hire approximately 101 employee for technological support and system maintenance for overseas operations with an average salary of HK\$0.7 million per employee per year by the end of 2027. Part of the proceeds will be used on investments in building relevant workspace and necessary equipment for the overseas team, including renting office spaces, purchasing devices, hardware equipment, testing machines and software licenses.
 - Approximately 1.0%, or HK\$6.2 million, to repair and upgrade our information technology infrastructure.

FUTURE PLANS AND USE OF PROCEEDS

- Approximately 4.2%, or HK\$26.2 million, to enhance technological capabilities and strengthen our data privacy agreements and information security management to strengthen our ability to adapt to market conditions, including but not limited to engage third-party data compliance advisor for system testing, enhance firewall construction to upgrade anti-attack capability as well as avoid system downtime, and consistently refine security system to ensure IT security, information security, system security and IAM security.
- Approximately 13.1%, or HK\$81.7 million, to develop new modules or upgrade existing modules to drive smart operation and automation that meet the evolving demand of our customers and increase our customers' operating efficiency. We also intend to develop solutions especially catered to various retail platforms and adaptive to different retail scenarios, including local retail industry participants such as specialized chain stores, community convenient stores, etc.
 - Approximately 8.4%, or HK\$52.4 million, to upgrade and enhance our operating system modules and functionalities to cover more retail scenarios, cater different customers' needs, increase product compatibility and fulfill ESG responsibilities. As a result, we expect to hire approximately 80 additional domestic research and development engineers, with an average salary of HK\$0.7 million per employee per year, including (i) 56 for system development; (ii) 15 for general purposes; and (iii) 9 for system upgrading. The additional personnel will be responsible for upgrading the scalability and on upgrading Dmall OS system for new retail format clients and enhance intelligent supply chain as well as omni-channel marketing product offerings in our existing service matrix. The expansion of headcounts in this team is expected to help us maintain and enhance competitiveness in product offerings. Part of the proceeds will be used on investments in building relevant workspace and necessary equipment for the domestic team, including renting office spaces, purchasing devices, hardware equipment, cloud resources and software licenses.
 - Approximately 0.6%, or HK\$3.7 million, to repair and upgrade our information technology infrastructure.
 - Approximately 4.1%, or HK\$25.6 million, to purchase more storage services and to develop more efficient algorithm to support our research and development efforts, and to further enhance our research and development efficiency. Additionally, we plan on investing in our internal system to improve our internal information management, strengthen our data privacy agreements and information security management.
- Approximately 7.0%, or HK\$43.7 million, to enhance research and development efforts in technologies such as AIoT and data analytics to accelerate commercialization of our products and solutions across different retail formats and increase the profitability potential of our solutions.
 - Approximately 7.0%, or HK\$43.7 million, to hire approximately 110 research and development staffs with an average salary of HK\$0.4 million per employee per year, including (i) 38 for system maintenance, (ii) 14 for system development, (iii) 14 for general purposes, (iv) 21 for technical service, and (v) 23 for system upgrading. They will focus on the development and

FUTURE PLANS AND USE OF PROCEEDS

enhancement of security related AIoT solutions, including the current intelligent loss prevention solutions and other security and protection solutions and manage the research and design of various new product offering lines, including intelligent cleaning solutions, intelligent merchandise replenishment solutions, intelligent package sorting solutions and intelligent cashier solutions. This will help our retailer customers to establish fully digitalized retail locations to improve their operational efficiency.

- Approximately 30.0%, or HK\$187.1 million, will be allocated to talent acquisition associated with the expansion of our operations. The additional headcounts are mostly related to the growth of our retail core service cloud which has higher margin than our e-commerce service cloud solutions. As a result, our overall margin would likely improve given the deployment of additional headcount to grow our higher margin retail core service cloud segment. In addition, the growth in business will lead to greater economy of scale and higher efficiency from operating expense as a percentage of revenue. Historically, we have a track record of improving our cost structure and we will continue to focus on productivity and efficiency on a per headcount basis, ensuring overall profitability is not impaired even with additional hiring.
- Approximately 16.8%, or HK\$104.8 million, to hire approximately 162 execution experts with overseas implementation and execution experience as well as Project Management Professional Certificate with an average salary of approximately HK\$0.7 million per employee per year by the end of 2027. The execution experts will be responsible for managing the full-spectrum execution work for the projects, including technical proposal design and market analysis at the beginning, on-site deployment and testing for the system, quality assurance for consistency with original design roadmap, and technical training and support services after deployment. Approximately 128 of them will be responsible for the different projects and products to ensure seamless customer experience and coordinate resources both internally and externally, including (i) 8 for ERP management service; (ii) 53 for POS system service; (iii) 34 for store management service; and (iv) 33 for warehouse management system service. Additionally, approximately 34 execution experts will be responsible for local implementation, including 15 for EMEA area and 19 for Southeast Asia.
- Approximately 3.5%, or HK\$21.8 million, to establish a customer success team with approximately 55 customer success specialists to provide corresponding customer service with an average salary of HK\$0.5 million per employee per year by the end of 2027, including front-tier sales professionals and back-office sales management professionals with relevant sales experience. Of the 55 customer success specialists, (i) 8 of them would be responsible for ERP management service; (ii) 20 of them would be responsible for POS system service; (iii) 7 of them would be responsible for store management service; (iv) 15 of them would be responsible for warehouse management service; and (v) 5 of them would be responsible for data middleware service. Part of the proceeds will also be used to provide professional trainings for our service team to improve their capabilities in providing high-quality customer service, which further enables us to enhance customer loyalty and stickiness.

We expect the demand for overseas implementation and execution team to increase alongside the rapid expansion of our overseas business operations. Increasing

FUTURE PLANS AND USE OF PROCEEDS

headcount for overseas local implementation and execution teams to service more geographic locations and customers would also allow us to improve our service efficiency and results.

- Approximately 2.4%, or HK\$15.0 million, to provide travel expenses and allowances for our overseas implementation and execution personnel.
- Approximately 7.3%, or HK\$45.5 million, to hire approximately 114 AIoT operations personnel in Beijing and Wuhan by the end of 2027 with an average salary of US\$0.5 million per employee per year. We expect these personnel to support and execute our AIoT solutions. Approximately 16 of the operation personnel will be responsible for the deployment of security related AIoT solutions, including the current intelligent loss prevention solutions and other security and protection solutions. The remaining personnel will manage the operation of various new product lines, including (i) 42 for intelligent cashier solutions and intelligent package sorting solutions; (ii) 16 for intelligent cleaning solutions; and (iii) 40 for intelligent delivery solutions. By implementing such plans, we expect to incur additional expenses related to employees' salary and compensation as well as other administrative expenses. We believe such investment is indispensable to the rapid expansion of our product offerings. Moreover, as our operational team grows, we may incur additional office rental, equipment procurement and utility expenses accordingly. However, such impact will be gradually mitigated through increased sales efficiency, which brings enlarged customer base through improved customer experience, and ultimately drives our revenue and profit margin in the long run.
- Approximately 10.0%, or HK\$62.4 million, will be allocated to selectively pursue strategic cooperation, investments and acquisitions that are complementary to our organic growth strategies, particularly those that can complement our product offerings, strengthen our technology capabilities, and solidify our market position. We intend to focus on players with a solid track record and significant growth potential to achieve synergies. In selecting investment targets or partners, we generally consider factors including suitability with our strategic planning, degree of potential synergies, market position, management team experience, valuation, historical operating metrics, and financial performance. Through strategic acquisition and cooperation, we aim to further enhance our products and services and strengthen our market leadership. Our strategy is to actively and prudently expand our business by focusing on our retail core service cloud solutions, while taking into account our actual development and national policy guidance. When selecting potential targets, we will concentrate on companies that (i) possess all necessary business qualifications and comply with relevant laws and regulations in their respective operating jurisdictions. They should also have sound financial controls and management; (ii) specialize in providing digital solutions and related services for local retailers in the retail industry; (iii) host products based on advanced technologies such as artificial intelligence, big data analysis, the Internet of Things, and cloud computing, which can be integrated with our products to further deepen our engagement with customers and increase our share of wallet; (iv) have business coverage areas that match our market expansion plans, and can help promote our business development in China and overseas; (v) have a management team with rich industry experience, stable financial performance, and growth potential; and (vi) have a good brand image and reputation with no major negative publicity. Currently, we have not identified any potential investment or acquisition targets.

FUTURE PLANS AND USE OF PROCEEDS

- Approximately 10.0%, or HK\$62.4 million, to seek overseas strategic alliances, investments and/or acquisitions with entities that complement our operations and align with our strategies. We plan on focusing on opportunities that could help enhance our one-stop, omni-channel retail core service cloud solutions and realize opportunities that provide long-term sustainable development. When selecting targets for strategic alliance, investments and/or acquisitions, we consider a number of factors, including but not limited to: (i) the target has the ability to achieve synergy with our current business operations, including but not limited to service solution providers serving small and medium sized enterprises with digital tools. We intend to invest in targets with strong research and development ability and mature products well recognized by the market, (ii) the target's geographic coverage. We will prioritize in assessing potential acquisition or investment targets located within economically developed regions with a wide coverage of diverse retail formats where we believe there exist significant growth potential. Through cooperating with targets having deep connections with retailers and in-depth market insights, we can cover more retail formats and increase profitability, (iii) the target's financial performance. We will consider target companies' operating performance, including profitability and compliance record. We will prioritize companies with high quality customer base, strong retention rate and effective risk management ability. We believe that acquiring or establishing strategic alliances with these market players will generate synergistic effect and expand our customer network and increase potential for monetization, and (iv) the target has a stable, mature and efficient management team that could complement our current management team and engage in sophisticated collaboration. We expect the management team of the target companies to possess strong execution capabilities and experience in managing complex retailers. According to Frost & Sullivan, such investment opportunities exist, and it is expected that there are more than one hundred potential targets that meet our expectations. By 2025, we expect to complete one to three strategic alliances, investments and/or acquisitions. For potential acquisitions, we plan on acquiring targets valued between HK\$200.0 million to HK\$500.0 million, and will determine whether to acquire a controlling shareholding or a minority shareholding depending on the target's particular circumstances.
- Approximately 7.9%, or HK\$49.3 million, will be allocated to expand our sales network and further strengthen our brand reputation. More specifically, we intend to use:
 - Approximately 5.7%, or HK\$35.6 million, to expand our overseas business development team by approximately 24 offline sales personnel with local market know-how to expand our businesses into unaddressed global markets. Our overseas team will help build up our brand image as a superior omni-channel retail digitalization solution provider that services our local retail service industry customers with a global outlook.
 - Approximately 3.0%, or HK\$18.7 million, to expand our sales team and to improve our sale training system to reinforce our sales network and to expand our overseas services as well as expand our growing customer base. In particular, we plan on hiring approximately 24 offline sales personnel who are familiar with the local market and our target customers with an average salary of HK\$0.9 million per employee per year. The 24 sales personnel include business

FUTURE PLANS AND USE OF PROCEEDS

development managers focusing on exploring new business opportunities and market expansion, sales consultants focusing on providing solution packages and achieving sales, as well as sales support engineers responsible for providing technical support and service for customers during the sales process. Among the 24 sales personnel, (i) 8 of them would be responsible for Southeast Asia customers, (ii) 11 of them would be responsible for EMEA customers, and (iii) 5 of them would be responsible for customers in China.

- Approximately 2.7%, or HK\$16.8 million, to elevate our international brand awareness and industry influence through marketing and promotions, in order to enhance customer interest and increase customer engagement.
- Approximately 2.2%, or HK\$13.7 million, to enhance our overall brand image and promote greater brand awareness among potential customers in the local retail industry, by intensifying our marketing efforts via diversified channels.
 - Approximately 2.2%, or HK\$13.7 million, to increase our investment in online advertising and promotions. We plan on using diversified channels, such as industry conference, developers events and trade expos to showcase our brand and our products to our target customers and merchants and to further increase public awareness of our brand and services in domestic markets. We will continue to use social media platforms to promote our products. We will also use websites and third-party platforms to deploy banner advertisements and other formats of advertisements to increase our exposure.
- Approximately 10.0%, or HK\$62.4 million, will be used for working capital and general corporate purposes.

In the event that the Over-allotment Option is exercised in full, we will receive additional net proceeds of approximately HK\$113.0 million.

Additional net proceeds received due to the exercise of any Over-allotment Option will be used for the above purposes accordingly on a pro rata basis in the event that the Over-allotment Option is exercised. In the event that net proceeds from the Global Offering is insufficient to fund use of proceeds for the purposes described above, we will fund the remaining amount using our working capital.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, we will only deposit the net proceeds in short-term interest bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance/the applicable laws and regulations in other jurisdictions). In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

UNDERWRITING

HONG KONG UNDERWRITERS

UBS AG Hong Kong Branch
CMB International Capital Limited
China Merchants Securities (HK) Co., Limited
CLSA Limited
China International Capital Corporation Hong Kong Securities Limited
CCB International Capital Limited
CMBC Securities Company Limited
Haitong International Securities Company Limited
ABCI Securities Company Limited
BOCI Asia Limited
BOCOM International Securities Limited
Central China International Securities Co., Limited
China Galaxy International Securities (Hong Kong) Co., Limited
Futu Securities International (Hong Kong) Limited
GF Securities (Hong Kong) Brokerage Limited
ICBC International Securities Limited
Orient Securities (Hong Kong) Limited
Patrons Securities Limited
Ruibang Securities Limited
Shenwan Hongyuan Securities (H.K.) Limited
SPDB International Capital Limited
Tiger Brokers (HK) Global Limited
UOB Kay Hian (Hong Kong) Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters.

The Global Offering comprises the Hong Kong Public Offering of initially 2,577,400 Hong Kong Offer Shares and the International Offering of initially 23,196,600 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed “Structure of the Global Offering” in this prospectus as well as to the Over-allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on Tuesday, November 26, 2024. Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement at the Offer Price.

UNDERWRITING

Subject to (i) the Listing Committee granting approval for the listing of, and permission to deal in, (a) the Shares in issue and to be issued pursuant to Global Offering (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option), (b) the Shares which may be issued upon conversion of the Convertible Bond and (c) the Shares to be issued pursuant to the Share Incentive Plans on the Main Board of the Stock Exchange and such approval not having been withdrawn and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally, but not jointly, to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, amongst other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

If any of the events set out below shall occur at any time prior to 8:00 a.m. on the Listing Date, the Overall Coordinators (for themselves and on behalf of the other Hong Kong Underwriters) in their sole and absolute discretion may, by giving a written notice to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect:

- a. there develops, occurs, exists or comes into force:
 - i. any event or series of events or circumstances in the nature of force majeure (including, without limitation, any acts of government, paralysis in government operations, declaration of a regional, national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreaks of diseases or its escalation, mutation or aggravation (including, without limitation, COVID-19, Severe Acute Respiratory Syndrome (SARS), swine or avian flu, H5N1, H1N1, H1N7, H7N9, Ebola virus, Middle East respiratory syndrome (MERS) and such related/mutated forms), accidents or prolonged interruption or delay in transportation, economic sanctions, strikes, labor disputes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed)) in or affecting directly or indirectly Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Singapore, Japan, BVI or any other jurisdiction relevant to any member of our Group (collectively, the “**Relevant Jurisdictions**”);
 - ii. any change or development involving a prospective change, or any event or circumstance or series of events or circumstances resulting or likely to result in or representing any change or development involving a prospective change, in or affecting any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or taxation or currency rates or foreign exchange regulations or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, a change in the stock and bond

UNDERWRITING

markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;

- iii. any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange;
- iv. any general moratorium on commercial banking activities in or affecting any Relevant Jurisdictions (declared by the relevant authorities) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of those places or jurisdictions;
- v. any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in (or in the interpretation or application thereof by any court or governmental authority of) existing law or regulations, in each case, in or affecting any of the Relevant Jurisdictions;
- vi. the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions;
- vii. any change or development involving a prospective change or amendment in or affecting taxation or foreign exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the HK dollar, U.S. dollar or Renminbi against any foreign currencies), or the implementation of any exchange control, in or affecting any of the Relevant Jurisdictions;
- viii. the issue or requirement to issue by our Company of a supplement or amendment to this prospectus or other documents in connection with the offer and sale of the Shares pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC;
- ix. an order or petition for the winding up or liquidation of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group;
- x. any valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity;
- xi. any contravention by our Company, any member of our Group, or any Director of any law or the Listing Rules;
- xii. non-compliance of the this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares), the CSRC Filings

UNDERWRITING

(as defined in the Hong Kong Underwriting Agreement) (“**CSRC Filings**”) or any aspect of the Global Offering with the Listing Rules, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the CSRC Rules (as defined in the Hong Kong Underwriting Agreement) (“**CSRC Rules**”) or any other applicable laws; or

- xiii. any litigation, dispute, legal action or claim being threatened or instigated by any third party against any member of our Group,

which, individually or in the aggregate, in the sole and absolute opinion of the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters), (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholder’s equity, profits, losses, prospects, results of operations, financial, operational or trading position or condition or performance, of our Group as a whole, or (2) has or will have or may have a material adverse effect on the success or marketability of the Global Offering or the level of applications or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Offering, or (3) makes or will make or may make it inadvisable, inexpedient, impracticable or incapable for the Hong Kong Public Offering and/or the International Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the offering documents in connection with the Global Offering, or (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting), the Hong Kong Public Offering or the International Offering incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- b. there has come to the notice of the Overall Coordinators:
- i. that any statement contained in this prospectus, the formal notice of our Company and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto, but excluding the information relating to the Underwriters for use in such documents, namely legal name, logo and address of such underwriters) was, when it was issued, or has become, untrue, incorrect, inaccurate or incomplete in any material respect or misleading, or that any estimate, forecast, expression of opinion, intention or expectation contained in such documents is not fair and honest and based on reasonable grounds or reasonable assumptions;
 - ii. that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from, or misstatement in, this prospectus, the formal notice of our Company and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto);
 - iii. any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Overall Coordinators or the Underwriters);

UNDERWRITING

- iv. any event, act or omission which gives or is likely to give rise to any liability of any of our Company and our Controlling Shareholders (as applicable) pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
- v. that there is any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Company and the other members of the Group, taken as a whole (“**Material Adverse Change**”) or development involving a prospective Material Adverse Change;
- vi. any breach of, or any event or circumstance rendering untrue, inaccurate or incorrect or misleading in any respect, any of the representations, warranties, agreements and undertakings given by any of our Company or our Controlling Shareholders (as applicable) in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
- vii. the chairman, the president, the chief financial officer, any other Directors, other members of senior management of our Company or Dr. Zhang vacating his or her office or role within the Company;
- viii. any Director or member of senior management of our Company or Dr. Zhang being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political, regulatory body of any action against Dr. Zhang or any Director or member of senior management in his or her capacity as such or any member of our Group or an announcement by any governmental, political, regulatory body that it intends to take any such action;
- ix. a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering;
- x. that the approval by or agreement to approve by the Listing Committee of the listing of, and permission to deal in, (i) the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), (ii) the Shares to be issued upon any conversion of the Convertible Bond and (iii) the Shares to be issued pursuant to the Share Incentive Plans is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, canceled, qualified (other than by customary conditions), revoked or withheld;
- xi. that any of the Reporting Accountants, the Industry Consultant or any of the counsels or experts has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;
- xii. that our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering;

UNDERWRITING

- xiii. any order or petition for the winding-up or liquidation of any material member of our Group or any composition or arrangement made by any material member of our Group with its creditors or a scheme of arrangement entered into by any material member of our Group or any resolution for the winding-up of any material member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any material member of our Group or anything analogous thereto occurring in respect of any material member of our Group; or
- xiv. (A) the notice of acceptance of the CSRC Filings issued by the CSRC and/or the results of the CSRC Filings published on the website of the CSRC is rejected, withdrawn, revoked or invalidated; or (B) other than with the prior written consent of the Overall Coordinators, the issue or requirement to issue by our Company of a supplement or amendment to the CSRC Filings pursuant to the CSRC Rules or upon any requirement or request of the CSRC; or (C) any non-compliance of the CSRC Filings with the CSRC Rules or any other applicable laws.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not, at any time within six months from the Listing Date, issue any Shares or other securities convertible into equity securities of us (whether or not of a class already listed) or enter into any agreement or arrangement to issue any Shares or such other securities (whether or not such issue of the Shares or such other securities will be completed within six months from the Listing Date), except pursuant to the Global Offering (including the exercise of the Over-allotment Option) or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to us that, except pursuant to the Global Offering or for any lending of Shares pursuant to the Stock Borrowing Agreement, he/it will not (and will procure that the relevant registered holder(s) will not):

- (i) in the period commencing on the date by reference to which disclosure of his or its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules); and
- (ii) during the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in the immediately preceding paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder of our Company,

in each case, save as permitted under the Listing Rules.

UNDERWRITING

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to us that, within the period commencing on the date by reference to which disclosure of his/its shareholding in us is made in this prospectus and ending on the date which is 12 months from the date on which dealings in the Shares commence on the Stock Exchange, he/it will:

- (a) when he/it pledges or charges any Shares or other securities beneficially owned by him/it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of the Shares or securities so pledged or charged; and
- (b) when he/it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares or securities will be disposed of, immediately inform us of such indications.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Lock-up on our Company

Our Company has undertaken to the Overall Coordinators, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters, the Capital Market Intermediaries and each of them not to (save for (a) the issue, offer, or sale of the Offer Shares pursuant to the Global Offering, including pursuant to the exercise of the Over-allotment Option, (b) any Shares issued upon the conversion of the Convertible Bond, and (c) any Shares which may be issued pursuant to the Share Incentive Plans) and will procure the subsidiaries of our Company not to, without the prior written consent of the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date falling six months after the Listing Date (the “**First Six-Month Period**”):

- (i) offer, allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, right or contract to subscribe for or purchase, grant or purchase any option, warrant, right or contract to allot, issue or sell, or otherwise transfer or dispose of, or create an encumbrance over, or agree to transfer or dispose of, or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any legal or beneficial interest in any Shares or other securities of our Company, or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts; or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any Shares, or other securities of our Company, or any interest therein (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company); or

UNDERWRITING

- (iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) or (ii) above; or
- (iv) offer to or agree to or contract to or announce, or publicly disclose any intention to enter into or effect any such transaction specified in paragraphs (i), (ii) or (iii) above,

in each case, whether any such transaction specified in paragraphs (i), (ii) or (iii) above is to be settled by delivery of the Shares or other securities of our Company in cash or otherwise (whether or not the issue of such Shares or securities will be completed within the First Six-Month Period).

In the event that, during the six-month period immediately following the First Six-Month Period (the “**Second Six-Month Period**”), our Company enters into any transactions specified in paragraphs (i), (ii) or (iii) above or offers or agrees or contracts to, or announces, or publicly discloses, any intention to, enter into any such transactions, our Company will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Maintenance of public float

Each of our Company and our Controlling Shareholders has undertaken to the Overall Coordinators, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters, the Capital Market Intermediaries and each of them that he/it will not effect any purchase of Shares, or agree to do so, which may reduce the holdings of the Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below the minimum public float requirements specified in the Listing Rules (subject to modification by any waiver granted and not revoked by the Stock Exchange) on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters).

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders agrees and has undertaken to our Company, the Overall Coordinators, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, without the prior written consent of the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (a) save for any lending of the Shares by Celestial Limited pursuant to the Stock Borrowing Agreement and any pledge of the Shares to an authorized institution for a bona fide commercial loan, during the First Six-Month Period, he/it will not, and will procure that the relevant registered holder(s) of the Shares, any nominee or trustee holding the Shares on trust for it, its affiliates and companies controlled by him/it will not:
 - (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or agree to grant or sell any option, warrant, contract or right to purchase or subscribe for, grant or purchase any option, warrant, contract or right to sell, lend or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any of the share capital or other securities of our Company, or any interest therein (including, but not limited to, any securities that are

UNDERWRITING

convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any such capital or securities or any interest therein), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts; or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company);
- (iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) or (ii) above; or
- (iv) offer to or agree to or contract to or announce, or publicly disclose any intention to enter into or effect any transaction specified in paragraphs (i) or (ii) or (iii) above,

in each case, whether any such transaction described in paragraphs (i) or (ii) or (iii) above is to be settled by delivery of such Shares or such other securities of our Company, in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

- (b) during the Second Six-Month Period, he/it will not, and will procure that the relevant registered holder(s) of the Shares, any nominee or trustee holding the Shares on trust for it, its affiliates and companies controlled by it will not, enter into any transaction specified in paragraphs (a)(i), (ii) or (iii) above or offer to or agree to or contract to or announce or publicly disclose any intention to enter into or effect any such transaction if, immediately following such transaction or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he/ it would cease to be a “controlling shareholder” (as defined in the Listing Rules) of our Company;
- (c) until the expiry of the Second Six-Month Period, in the event that he/it enters into any such transactions specified in paragraphs (a)(i), (ii) or (iii) above or offers to or agrees to or contracts to or announces or publicly announces any intention to enter into or effect any such transactions, he/it will take all reasonable steps to ensure that he/it will not create a disorderly or false market in the securities of our Company; and
- (d) at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling 12 months after the Listing Date, he/it shall, among other things:
 - (i) if and when he/it pledges or charges any securities of our Company or interests in the securities of our Company beneficially owned by him/it, immediately inform our Company in writing of such pledge or charge together with the number of securities so pledged or charged; and
 - (ii) if and when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be disposed of, immediately inform our Company in writing of such indications.

Our Company agrees and has undertaken that upon receiving such information in writing as described in paragraph (d)(i) or (d) (ii) above from our Controlling

UNDERWRITING

Shareholders, it shall, as soon as practicable and if required pursuant to the Listing Rules, notify the Stock Exchange and make a public disclosure in relation to such information by way of an announcement.

Each of our Controlling Shareholders has undertaken to each of the Overall Coordinators, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries to procure our Company to comply with its obligations above.

Our Company agrees to use reasonable endeavors to procure that none of our Directors nor their respective associates will apply for any of the Offer Shares pursuant to the Global Offering, either directly or indirectly, whether in their own name or through nominees, unless permitted to do so under the Listing Rules.

Joint Sponsors' and Hong Kong Underwriters' Interests in our Company

Big Cosmos Global Limited, one of the Pre-IPO Investors whose management shares are 100% held by CMB International Capital Corporation Limited, the controlling shareholder of CMB International Capital Limited, one of the Joint Sponsors, held 15,600,000 Preferred Shares, representing approximately 1.81% of the total number of Shares as of the Latest Practicable Date, and approximately 1.76% of the total number of Shares immediately following the completion of the Global Offering, after one-to-one conversion of Preferred Shares into Ordinary Shares, without taking into account the Shares which may be allotted and issued to existing Shareholders under the Global Offering, the Shares which may be issued upon the conversion of the Convertible Bond and the Shares to be allotted and issued under the Share Incentive Plans and the Over-allotment Option.

BLISS MOMENT LIMITED, one of the Pre-IPO Investors which is 100% indirectly owned by China Merchants Securities International Company Limited, the holding company of China Merchants Securities (HK) Co., Limited, one of the Joint Sponsors, held 3,571,429 Preferred Shares, representing approximately 0.41% of the total number of Shares as of the Latest Practicable Date, and approximately 0.40% of the total number of Shares immediately following the completion of the Global Offering, after one-to-one conversion of Preferred Shares into Ordinary Shares, without taking into account the Shares which may be allotted and issued to existing Shareholders under the Global Offering, the Shares which may be issued upon the conversion of the Convertible Bond and the Shares to be allotted and issued under the Share Incentive Plans and the Over-allotment Option.

Save as disclosed above and save for their respective obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, and the sponsor fee payable to each of the Joint Sponsors in connection with the Listing, as of the Latest Practicable Date, none of the Joint Sponsors and the Hong Kong Underwriters was interested legally or beneficially, directly or indirectly, in any Shares or other securities of our Company or any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or other securities of our Company or any other member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

UNDERWRITING

Joint Sponsors' Independence

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors will receive a fee of USD1,100,000 in total for acting as the sponsors for the Listing. As of the Latest Practicable Date, US\$860,000 was still payable by the Company to the Joint Sponsors.

International Offering

International Underwriting Agreement

In connection with the International Offering, we and our Controlling Shareholders expect to enter into the International Underwriting Agreement with, among others, the International Underwriters on or around Wednesday, December 4, 2024. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally and not jointly to procure purchasers for, or themselves purchase, their respective proportions of the International Offer Shares being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into or is terminated, the Global Offering will not proceed. Please refer to the section headed "Structure of the Global Offering—The International Offering."

Over-allotment Option

We are expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, pursuant to which we may be required to allot and issue up to an aggregate of 3,866,100 additional Shares representing no more than 15% of the number of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, among other things, over-allocations (if any) in the International Offering.

Commissions and Expenses

Our Company will pay an underwriting commission of up to 3.25% of the aggregate Offer Price of all the Offer Shares, including additional Shares to be issued pursuant to the exercise of the Over-allotment Option (11% of such underwriting commission are subject to our sole and absolute discretion). For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. Assuming the discretionary portion of the underwriting commission is paid in full, the ratio of fixed fee and discretionary fee payable by our Company to all Capital Market Intermediaries is expected to be 89:11. The commissions payable to the Underwriters will be borne by our Company with respect to the new Offer Shares to be issued by our Company under the Global Offering (including any additional Shares to be issued pursuant to the exercise of the Over-allotment Option). The Joint Sponsors will receive an aggregate fee of US\$1,100,000 for acting as the Joint Sponsors for the Listing.

UNDERWRITING

The aggregate underwriting commissions and fees payable to the Underwriters, together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy, legal and other professional fees and printing and all other expenses in relation to the Global Offering are estimated to be approximately HK\$154.9 million (assuming the Over-allotment Option is not exercised at all) and will be paid by us.

Indemnity

We and our Controlling Shareholders have agreed to indemnify, among others, the Overall Coordinators, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries for certain losses which they may suffer or incur, including, among others, losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of us and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our loans and other debts.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. UBS AG Hong Kong Branch, CMB International Capital Limited, China Merchants Securities (HK) Co., Limited, CLSA Limited and China International Capital Corporation Hong Kong Securities Limited are the Overall Coordinators of the Global Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option).

The Global Offering comprises:

- (i) the Hong Kong Public Offering of initially 2,577,400 Offer Shares (subject to reallocation) in Hong Kong as described in the subsection headed “—The Hong Kong Public Offering” below; and
- (ii) the International Offering of initially 23,196,600 Offer Shares (subject to reallocation and the Over-allotment Option) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in accordance with Regulation S, as described in the subsection headed “—The International Offering” below.

Investors may either:

- (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or
- (ii) apply for or indicate an interest for International Offer Shares under the International Offering,

but may not do both.

The Offer Shares will represent approximately 2.91% of the total Shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised, the Convertible Bond is not converted and no Shares are issued under the Share Incentive Plans. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 3.33% of the total Shares in issue immediately following the completion of the Global Offering and the exercise of the Over-allotment Option.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the subsection headed “—the Hong Kong Public Offering—Reallocation” below.

References in this prospectus to applications, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

We are initially offering 2,577,400 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global

STRUCTURE OF THE GLOBAL OFFERING

Offering. The Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 0.29% of the total Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised, the Convertible Bond is not converted and no Shares are issued under the Share Incentive Plans).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the subsection headed “—Conditions of the Global Offering” below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, such undersubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the “price” for Hong Kong Offer Shares means the price payable on application therefor. Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 1,288,700 Hong Kong Offer Shares (being 50% of the 2,577,400 Hong Kong Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. If the International Offer

STRUCTURE OF THE GLOBAL OFFERING

Shares are fully subscribed or oversubscribed and the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times and (iii) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, and provided that the International Offering is not undersubscribed, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 7,732,200 Offer Shares (in the case of (i)), 10,309,600 Offer Shares (in the case of (ii)) and 12,887,000 Offer Shares (in the case of (iii)), representing 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Overall Coordinators deem appropriate.

In addition, the Overall Coordinators may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with chapter 4.14 of the Guide for New Listing Applicants issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, up to 2,577,400 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 5,154,800 Offer Shares, representing double of the initial allocation to the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Overall Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Overall Coordinators deem appropriate. The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may be reallocated as between these offerings at the discretion of the Overall Coordinators.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the allotment results announcement of the Global Offering, which is expected to be published on Thursday, December 5, 2024.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he/she/it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channel), the offer price of HK\$30.21 per Offer Share in addition to the brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy payable on each Offer Share, amounting to a total of HK\$3,051.46 for one board lot of 100 Shares. For further details, see "How to Apply for Hong Kong Offer Shares."

STRUCTURE OF THE GLOBAL OFFERING

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

Subject to reallocation as described above and the Over-allotment Option, the International Offering will consist of an offering of initially 23,196,600 Offer Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 2.62% of the total Shares in issue immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised, the Convertible Bond is not converted and no Shares are issued under the Share Incentive Plans).

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the subsection headed “—Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the Listing. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole.

The Overall Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in the subsection headed “—The Hong Kong Public Offering—Reallocation” above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, we are expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters).

STRUCTURE OF THE GLOBAL OFFERING

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require us to issue up to an aggregate of 3,866,100 additional Offer Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 0.43% of the total Shares in issue immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. If the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period on and after the Listing Date. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it, to conduct any such stabilizing action. Such stabilizing action, if taken, (i) will be conducted at the sole and absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and in what the Stabilizing Manager reasonably regards as the best interest of us, (ii) may be discontinued at any time and (iii) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Shares;

STRUCTURE OF THE GLOBAL OFFERING

- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market, may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids the price or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

We will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of the Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by, amongst others, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or through the stock borrowing arrangement as detailed below or a combination of these means.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilizing Manager (on its own or through its affiliates) may choose to borrow up to 3,866,100 Shares (being the maximum number of Shares which may be issued pursuant to the exercise of the Over-allotment Option) from Celestial Limited, pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilizing Manager and/or its affiliates and Celestial Limited, on or around Wednesday, December 4, 2024, or acquire Shares from other sources, including exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price.

If the Stock Borrowing Agreement with Celestial Limited is entered into, the borrowing of Shares will only be effected by the Stabilizing Manager (on its own or through its affiliates) for the settlement of over-allocations in the International Offering and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with, in particular, such stock borrowing arrangement as fully described in this prospectus will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option.

STRUCTURE OF THE GLOBAL OFFERING

The same number of the Shares so borrowed must be returned to Celestial Limited or its nominees, as the case may be, on or before the third Business Day following the earlier of (i) the last day for exercising the Over-allotment Option and (ii) the day on which the Over-allotment Option is exercised in full, or such earlier time as may be agreed in writing between the Stabilizing Manager and Celestial Limited.

The stock borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Celestial Limited by the Stabilizing Manager (on its own or through its affiliates) in relation to such stock borrowing arrangement.

PRICING AND ALLOCATION

The Offer Price will be HK\$30.21 per Offer Share unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channels), the offer price of HK\$30.21 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%, amounting to a total of HK\$3,051.46 for one board lot of 100 Shares.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Announcement of Offer Price Reduction

The Overall Coordinators (for themselves and on behalf of the Underwriters), may, where they deem appropriate, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process in respect of the International Offering, and with the consent of us, reduce the number of Offer Shares offered and/or the Offer Price below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of our Company and the Stock Exchange at www.dmall.com and www.hkexnews.hk, respectively, notices of the reduction of the Offer Shares and/or the Offer Price, and the cancellation of the Global Offering and relaunch of the offer at the revised number of Offer Shares and/or the revised Offer Price.

We will also, as soon as practicable following the decision to make any such reduction, issue a supplemental prospectus or a new prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price, and giving investors at least three business days to consider the new information. The supplemental or new prospectus should include at least the following: updated (i) Offer Price and market capitalization; (ii) listing timetable and underwriting obligations; (iii) price/earning multiple, unaudited pro forma and adjusted net tangible assets; and (iv) use of proceeds and working capital adequacy confirmation based on revised proceeds. The Global Offering must first be canceled and subsequently relaunched on FINI pursuant to the supplemental prospectus.

STRUCTURE OF THE GLOBAL OFFERING

In the absence of any such notice and supplemental prospectus so published, the number of Offer Shares and the Offer Price will not be reduced.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price may not be made until the last day for lodging applications under the Hong Kong Public Offering.

If there is any change to the offer size due to change in the number of Offer Shares offered in the Global Offering (other than pursuant to the exercise of the Over-allotment Option and/or the reallocation mechanism as disclosed in this prospectus), or change to the Offer Price, or if the Company becomes aware that there has been a significant change affecting any matter contained in this prospectus or a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in this prospectus if it had arisen before this prospectus was issued, after the issue of this prospectus and before the commencement of dealings in our Shares as prescribed under Rule 11.13 of the Listing Rules, we are required to cancel the Global Offering and relaunch the offer on FINI and issue a supplemental prospectus or a new prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Overall Coordinators may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of the initial Hong Kong Offer Shares shall not be less than 10% of the total number of Offer Shares in the Global Offering. The International Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Overall Coordinators.

An indication of the level of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocation of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in the section headed “How to Apply for Hong Kong Offer Shares—B. Publication of Results.”

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

We expect to enter into the International Underwriting Agreement relating to the International Offering on or around Wednesday, December 4, 2024.

These underwriting arrangements, including the Underwriting Agreements, are summarized in the section headed “Underwriting.”

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (i) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional

STRUCTURE OF THE GLOBAL OFFERING

Shares which may be issued pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange, and such listing and permission not subsequently having been withdrawn or revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

- (ii) the execution and delivery of the International Underwriting Agreement on or around December 4, 2024; and
- (iii) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective Underwriting Agreements,

(unless and to the extent such conditions are validly waived on or before such dates and times).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by us on the websites of the Stock Exchange at www.hkexnews.hk and us at www.dmall.com on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares—D. Dispatch/Collection of Share Certificates and Refund of Application Monies.” In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Friday, December 6, 2024 provided that the Global Offering has become unconditional in all respects and the right of termination described in the section headed “Underwriting” has not been exercised.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, December 6, 2024, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, December 6, 2024.

The Shares will be traded in board lots of 100 Shares each and the stock code of the Shares will be 2586.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application. We will not provide any printed copies of this prospectus for use by the public.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at <https://www.dmall.com/>. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older; and
- have a Hong Kong address (*for the HK eIPO White Form service only*).

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing shareholder of our Company and/or any of our subsidiaries; or
- are a Director or chief executive of our Company and/or any of our subsidiaries; or
- are a close associate (as defined in the Listing Rules) of any of the above.

HOW TO APPLY FOR HONG KONG OFFER SHARES

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Thursday, November 28, 2024 and end at 12:00 noon on Tuesday, December 3, 2024 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
HK eIPO White Form service	www.hkeipo.hk	Investors who would like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Thursday, November 28, 2024 to 11:30 a.m. on Tuesday, December 3, 2024, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Tuesday, December 3, 2024, Hong Kong time.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction	Investors who would <u>not</u> like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

The **HK eIPO White Form** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **HK eIPO White Form** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

HOW TO APPLY FOR HONG KONG OFFER SHARES

For the avoidance of doubt, giving an application instruction under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **HK eIPO White Form** service, you are deemed to have authorized the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through **HKSCC EIPO** channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

3. Information Required to Apply

You must provide the following information with your application:

For Individual/Joint Applicants

- Full name(s)² as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
 - i. HKID card; or
 - ii. National identification document; or
 - iii. Passport; and
- Identity document number

For Corporate Applicants

- Full name(s)² as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
 - i. LEI registration document; or
 - ii. Certificate of incorporation; or
 - iii. Business registration certificate; or
 - iv. Other equivalent document; and
- Identity document number

Notes:

1. If you are applying through the **HK eIPO White Form** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card. The number of joint applicants may not exceed four. If you are a firm, the applicant must be in the individual members' names.
2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for Shares in a public offer. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. If the applicant is a trustee, the client identification data (“CID”) of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.
4. The maximum number of joint account holders on FINI is capped at 4 in accordance with market practice.
5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document’s issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.
6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through **HKSCC EIPO** channel, and making an application under a power of attorney, we and the Overall Coordinators, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney’s authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size : 100 Shares

Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment: Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The Offer Price is HK\$30.21 per Share.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the Designated Bank for your broker or custodian.

If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application/successful allotment	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application/successful allotment	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application/successful allotment	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application/successful allotment
	HK\$		HK\$		HK\$		HK\$
100	3,051.46	2,000	61,029.33	10,000	305,146.68	300,000	9,154,400.35
200	6,102.93	2,500	76,286.67	20,000	610,293.36	400,000	12,205,867.15
300	9,154.39	3,000	91,544.01	30,000	915,440.04	500,000	15,257,333.93
400	12,205.87	3,500	106,801.33	40,000	1,220,586.71	600,000	18,308,800.71
500	15,257.33	4,000	122,058.67	50,000	1,525,733.39	700,000	21,360,267.50
600	18,308.80	4,500	137,316.00	60,000	1,830,880.07	800,000	24,411,734.28
700	21,360.26	5,000	152,573.34	70,000	2,136,026.75	900,000	27,463,201.06
800	24,411.74	6,000	183,088.00	80,000	2,441,173.43	1,000,000	30,514,667.86
900	27,463.20	7,000	213,602.68	90,000	2,746,320.11	1,100,000	33,566,134.64
1,000	30,514.68	8,000	244,117.34	100,000	3,051,466.79	1,288,700 ⁽¹⁾	39,324,252.46
1,500	45,772.00	9,000	274,632.01	200,000	6,102,933.56		

⁽¹⁾ Maximum number of Hong Kong Offer Shares you may apply for and this is 50% of the Hong Kong Offer Shares initially offered.

⁽²⁾ The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** Service Provider) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed “— A. Applications for Hong Kong Offer Shares—3. Information Required to Apply” in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **HK eIPO White Form** service, (ii) **HKSCC EIPO** channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **HK eIPO White Form** service or **HKSCC EIPO** channel, you or the person(s) for whose benefit you have made the application shall not apply for any Offer Shares in the International Offering.

The Hong Kong Share Registrar would record all applications into its system and identify suspected multiple applications with identical names and identification document numbers according to the Best Practice Note on Treatment of Multiple / Suspected Multiple Applications (“**Best Practice Note**”) issued by the Federation of Share Registrars Limited.

Since applications are subject to personal information collection statements, identification document numbers displayed are redacted.

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **HK eIPO White Form** service or **HKSCC EIPO** channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

- (i) **undertake** to execute all relevant documents and instruct and authorize us and/or the Overall Coordinators, as our agent, to execute any documents for you and to do on your

HOW TO APPLY FOR HONG KONG OFFER SHARES

behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the **HKSCC EIPO** channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;

- (ii) **confirm** that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **HK eIPO White Form** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;
- (iii) (if you are applying through the **HKSCC EIPO** channel) **agree** to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;
- (iv) **confirm** that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;
- (v) **confirm** that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;
- (vi) **agree** that the Joint Sponsors, the authorized representatives, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or the Company's respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering (the "**Relevant Persons**"), the Hong Kong Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;
- (vii) **agree** to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the Hong Kong Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed "**—G. Personal Data – 3. Purposes and 4. Transfer of personal data**" in this section;
- (viii) **agree** (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;
- (ix) **agree** that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the Hong Kong Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed "**—B. Publication of Results**" in this section;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (x) **confirm** that you are aware of the situations specified in the paragraph headed “—C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares” in this section;
- (xi) **agree** that your application or HKSCC Nominees’ application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (xii) **agree** to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/ or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;
- (xiii) **confirm** that (a) your application or HKSCC Nominees’ application on your behalf is not financed directly or indirectly by the Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;
- (xiv) **warrant** that the information you have provided is true and accurate;
- (xv) **confirm** that you understand that we and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xvi) **agree** to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (xvii) **declare** and **represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the **HK eIPO White Form** Service Provider or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) **warrant** that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC or the **HK eIPO White Form** Service Provider and (2) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

HOW TO APPLY FOR HONG KONG OFFER SHARES

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform	Date/ Time
Applying through the HK eIPO White Form service or HKSCC EIPO channel:	
Website	From the “Allotment Results” page at www.tricor.com.hk/ipo/result or www.hkeipo.hk/IPOResult with a “search by ID” function.
	24 hours, from 11:00 p.m. on Thursday, December 5, 2024 to 12:00 midnight on Wednesday, December 11, 2024 (Hong Kong time)
	The full list of (i) wholly or partially successful applicants using the HK eIPO White Form service and HKSCC EIPO channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed at www.hkeipo.hk/IPOResult or www.tricor.com.hk/ipo/result .
	The Stock Exchange’s website at www.hkexnews.hk and our website at https://www.dmall.com/ which will provide links to the above mentioned websites of the Hong Kong Share Registrar.
	No later than 11:00 p.m. on Thursday, December 5, 2024 (Hong Kong time).
Telephone	+852 3691 8488 - the allocation results telephone enquiry line provided by the Hong Kong Share Registrar
	between 9:00 a.m. and 6:00 p.m. from Friday, December 6, 2024 to Wednesday, December 11, 2024 (Hong Kong time) on a business day

For those applying through **HKSCC EIPO** channel, you may also check with your broker or custodian from 6:00 p.m. on Wednesday, December 4, 2024 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Wednesday, December 4, 2024 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

We expect to announce an indication of the level of interest in the Global Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange’s website at www.hkexnews.hk and our website at <https://www.dmall.com/> by no later than 11:00 p.m. on Thursday, December 5, 2024 (Hong Kong time).

HOW TO APPLY FOR HONG KONG OFFER SHARES

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Overall Coordinators, the Hong Kong Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed “—A. Applications for Hong Kong Offer Shares—5. Multiple Applications Prohibited” in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Overall Coordinators believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their designated bank before balloting. After balloting of Hong Kong Offer Shares, the receiving bank will collect the portion of these funds required to settle each HKSCC Participant’s actual Hong Kong Offer Share allotment from their designated bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its designated bank), who is acting on your behalf in settling

HOW TO APPLY FOR HONG KONG OFFER SHARES

payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its designated bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the Hong Kong Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

D. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **HKSCC EIPO** channel where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Share certificates will only become valid at 8:00 a.m. on Friday, December 6, 2024 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

The right is reserved to retain any Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	HK eIPO White Form service	HKSCC EIPO channel
Dispatch/ collection of Share certificate¹		
For application of 1,000,000 Hong Kong Offer Shares or more	Collection in person at the Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road Hong Kong Time: from 9:00 a.m. to 1:00 p.m. on Friday, December 6, 2024 (Hong Kong time) If you are an individual, you must not authorize any other	Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant’s stock account No action by you is required

¹ Except in the event of any Bad Weather Signals (as defined below) in force in Hong Kong in the morning on Thursday, December 5, 2024 rendering it impossible for the relevant Share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the Hong Kong Share Registrar to arrange for delivery of the supporting documents and share certificates in accordance with the contingency arrangements as agreed between them. You may refer to “—E. Bad Weather Arrangements” in this section.

HOW TO APPLY FOR HONG KONG OFFER SHARES

	HK eIPO White Form service	HKSCC EIPO channel
	<p>person to collect for you. If you are a corporate applicant, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop.</p> <p>Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.</p> <p>Note: If you do not collect your Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk</p>	
For application of less than 1,000,000 Hong Kong Offer Shares	<p>Your Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk</p> <p>Date: Thursday, December 5, 2024</p>	
Refund mechanism for surplus application monies paid by you		
Date	Friday, December 6, 2024	Subject to the arrangement between you and your broker or custodian
Responsible party	Hong Kong Share Registrar	Your broker or custodian
Application monies paid through single bank account	HK eIPO White Form e-Auto Refund payment instructions to your designated bank account	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it
Application monies paid through multiple bank accounts	Refund check(s) will be dispatched to the address as specified in your application instructions by ordinary post at your own risk	

HOW TO APPLY FOR HONG KONG OFFER SHARES

E. BAD WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Tuesday, December 3, 2024, if, there is/are:

- a tropical cyclone warning signal number 8 or above;
 - a black rainstorm warning; and/or
 - Extreme Conditions,
- (collectively, “**Bad Weather Signals**”),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, December 3, 2024.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have **Bad Weather Signals** in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made and published on the Stock Exchange’s website at www.hkexnews.hk and our website at <https://www.dmall.com> of the revised timetable.

If a **Bad Weather Signal** is hoisted on Thursday, December 5, 2024, the Share Registrar will make appropriate arrangements for the delivery of the Share certificates to the CCASS Depository’s service counter so that they would be available for trading on Friday, December 6, 2024.

If a **Bad Weather Signal** is hoisted on Thursday, December 5, 2024, for application of less than 1,000,000 Hong Kong Offer Shares, the despatch of physical Share certificate(s) will be made by ordinary post when the post office re-opens after the **Bad Weather Signal** is lowered or canceled (e.g. in the afternoon of Thursday, December 5, 2024 or on Friday, December 6, 2024).

If a **Bad Weather Signal** is hoisted on Friday, December 6, 2024, for application of 1,000,000 Hong Kong Offer Shares or more, physical Share certificate(s) will be available for collection in person at the Hong Kong Share Registrar’s office after the **Bad Weather Signal** is lowered or canceled (e.g. in the afternoon of Friday, December 6, 2024 or on Monday, December 9, 2024).

Prospective investors should be aware that if they choose to receive physical Share certificates issued in their own name, there may be a delay in receiving the Share certificates.

F. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

HOW TO APPLY FOR HONG KONG OFFER SHARES

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of the Company and the Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to the Company or its agents and the Hong Kong Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of the Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform the Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check and **HK eIPO White Form** e-Auto Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of the Company;
- verifying identities of applicants for and holders of the Shares and identifying any duplicate applications for the Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Share Registrar to discharge their obligations to applicants and holders of the Shares and/or regulators and/or any other purposes to which applicants and holders of the Shares may from time to time agree.

4. Transfer of personal data

Personal data held by the Company and the Hong Kong Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but the Company and the Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bank and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the Hong Kong Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of personal data

The Company and the Hong Kong Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the

HOW TO APPLY FOR HONG KONG OFFER SHARES

personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether the Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the Hong Kong Share Registrar, at their registered address disclosed in the section headed “Corporate information” in this prospectus or as notified from time to time, for the attention of the company secretary, or the Hong Kong Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report set out on pages I-1 to I-103, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.



ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF DMALL INC. AND UBS SECURITIES HONG KONG LIMITED, CMB INTERNATIONAL CAPITAL LIMITED AND CHINA MERCHANTS SECURITIES (HK) CO., LIMITED

Introduction

We report on the historical financial information of Dmall Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-103, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2021, 2022 and 2023 and June 30, 2024, and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024 (the "Track Record Period"), and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-103 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated November 28, 2024 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting

accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2021, 2022 and 2023 and June 30, 2024, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended June 30, 2023 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 30(c) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
November 28, 2024

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand yuan (RMB'000) except when otherwise indicated.

Consolidated statements of profit or loss

	Note	Years ended December 31,			Six months ended June 30,	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations						
Revenue	5	848,192	1,328,264	1,585,357	764,003	939,162
Cost of revenue		(675,453)	(823,068)	(1,030,656)	(486,834)	(579,908)
Gross profit		172,739	505,196	554,701	277,169	359,254
Revaluation loss on property and equipment upon transfer	12	(37,618)	—	—	—	—
Valuation gains on investment property	12	380	16,972	—	—	—
Other net income/(loss)	6	37,237	170,429	115,502	23,876	(59,134)
Research and development expenses		(588,611)	(586,330)	(520,887)	(266,087)	(203,527)
Selling and marketing expenses		(444,905)	(238,569)	(150,923)	(84,613)	(42,965)
General and administration expenses		(208,571)	(251,699)	(259,413)	(110,517)	(133,251)
Impairment loss on trade and other receivables	7(c)	(1,032)	(1,596)	(1,784)	(578)	(1,533)
Loss from operations		(1,070,381)	(385,597)	(262,804)	(160,750)	(81,156)
Net finance costs	7(a)	(5,222)	(23,065)	(13,344)	(6,775)	(5,740)
Share of profits/(losses) of associates		607	—	—	—	(200)
Share of profits of a joint venture		—	—*	—	—	—
Fair value change of convertible redeemable preferred shares	28	(732,280)	(493,191)	(476,160)	(422,261)	(397,118)
Loss before taxation from continuing operations	7	(1,807,276)	(901,853)	(752,308)	(589,786)	(484,214)
Income tax (expense)/benefit	8(a)	(745)	1,829	3,321	1,878	2,008
Loss for the year/period from continuing operations		(1,808,021)	(900,024)	(748,987)	(587,908)	(482,206)
Discontinued operations						
(Loss)/profit for the year/period from discontinued operations	4	(17,027)	59,498	93,548	40,032	233,134
Loss for the year/period		(1,825,048)	(840,526)	(655,439)	(547,876)	(249,072)
Attributable to:						
Equity shareholders of the Company		(1,750,680)	(807,406)	(592,361)	(512,618)	(234,875)
- Continuing operations		(1,733,653)	(866,904)	(685,909)	(552,650)	(468,009)
- Discontinued operations		(17,027)	59,498	93,548	40,032	233,134
Non-controlling interests		(74,368)	(33,120)	(63,078)	(35,258)	(14,197)
- Continuing operations		(74,368)	(33,120)	(63,078)	(35,258)	(14,197)
Loss for the year/period		(1,825,048)	(840,526)	(655,439)	(547,876)	(249,072)
Loss per share						
Basic and diluted (RMB)		(3.68)	(1.54)	(1.13)	(0.97)	(0.45)
Loss per share – Continuing operations						
Basic and diluted (RMB)		(3.64)	(1.65)	(1.31)	(1.05)	(0.89)

* The balance represents amount less than RMB500.

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of profit or loss and other comprehensive income

Note	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Loss for the year/period	(1,825,048)	(840,526)	(655,439)	(547,876)	(249,072)
Other comprehensive income for the year/ period (after tax and reclassification adjustments):					
<i>Item that will not be reclassified to profit or loss:</i>					
Exchange difference on translation of financial statements of the Company	103,384	(509,986)	(111,135)	(258,881)	(44,297)
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange difference on translation of financial statements of subsidiaries with functional currencies other than RMB	(2,754)	10,030	3,482	3,900	(884)
Other comprehensive income for the year/ period	100,630	(499,956)	(107,653)	(254,981)	(45,181)
Total comprehensive income for the year/ period	<u>(1,724,418)</u>	<u>(1,340,482)</u>	<u>(763,092)</u>	<u>(802,857)</u>	<u>(294,253)</u>
Attributable to:					
Equity shareholders of the Company	(1,649,235)	(1,310,219)	(699,327)	(766,763)	(280,131)
- Continuing operations	(1,632,208)	(1,369,717)	(792,875)	(806,795)	(513,265)
- Discontinued operations	(17,027)	59,498	93,548	40,032	233,134
Non-controlling interests	(75,183)	(30,263)	(63,765)	(36,094)	(14,122)
- Continuing operations	(75,183)	(30,263)	(63,765)	(36,094)	(14,122)
Total comprehensive income for the year/ period	<u>(1,724,418)</u>	<u>(1,340,482)</u>	<u>(763,092)</u>	<u>(802,857)</u>	<u>(294,253)</u>

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of financial position

	Note	As at December 31,			As at June 30
		2021	2022	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property and equipment	13	75,828	74,452	76,799	83,384
Intangible assets	14	105,318	93,203	83,681	157,995
Interest in an associate		—	—	200	—
Interest in a joint venture		5,163	—	—	—
Investment property	12	141,860	—	—	—
Goodwill	15	151,887	151,887	151,993	151,993
Prepayments, deposits and other receivables	19	10,532	21,388	20,082	7,213
Other financial assets	17	140,734	153,218	196,574	109,692
Deferred tax assets	27(b)	1,657	2,092	4,260	5,816
		<u>632,979</u>	<u>496,240</u>	<u>533,589</u>	<u>516,093</u>
Current assets					
Other financial assets	17	15,053	9,029	34,935	11,211
Inventories and other contract costs		7,150	5,994	11,269	11,137
Contract assets		1,464	1,497	3,237	3,073
Trade receivables	18	93,239	140,609	165,142	256,453
Prepayments, deposits and other receivables	19	106,834	64,655	75,496	87,384
Restricted bank deposits	20	55,667	56,086	20,933	498
Cash and cash equivalents	20	368,716	533,054	533,171	469,536
		<u>648,123</u>	<u>810,924</u>	<u>844,183</u>	<u>839,292</u>
Current liabilities					
Trade payables	21	49,361	63,778	86,563	98,367
Accrued expenses and other payables	22	590,868	533,737	422,749	227,537
Bank loans and other borrowings	23	76,163	70,090	202,076	281,264
Contract liabilities	24	44,506	49,473	91,288	78,597
Lease liabilities	25	17,570	16,029	25,428	27,422
Convertible redeemable preferred shares	28	5,137,156	6,378,735	6,965,493	7,407,194
Convertible bond	29	—	—	—	151,039
Current taxation	27(a)	50	—	4	230
		<u>5,915,674</u>	<u>7,111,842</u>	<u>7,793,601</u>	<u>8,271,650</u>
Net current liabilities		<u>(5,267,551)</u>	<u>(6,300,918)</u>	<u>(6,949,418)</u>	<u>(7,432,358)</u>
Total assets less current liabilities		<u>(4,634,572)</u>	<u>(5,804,678)</u>	<u>(6,415,829)</u>	<u>(6,916,265)</u>

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of financial position (continued)

	Note	As at December 31,			As at June 30,
		2021	2022	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current liabilities					
Bank loans and other borrowings	23	79,098	50,400	112,100	115,400
Lease liabilities	25	8,042	4,284	15,156	9,228
Deferred tax liabilities	27(b)	15,900	14,190	12,503	11,662
Convertible bond	29	—	203,193	208,577	—
Other non-current liabilities		1,636	622	959	1,006
		<u>104,676</u>	<u>272,689</u>	<u>349,295</u>	<u>137,296</u>
NET LIABILITIES		<u>(4,739,248)</u>	<u>(6,077,367)</u>	<u>(6,765,124)</u>	<u>(7,053,561)</u>
CAPITAL AND RESERVES					
Share capital	30(a)	323	323	323	323
Reserves		<u>(4,822,726)</u>	<u>(6,160,824)</u>	<u>(6,865,150)</u>	<u>(7,138,067)</u>
Total deficit attributable to equity					
shareholders of the Company		<u>(4,822,403)</u>	<u>(6,160,501)</u>	<u>(6,864,827)</u>	<u>(7,137,744)</u>
Non-controlling interests		<u>83,155</u>	<u>83,134</u>	<u>99,703</u>	<u>84,183</u>
TOTAL DEFICIT		<u>(4,739,248)</u>	<u>(6,077,367)</u>	<u>(6,765,124)</u>	<u>(7,053,561)</u>

The accompanying notes form part of the Historical Financial Information.

Statements of financial position of the Company

	Note	As at December 31,			As at June 30,
		2021	2022	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current asset					
Investments in a subsidiary	16(b)	1	1	1	1
Amounts due from subsidiaries	34(b)	4,592,949	4,606,466	4,618,234	4,600,767
		4,592,950	4,606,467	4,618,235	4,600,768
Current assets					
Prepayments, deposits and other receivables	19	—	—	5,070	3,021
Cash and cash equivalents		7,389	39,473	1,064	407
		7,389	39,473	6,134	3,428
Current liabilities					
Accrued expenses and other payables	22	135,171	21,376	18,140	15,778
Bank loans and other borrowings	23	64,799	—	—	—
Convertible redeemable preferred shares	28	5,137,156	6,378,735	6,965,493	7,407,194
Convertible bond	29	—	—	—	22,421
		5,337,126	6,400,111	6,983,633	7,445,393
Net current liabilities		(5,329,737)	(6,360,638)	(6,977,499)	(7,441,965)
Total assets less current liabilities		(736,787)	(1,754,171)	(2,359,264)	(2,841,197)
Non-current liabilities					
Amounts due to subsidiaries	34(b)	—	5,569	5,569	5,569
Convertible bond	29	—	21,246	27,737	—
		—	26,815	33,306	5,569
NET LIABILITIES		(736,787)	(1,780,986)	(2,392,570)	(2,846,766)
Capital and reserves					
Share capital	30(a)	323	323	323	323
Reserves		(737,110)	(1,781,309)	(2,392,893)	(2,847,089)
TOTAL DEFICIT		(736,787)	(1,780,986)	(2,392,570)	(2,846,766)

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of changes in equity

	Attributable to equity shareholders of the Company									
	Note	Share capital	Capital reserve	Statutory reserve	Share-based payments reserve	Exchange reserve	Accumulated losses	Total	Non-controlling interests	Total deficit
		RMB'000 Note 30(a)	RMB'000 Note 30(b)(i)	RMB'000 Note 30(b)(ii)	RMB'000 Note 30(b)(iii)	RMB'000 Note 30(b)(iv)	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2021		306	(10,875)	—	65,636	84,498	(3,446,873)	(3,307,308)	84,165	(3,223,143)
Changes in equity for 2021:										
Loss for the year		—	—	—	—	—	(1,750,680)	(1,750,680)	(74,368)	(1,825,048)
Other comprehensive income		—	—	—	—	101,445	—	101,445	(815)	100,630
Total comprehensive income		—	—	—	—	101,445	(1,750,680)	(1,649,235)	(75,183)	(1,724,418)
Equity settled share-based transactions	26	—	—	—	134,140	—	—	134,140	—	134,140
Acquisition of a subsidiary	31	—	—	—	—	—	—	—	74,472	74,472
Disposal of a subsidiary		—	—	—	—	—	—	—	(299)	(299)
Surrender of ordinary shares		(30)	30	—	—	—	—	—	—	—
Vesting of restricted share units		47	—	—	(47)	—	—	—	—	—
Appropriation to statutory reserves ..		—	—	1,876	—	—	(1,876)	—	—	—
Balance at December 31, 2021 and January 1, 2022		323	(10,845)	1,876	199,729	185,943	(5,199,429)	(4,822,403)	83,155	(4,739,248)

Consolidated statements of changes in equity (continued)

	Attributable to equity shareholders of the Company									
	Note	Share capital	Capital reserve	Statutory reserve	Share-based payments reserve	Exchange reserve	Accumulated losses	Total	Non-controlling interests	Total deficit
		RMB'000 Note 30(a)	RMB'000 Note 30(b)(i)	RMB'000 Note 30(b)(ii)	RMB'000 Note 30(b)(iii)	RMB'000 Note 30(b)(iv)	RMB'000	RMB'000	RMB'000	RMB'000
Balance at December 31, 2021 and January 1, 2022		323	(10,845)	1,876	199,729	185,943	(5,199,429)	(4,822,403)	83,155	(4,739,248)
Changes in equity for 2022:										
Loss for the year		—	—	—	—	—	(807,406)	(807,406)	(33,120)	(840,526)
Other comprehensive income		—	—	—	—	(502,813)	—	(502,813)	2,857	(499,956)
Total comprehensive income		—	—	—	—	(502,813)	(807,406)	(1,310,219)	(30,263)	(1,340,482)
Equity settled share-based transactions	26	—	—	—	12,390	—	—	12,390	140	12,530
Purchase of non-controlling interests	30, 31	—	(61,509)	—	—	—	—	(61,509)	(34,506)	(96,015)
Contribution from non-controlling shareholders of subsidiaries		—	21,240	—	—	—	—	21,240	68,922	90,162
Dividends declared by a subsidiary attributable to non-controlling interests		—	—	—	—	—	—	—	(4,314)	(4,314)
Appropriation to statutory reserves		—	—	1,376	—	—	(1,376)	—	—	—
Balance at December 31, 2022 and January 1, 2023		323	(51,114)	3,252	212,119	(316,870)	(6,008,211)	(6,160,501)	83,134	(6,077,367)

Consolidated statements of changes in equity (continued)

	Attributable to equity shareholders of the Company									
	Note	Share capital	Capital reserve	Statutory reserve	Share-based payments reserve	Exchange reserve	Accumulated losses	Total	Non-controlling interests	Total deficit
		RMB'000 Note 30(a)	RMB'000 Note 30(b)(i)	RMB'000 Note 30(b)(ii)	RMB'000 Note 30(b)(iii)	RMB'000 Note 30(b)(iv)	RMB'000	RMB'000	RMB'000	RMB'000
Balance at										
December 31, 2022										
and January 1,										
2023	323	(51,114)	3,252	212,119	(316,870)	(6,008,211)	(6,160,501)	83,134	(6,077,367)	
Changes in equity for 2023:										
Loss for the year	—	—	—	—	—	(592,361)	(592,361)	(63,078)	(655,439)	
Other comprehensive income	—	—	—	—	(106,966)	—	(106,966)	(687)	(107,653)	
Total comprehensive income	—	—	—	—	(106,966)	(592,361)	(699,327)	(63,765)	(763,092)	
Equity settled share-based transactions .. 26	—	—	—	12,209	—	—	12,209	1,411	13,620	
Issuance of restricted ordinary shares by a subsidiary	26	(1,520)	—	—	—	—	(1,520)	1,520	—	
Contribution from a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	—	59,535	59,535	
Capital injected to a subsidiary	30	(15,688)	—	—	—	—	(15,688)	15,688	—	
Appropriation to statutory reserves ...	—	—	949	—	—	(949)	—	—	—	
Acquisition of a subsidiary	31	—	—	—	—	—	—	2,180	2,180	
Balance at										
December 31, 2023										
and January 1,										
2024	323	(68,322)	4,201	224,328	(423,836)	(6,601,521)	(6,864,827)	99,703	(6,765,124)	
Changes in equity for the six months ended June 30, 2024:										
Loss for the period ...	—	—	—	—	—	(234,875)	(234,875)	(14,197)	(249,072)	
Other comprehensive income	—	—	—	—	(45,256)	—	(45,256)	75	(45,181)	
Total comprehensive income	—	—	—	—	(45,256)	(234,875)	(280,131)	(14,122)	(294,253)	
Equity settled share-based transactions .. 26	—	—	—	7,214	—	—	7,214	1,116	8,330	
Dividends declared by a subsidiary attributable to non-controlling interests	—	—	—	—	—	—	—	(2,514)	(2,514)	
Balance at June 30,										
2024	323	(68,322)	4,201	231,542	(469,092)	(6,836,396)	(7,137,744)	84,183	(7,053,561)	

Consolidated statements of changes in equity (continued)

	Attributable to equity shareholders of the Company									
	Note	Share capital	Capital reserve	Statutory reserve	Share-based payments reserve	Exchange reserve	Accumulated losses	Total	Non-controlling interests	Total deficit
		RMB'000 Note 30(a)	RMB'000 Note 30(b)(i)	RMB'000 Note 30(b)(ii)	RMB'000 Note 30(b)(iii)	RMB'000 Note 30(b)(iv)	RMB'000	RMB'000	RMB'000	RMB'000
(unaudited)										
Balance at January 1, 2023		323	(51,114)	3,252	212,119	(316,870)	(6,008,211)	(6,160,501)	83,134	(6,077,367)
Changes in equity for the six months ended June 30, 2023:										
Loss for the period		—	—	—	—	—	(512,618)	(512,618)	(35,258)	(547,876)
Other comprehensive income		—	—	—	—	(254,145)	—	(254,145)	(836)	(254,981)
Total comprehensive income		—	—	—	—	(254,145)	(512,618)	(766,763)	(36,094)	(802,857)
Equity settled share-based transactions	26	—	—	—	6,932	—	—	6,932	297	7,229
Issuance of restricted ordinary shares by a subsidiary	26	—	(1,520)	—	—	—	—	(1,520)	1,520	—
Capital injected to a subsidiary	30	—	(15,688)	—	—	—	—	(15,688)	15,688	—
Acquisition of a subsidiary	31	—	—	—	—	—	—	—	2,180	2,180
Balance at June 30, 2023		<u>323</u>	<u>(68,322)</u>	<u>3,252</u>	<u>219,051</u>	<u>(571,015)</u>	<u>(6,520,829)</u>	<u>(6,937,540)</u>	<u>66,725</u>	<u>(6,870,815)</u>

The accompanying notes form part of the Historical Financial Information.

Consolidated cash flow statements

	Note	Years ended December 31,			Six months ended June 30,	
		2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (unaudited)	2024 RMB'000
Cash flows from operating activities						
Cash used in operations	20(b)	(1,274,667)	(205,256)	(179,343)	(192,793)	(56,721)
Income tax (paid)/refunded	27(a)	(10)	(245)	95	127	(22)
Net cash used in operating activities		<u>(1,274,677)</u>	<u>(205,501)</u>	<u>(179,248)</u>	<u>(192,666)</u>	<u>(56,743)</u>
Investing activities						
Payment for the purchase of property and equipment		(16,261)	(16,641)	(3,578)	(1,475)	(4,421)
Payment for the purchase of intangible assets		(314)	(363)	(2,963)	(1,441)	—
Proceeds from disposal of property and equipment and intangible assets		756	1,298	861	736	525
Payment for acquisition of subsidiaries, net of cash acquired	31	(103,428)	—	(16)	(16)	—
Payment for acquisition of equity investments		(102,640)	(815)	—	—	(100)
Purchase of financial assets at fair value through profit or loss “(FVPL)”	17	(3,833,360)	(249,500)	(164,500)	(76,000)	(14,000)
Proceeds from disposal of financial assets at FVPL	17	3,733,847	256,695	139,166	66,046	38,048
Net cash inflow/(outflow) from disposal of subsidiaries	32	—	78,173	(1)	—	(26,101)
Net cash (used in)/generated from investing activities		<u>(321,400)</u>	<u>68,847</u>	<u>(31,031)</u>	<u>(12,150)</u>	<u>(6,049)</u>
Financing activities						
Proceeds from bank loans	20(c)	—	120,420	260,700	165,700	182,000
Repayment of bank loans	20(c)	(8,245)	(9,959)	(70,020)	(10,000)	(99,600)
Proceeds from borrowings from related parties	20(c)	64,799	13,573	—	—	—
Repayment of borrowings from related parties	20(c)	—	(85,314)	—	—	—
Proceeds of borrowings from a non-controlling shareholder of a subsidiary	20(c)	—	—	2,700	1,215	—
Payment of interests of bank loans and other borrowings	20(c)	(67,952)	(3,277)	(8,721)	(3,311)	(6,374)
Repayment of convertible bond	20(c)	—	—	—	—	(50,000)
Payment of interests of convertible bond	20(c)	—	—	(11,173)	(11,173)	(11,204)
Interest element of lease rentals paid	20(c)	(1,197)	(1,091)	(1,870)	(887)	(870)
Capital element of lease rentals paid	20(c)	(22,880)	(21,028)	(25,845)	(12,021)	(10,691)

Consolidated cash flow statements (continued)

	Note	Years ended December 31,			Six months ended June 30,	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Proceeds from issuance of Convertible Redeemable Preferred Shares	20(c)	742,109	111,017	—	—	—
Advances received from issuance of Series C+ Convertible Redeemable Preferred Shares . .		127,384	—	—	—	—
Proceeds from Convertible bond	20(c)	—	190,000	—	—	—
Dividends paid by a subsidiary . . .		—	(4,314)	—	—	(2,514)
Proceeds from issuance of restricted ordinary shares by a subsidiary		—	—	5,211	5,211	—
Repurchase shares from non- controlling interest		(299)	(35,616)	—	—	—
Capital contribution from non-controlling interests		—	56,494	59,535	—	—
Cash paid for acquisition of non-controlling interests	31	—	(48,480)	—	—	—
Payment of listing expenses		—	—	(3,456)	(2,325)	(603)
Net cash generated from financing activities		<u>833,719</u>	<u>282,425</u>	<u>207,061</u>	<u>132,409</u>	<u>144</u>
Net (decrease)/increase in cash and cash equivalents		(762,358)	145,771	(3,218)	(72,407)	(62,648)
Cash and cash equivalents at the beginning of the year/period	20(a)	1,134,873	368,716	533,054	533,054	533,171
Effect of foreign currency exchange rate changes		(3,799)	18,567	3,335	3,337	(987)
Cash and cash equivalents at the end of the year/period	20(a)	<u>368,716</u>	<u>533,054</u>	<u>533,171</u>	<u>463,984</u>	<u>469,536</u>

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1 Basis of preparation and presentation of the Historical Financial Information**

Dmall Inc. (the “Company”) was incorporated in the British Virgin Islands (“BVI”) as an exempted company with limited liability on February 5, 2015 under the BVI Company Law.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “Group”) are principally engaged in providing one-stop retail cloud solutions, which consist of retail core service cloud and others. The Group also provided e-commerce service cloud solutions and online marketing services during Track Record Period. The Group’s principal operations and geographic markets are in the People’s Republic of China (“PRC”).

The functional currency of the Company is United States Dollar (“USD”). The consolidated financial statements are presented in Renminbi (“RMB”) as the majority of the Group’s operations are conducted by the Company’s subsidiaries established in the PRC and the functional currency of which is RMB.

Historically, to comply with PRC laws and regulations, the Group conducted internet-related business in China through Dmall Fresh (Beijing) E-Commerce Co., Ltd. (“Dmall Fresh (Beijing)”) and its subsidiary, Dmall Fresh (Shenzhen) E-commerce Co., Ltd. (“Dmall Fresh (Shenzhen)”), collectively, the “former VIEs”). Dmall Fresh (Beijing) and Dmall Fresh (Shenzhen), the financial statements of which have been consolidated and accounted for as if they were subsidiaries of the Group by virtue of the contractual arrangements (the “Contractual Agreements”), as detailed in the section headed “History, Reorganization and Corporate Structure” in the Prospectus.

The directors of the Company consider that the Contractual Arrangements were in compliance with the relevant PRC laws and regulations currently in effect and were legally binding and enforceable. Pursuant to the Contractual Agreements, and together with the 50% equity interests in former VIEs held by the Group, the Group had rights to exercise power over the former VIEs, receive variable returns from involvement in the former VIEs, has the ability to affect those returns through its power over the former VIEs and was considered to control the former VIEs. Consequently, the Group regarded the former VIEs as controlled structured entities through the date of termination of the Contractual Arrangements on April 24, 2024. Further details of the disposal of the former VIEs are set out in Note 4.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

1 Basis of preparation and presentation of the Historical Financial Information (continued)

As of the date of this report, the Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies.

Company Names	Place and date of incorporation /establishment	Issued and paid-up capital/registered capital	Proportion of ownership interest		Name of statutory auditor	Principal activities
			Held by the Company	Held by the Subsidiary		
<i>Directly held -</i>						
Dmall China Inc.(ii)	Cayman Islands/ March 26, 2015	USD100	100.0%	—	NA	Holding company of DMALL ASIA INC.
<i>Indirectly held -</i>						
Dmall Asia Inc. (ii)	British Virgin Islands/April 7, 2015	USD1	—	100.0%	NA	Holding company of Dmall Hong Kong Limited
Dmall Hong Kong Limited (iv)	Hong Kong/ April 28, 2015	HKD1	—	100.0%	2021&2022: S.C.TO&CO Certified Public Accountants 2023: NA	Holding company of Dmall Life (China) Digital Technology Co., Ltd., Dmall Life (China) Network Technology Co., Ltd., and Retail Technology Asia Limited
Dmall Life (China) Digital Technology Co., Ltd. (多點生活 (中國) 數字科技有限公司) (i) (iii)	The PRC/ February 13, 2019	USD500,000,000	—	100.0%	2021: Shenzhen Huazhongjie Certified Public Accountants 深圳華眾傑會計師事務所(普通合夥) 2022&2023: NA	Development of e-commerce service cloud
Dmall (Shenzhen) Digital Technology Co., Ltd. (多點 (深圳) 數字科技有限公司) (i) (iii)	The PRC/ April 2, 2019	RMB2,600,000,000	—	100.0%	2021: Shenzhen Huazhongjie Certified Public Accountants 深圳華眾傑會計師事務所 (普通合夥) 2022: Beijing Zhongcai Guoxin Certified Public Accountants Co.,Ltd. 北京中財國信會計師事務所有限公司 2023: Shenzhen Zhongchuang Certified Public Accountants 深圳中創會計師事務所(普通合夥)	Development of retail core service cloud, e-commerce service cloud and others
Dmall Zhilian (Beijing) Technology Co., Ltd. (多點智聯 (北京) 科技有限公司)(i)	The PRC/ September 19, 2017	RMB168,340,000	—	80.0%	2021&2022&2023: Beijing Yongqing Certified Public Accountants 北京永晴會計師事務所 (普通合夥)	Provision of AIoT solutions
Dmall Zhilian (Wuhan) Technology Co., Ltd. (多點智聯 (武漢) 科技有限公司) (formerly known as Weisheng (Wuhan) Technology Co., Ltd. (微晟 (武漢) 技術有限公司)) (i) (ii)	The PRC/ September 28, 2017	RMB5,000,000	—	80.0%	NA	Provision of AIoT solutions
Shenzhen Xintonglu Supply Chain Technology Co., Ltd. (深圳市新通路供應鏈技術有限公司)(i) (ii)	The PRC/ May 28, 2019	RMB5,000,000	—	100.00%	NA	Holding company of Shenzhen Enjoy Information Technology Co., Ltd.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

1 Basis of preparation and presentation of the Historical Financial Information (continued)

Company Names	Place and date of incorporation /establishment	Issued and paid-up capital/registered capital	Proportion of ownership interest		Name of statutory auditor	Principal activities
			Held by the Company	Held by the Subsidiary		
Shenzhen Enjoy Information Technology Co., Ltd. (深圳市昂捷信息技術股份有限公司) (i) (iii) (v) (See Note 31)	The PRC/ August 5, 2002	RMB25,013,000	—	49.75%	2021&2022&2023: BDO China Shu Lun Pan Certified Public Accountants LLP 立信會計師事務所(特殊普通合夥)	Software development and maintenance services
Dmall Life (China) Network Technology Co., Ltd. (多點生活(中國)網絡科技有限公司) (i) (iii)	The PRC/ September 7, 2015	USD188,000,000	—	100.00%	2021: Shenzhen Huazhongjie Certified Public Accountants 深圳華眾傑會計師事務所(普通合夥) 2022&2023: Beijing Zhongcai Guoxin Certified Public Accountants Co.,Ltd. 北京中財國信會計師事務所有限公司	Research and development
Dmall Life (Chengdu) Technology Co., Ltd. (多點生活(成都)科技有限公司) (i) (ii)	The PRC/ April 2, 2015	RMB5,000,000	—	100.0%	NA	The development of Dmall OS system and management of research and development
Retail Technology Asia Limited (iv)	Hong Kong/ January 14, 2020	USD63,100,000	—	58.5%	2021:PricewaterhouseCoopers 2022&2023: KPMG	Provision of Dmall OS in overseas market

- (i) The official names of these entities are in Chinese. The English translation of the names is for reference only.
- (ii) No audited statutory financial statements were prepared for these entities for the Track Record Period.
- (iii) These entities prepared the financial statements in accordance with the Accounting Standards for Business Enterprise applicable to the enterprise in the PRC (the "PRC GAAP") issued by Ministry of Finance of the PRC.
- (iv) The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the requirements of the Hong Kong Companies Ordinance.
- (v) In addition to 49.75% equity interests in Shenzhen Enjoy Information Technology Co., Ltd. ("Shenzhen Enjoy"), with the delegation of 3.90% of voting right from another shareholder of Shenzhen Enjoy, the Group holds 53.65% voting rights in Shenzhen Enjoy. Therefore the Group controls Shenzhen Enjoy and consolidates it in the Group's Historical Financial Information as a subsidiary.

All companies comprising the Group have adopted December 31, as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board (the "IASB"). Further details of the material accounting policy information are set out in Note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this Historical Financial Information, the Group has consistently adopted all applicable new and revised IFRS Accounting Standards throughout the Track Record Period. The Group has not adopted any new standards or interpretations that are not yet effective for the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective for the Track Record Period and not yet adopted by the Group are set out in Note 35.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**1 Basis of preparation and presentation of the Historical Financial Information (continued)**

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 Material accounting policy information**(a) Going concern**

Notwithstanding that the Group recorded net current liabilities of RMB7,432,358,000 and net liabilities of RMB7,053,561,000 respectively as at June 30, 2024, which is primarily due to several rounds of financing by issuing convertible redeemable preferred shares (Note 28) which is recognized as financial liabilities totaling RMB7,407,194,000 as at June 30, 2024, the Historical Financial Information has been prepared on a going concern basis based on the following:

- (1) the redemption rights of above-mentioned preferred shares would be terminated upon listing and the financial liabilities would be converted into equity.
- (2) the directors of the Company believe that the Group has the ability to obtain new banking and other financing facilities and has the ability to renew or refinance the banking facilities upon maturity and obtain other borrowings. As at June 30, 2024, the Group had available unutilized banking facilities of RMB266,500,000, which can be utilized by the Group to fulfil its liquidity requirements when necessary.
- (3) the directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from the date of this report and are of the opinion that the Group will have sufficient working capital to meet its liabilities and obligations as and when they fall due and to sustain its operations for the next twelve months from the date of this report. The directors of the Company also believe that the Group can adjust the pace of its business expansion and control operating expenses when necessary.

(b) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that the following assets and liabilities are stated at their fair values as explained in the accounting policies set out below:

- Investment property (see Note 2(j));
- Other financial assets (see Note 2(h));
- Derivative financial instruments (see Note 2(i)); and
- Convertible redeemable preferred shares (see Note 2(u)).

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2 Material accounting policy information (continued)****(c) Use of estimates and judgments**

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealized loss resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2 Material accounting policy information (continued)**

financial position in accordance with Notes 2(s) or (v) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an interest in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(n)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale)).

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any).

The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Notes 2(h) and (n)(ii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognized in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2 Material accounting policy information (continued)**

of the Group's net investment in the associate or the joint venture, after applying the expected credit loss (ECLs) model to such other long-term interests where applicable (see Note 2(n)(i)).

Unrealized profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(h)).

In the Company's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses (see Note 2(n)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Business combination

The Group accounts for business combination using the acquisition method except for business combination under common control. For business combination using the acquisition method, the consideration transferred in the acquisition is generally measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree.

Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in the profit and loss.

Business combination arising from transfer of interests in entities that are under the control of the controlling shareholder that controls the Group is accounted for as if the acquisition had occurred at the beginning of the Track Record Period or, if later, at the date that common control was established. The assets acquired and liabilities assumed are recognized at the carrying amounts recognized previously in the Group's controlling shareholder's perspective. There is no recognition of any additional goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination to the extent of the continuation of the Group's

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2 Material accounting policy information (continued)

controlling shareholder's interests, and any difference between the net assets acquired and the consideration paid is recognized directly in equity.

(g) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (See Note 2(n)(ii)).

On disposal of a cash generating unit during the periods, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(h) Other investments

The Group's policies for investments, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 33(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(z)(vii)).
- fair value through other comprehensive income (FVOCI)—recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2 Material accounting policy information (continued)

losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

- FVPL if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income. Such elections are made on an instrument-by-instrument basis but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognized in profit or loss as other net income/(loss).

(i) Derivative financial instruments

Derivative financial instruments are recognized initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss.

(j) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 2(m)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognized in profit or loss. Rental income from investment property is accounted for as described in Note 2(z)(v).

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognized in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognized in OCI and presented in the revaluation reserve. Any loss is recognized in profit or loss. However, to the extent that an amount is included in the revaluation surplus for that property, the loss is recognized in OCI and reduces the revaluation surplus within equity.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2 Material accounting policy information (continued)**(k) Property and equipment**

The following items of property and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(n)(ii)):

- items of property and equipment, including right-of-use assets arising from leases of underlying property and equipment (see Note 2(m)).

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful lives
• Building	20 - 40 years
• Office equipment and furniture	3 - 5 years
• Motor vehicles	5 years
• Electronic equipment	3 - 12 years
• Right-of-use assets	Over the lease term
• Leasehold improvement	The shorter of the unexpired term of lease and the estimated useful lives

Where parts of an item of property and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the estimated useful life of an asset and its residual value, if any, are reviewed annually.

(l) Intangible assets (other than goodwill)

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalized includes the direct labor, and an appropriate proportion of overheads, where applicable. Capitalized development costs are stated at cost less accumulated amortization and impairment losses (see Note 2(n)(ii)). Other development expenditure is recognized as an expense in the period in which it is incurred. There were no development costs meeting the recognition criteria and capitalized as intangible assets during the Track Record Period.

Intangible assets that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see Note 2(n)(ii)). Expenditure on internally generated goodwill and brands is recognized as an expense in the period in which it is incurred.

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Evaluation of the estimated useful lives of the intangible assets is with reference to the factors, including but not limited to the historical usage pattern, product life cycle, the useful life of the dependent assets, annual attrition rate, technological obsolescence, and expiry of related legal rights. The following

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2 Material accounting policy information (continued)

intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

Technological know-how	8 years
Software	2 -5 years
Customer relationship	10 years

The estimated useful lives of technology know-how are determined based on the respective periods over which such assets can bring economic benefits to the Group and the useful lives adopted by comparable companies in the market.

The estimated useful lives of customer relationship are determined with reference to the acquired business's existing contract based on contract expiring dates, historical trend of termination or renewal rate and to the useful lives of customer relationships used by the industry peers.

Both the period and method of amortization are reviewed annually.

(m) Leased assets

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(k) and 2(n)(ii)).

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2 Material accounting policy information (continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognized the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognized in accordance with Note 2(z)(v).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2(m)(i), then the Group classifies the sub-lease as an operating lease.

(n) Credit losses and impairment of assets**(i) Credit losses from financial instruments and contract assets**

The Group recognizes a loss allowance for ECLs on financial assets measured at amortized cost (including cash and cash equivalents, trade receivables and other receivables) and contract assets as defined in IFRS 15 (see Note 2(p)).

Other financial assets measured at fair value are not subject to the ECL assessment.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2 Material accounting policy information (continued)*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets, lease receivables, contract assets and amounts due from related parties are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2 Material accounting policy information (continued)**

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognized in accordance with Note 2(z)(vii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganization; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.
- the disappearance of an active market for a security because of financial difficulties of the issuer.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2 Material accounting policy information (continued)*Write-off policy*

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

- property and equipment, including right-of-use assets;
- intangible assets;
- goodwill; and
- investments in subsidiaries in the Company's statements of financial position. (see Note 2(e)).

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2 Material accounting policy information (continued)

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognized.

(o) Inventories and other contract costs**(i) Inventories**

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the first-in-first-out method.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfill a contract with a customer which are not capitalized as inventory (see Note 2(o)(i)) or property and equipment (see Note 2(k)).

The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. The incremental costs of obtaining a contract are capitalized when incurred if the costs relate to revenue which will be recognized in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfill a contract are capitalized if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2 Material accounting policy information (continued)

include direct labor, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (e.g. payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalized as inventory, property and equipment or intangible assets, are expensed as incurred.

Capitalized contract costs are stated at cost less accumulated amortization and impairment losses. Impairment losses are recognized to the extent that the carrying amount of the contract cost asset exceeds the net of (i) the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognized as expenses.

Amortization of capitalized contract costs is charged to profit or loss when the revenue to which the asset relates is recognized. The accounting policy for revenue recognition is set out in Note 2(z).

(p) Contract assets and contract liabilities

A contract asset is recognized when the Group recognizes revenue (see Note 2(z)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(q)).

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see Note 2(z)). A contract liability would also be recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see Note 2(q)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(z)).

(q) Trade and other receivables

A receivable is recognized when the Group has unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of the consideration is due. If revenue has been recognized before the Group has an unconditional right to receive consideration, that amount is presented as contract assets (see Note 2(p)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortized cost, using the effective interest method and including an allowance for credit losses (see Note 2(n)(i)).

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2 Material accounting policy information (continued)**(r) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in Note 2(n)(i).

(s) Trade and other payables

Trade and other payables are initially recognized at fair value. Subsequent to initial recognition, trade and other payables are stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(t) Convertible bond

Convertible bond which does not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible bond is measured at fair value and presented as part of derivative financial instruments (see Note 2(i)). Any excess of proceeds over the amount initially recognized as the derivative component is recognized as the liability component. Transaction costs that relate to the issue of the convertible bond are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognized initially as part of the liability. The portion relating to the derivative component is recognized immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with Note 2(i). The liability component is subsequently carried at amortized cost. The interest expense recognized in profit or loss on the liability component is calculated using the effective interest method. If the bond is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, any difference between the amount paid and the carrying amounts of both components is recognized in profit or loss.

(u) Convertible redeemable preferred shares

The Company designated the convertible redeemable preferred shares as financial liabilities at FVPL. The Company initially recognizes convertible redeemable preferred shares at fair value. Subsequent to initial recognition, the convertible redeemable preferred shares are re-measured to fair value at the end of each reporting period with changes in fair value being recognized in profit or loss.

(v) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2 Material accounting policy information (continued)

the effective interest method. Interest expense is recognized in accordance with the Group's accounting policy for borrowing costs (see Note 2(ab)).

(w) Employee benefits**(i) Short-term employee benefits and contributions to defined contribution retirement plans**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The Group operates share incentive plans, under which it receives services from eligible employees, directors and non-employees as consideration for equity instruments (including share options, restricted share units ("RSUs") and restricted ordinary shares) of the Group. The fair value of the services received in exchange for the grant of the equity instruments (share options, RSUs and restricted ordinary shares) is recognized as an expense in the consolidated statements of profit or loss with a corresponding increase in share-based payments reserve in equity.

Share options

For grant of share options, the total amount to be expensed is determined by reference to the fair value of the options granted using option-pricing models.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. The equity amount is recognized in the share-based payment reserve until either the option is exercised (when it is included in the amount recognized in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

RSUs

For grant of RSUs, the total amount to be expensed is determined by reference to the fair value of the Company's ordinary shares at the grant date.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of RSUs that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2 Material accounting policy information (continued)*Restricted ordinary shares issued by the Company's subsidiary*

For restricted ordinary shares issued by the Company's subsidiary, the total amount to be expensed is determined by reference to the fair value of equity instruments granted. In addition, the Company's subsidiary will re-purchase the restricted ordinary shares forfeited due to unsatisfaction of service condition or performance condition fulfilled by the grantees.

Service and non-marketing performance conditions are included in calculation of the number of restricted ordinary shares that are expected to vest. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of restricted ordinary shares that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statements of profit or loss, with a corresponding adjustment to equity.

Modifications and Cancellations

The Group may modify the terms and conditions on which share incentive awards were granted. If a modification increases the fair value of the equity instruments granted, the incremental fair value granted is included in the measurement of the amount recognized for the services received over the remainder of the vesting year.

A grant of share incentive awards, that is canceled or settled during the vesting year, is treated as an acceleration of vesting. The Group immediately recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting year.

(iii) Termination benefits

Termination benefits are recognized as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made encourage voluntary redundancy.

(x) Income tax

Income tax expense comprises current tax and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2 Material accounting policy information (continued)**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Cooperation and Development.

The Group recognized deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Where investment properties are carried at their fair value in accordance with Note 2(j), the amount of deferred tax recognized is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(y) Provisions and contingent liabilities**(i) Provisions**

When determining the amounts to be recognized in respect of liabilities arising from the provisions, management makes the estimates based on prior experience and default history. It is

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2 Material accounting policy information (continued)

possible that the prior experience and default history is not indicative of all the future loss. Any increase or decrease in the provisions would affect the profit or loss in future years.

Provisions are recognized when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

(ii) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(z) Revenue and other net income/(loss)

The Group derives its revenues from providing retail core service cloud, e-commerce service cloud and other revenue to customers.

Revenue is recognized when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other net income/(loss) recognition policies are as follows:

(i) Retail core service cloud

Retail core service cloud provides full-spectrum digitalized solutions for retailers, including operating system and AIoT solutions.

Operating system

The operating system the Group mainly offers is Dmall OS, which is a SaaS solution proprietarily developed by the Group to digitalize retailers' operations and support intelligent business decision. The Group is responsible for design and implementation services to the retailer customers, which are not distinct from the utilization of the SaaS solutions during the subscription period. Therefore, design and implementation services together with the SaaS solutions are determined to be one performance obligation. The Group usually charges the retailer customers a fixed implementation fee or customisation fee prior the launch of SaaS solutions, and charges the retailer customers either by taking a percentage of the volume of sales (i.e. take rate model), or by a fixed subscription fee upon the launch of SaaS solutions.

Revenue from services of Dmall OS is recognized over the contract term. For take rate model, the Company performs the sales reconciliation with the customers on a monthly basis. The

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2 Material accounting policy information (continued)

Company issues invoices and recognizes revenue after volume of sales being agreed by customers. For fixed implementation fee, customisation fee and subscription fee model, revenue is generally recognized ratably over the contract term.

AIoT solutions

AIoT solutions offer the service to retailers to build digitally integrated retail locations that consolidate offline data to achieve more efficient store management. AIoT solutions primary comprise intelligent delivery solutions, intelligent cleaning solutions, intelligent loss prevention solutions, intelligent package sorting solutions, intelligent cashier solutions and intelligent merchandise replenishment solutions.

When an AIoT solutions contract includes multiple performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, which is determined based on the prices charged to or expected to recover from customers. For AIoT solutions contracts billed based on a fixed amount for a specified service period, revenue is recognized over the subscribed period. For services provided on a consumption basis, revenue is recognized based on the customer utilisation of the resources when the services are rendered to the customers. For AIoT product sales, revenue is recognized when the products are delivered and have been accepted by customers.

(ii) E-commerce service cloud

The Group historically operated an online-to-offline (“O2O”) retailer platform, Dmall app, for offline retailers and merchants, to facilitate their online sales of their merchandise to the consumer during Track Record Period. The Group is not primarily obligated to the consumers in their purchases of merchandise, does not take inventory risk, and does not have latitude over pricing of the merchandise. Upon the completion of sales, the Group charges the retailers or merchants a fixed rate commission fee, as agreed in the contract, based on the sales amount. Commission fees are recognized on a net basis at the point of completion of delivery of merchandise.

Meanwhile, the Group fulfils the delivery needs of O2O business by utilizing riders from outsourced delivery agencies. The Group is primarily responsible for and guarantee identifying and directing riders to complete the deliveries requested by the consumers, and has the ability to control the related services. The Group considers itself as a principal in the delivery arrangement. Accordingly, revenues resulting from delivery services are recognized on a gross basis at the point of completion of delivery of merchandise, with the amounts paid to the riders recorded in cost of revenue.

(iii) Other revenue

Other revenue comprises offline advertising service, marketing resource collaboration service and product sales. Revenue is recognized when control over a product or service is transferred to the customers at the amount of promised consideration to which the Group is expected to be entitled, excluding any obligation to compensate customers.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2 Material accounting policy information (continued)****(iv) Incentives**

The Group offers three types of incentives:

(a) The Group offers customers incentives for retail core service cloud and e-commerce service cloud services when the sales volume meets pre-determined amounts on a monthly basis. The Group records such incentives as deduction of revenue as it does not receive a distinct good or service or the fair value of the good or service received cannot be reasonably estimated.

(b) The Group, in certain circumstance, pays the incentives on behalf of certain retailers and merchants to consumers, which is not treated as the Group's incentives. Such incentive has no financial impact to the Group's profit or loss.

(c) The Group offers consumers incentives at the Group's discretion that are neither specific to any retailers or merchants nor contractually required by any retailers or merchants for platform transactions in order to stimulate the transaction volume on the Group's online platform. Such consumer incentives offered to promote the Group's platform are recognized as selling and marketing expenses.

(v) Rental income from operating leases

Rental income receivable under operating leases is recognized in profit or loss in equal installments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are earned.

(vi) Dividends

Dividends income from unlisted investments is recognized when the shareholder's right to receive payment is established.

Dividends income from listed investments is recognized when the share price of the investment goes ex-dividend.

(vii) Interest income

Interest income is recognized as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For credit-impaired financial assets, the effective interest rate is applied to the amortized cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(n)(i)).

(viii) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2 Material accounting policy information (continued)**(aa) Translation of foreign currencies**

Foreign currency transactions are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency of the entity to which they relate using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognizes such non-monetary assets or liabilities.

The results of foreign operations which have a functional currency other than RMB, the Group's presentation currency, are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(ab) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or complete.

(ac) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2 Material accounting policy information (continued)**

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognized on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(ad) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group.
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(ae) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the chief operating decision-maker ("CODM") of the Group for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2 Material accounting policy information (continued)**

customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting judgments and estimates

Notes 12, 15, 26 and 33 contains information about the assumptions and their risk factors relating to fair value of investment property, goodwill impairment, fair value of equity-settled share-based transactions and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment of non-current assets other than financial assets

If circumstances indicate that the carrying amount of a non-current asset other than financial assets may not be recoverable, the asset may be considered “impaired”, and an impairment loss may be recognized in accordance with accounting policy for impairment of non-current assets as described in Note 2(n)(ii). These assets are tested for impairment periodically or whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the recoverable amount of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(b) Deferred tax assets

Deferred tax assets are recognized for all temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. In assessing whether such temporary differences can be utilized in the future, the Group needs to make judgments and estimates on the ability of each of its subsidiaries to generate taxable income in the future years. The Group believes it has recorded adequate deferred taxes based on the prevailing tax rules and regulations and its current best estimates and assumptions. In the event that future tax rules and regulations or related circumstances change, adjustments to deferred taxation may be necessary which would impact the Group's results or financial position.

4 Discontinued operations

On April 24, 2024, the Group entered into termination agreement of Contractual Arrangements and a share transfer agreement, pursuant to which the Contractual Arrangements were terminated and the Group transferred 50% equity interests in Dmall Fresh (Beijing) to

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

4 Discontinued operations (continued)

Mr. Zhang Feng and Ms. Lu Yuxin at a consideration of RMB1, respectively. Immediately following the transactions, the Group no longer holds, directly or indirectly, any interest in Dmall Fresh (Beijing). As a result of the divestment, the financial results of the Group's online advertising services were classified as discontinued operations in the Historical Financial Information.

(a) Results of discontinued operations

	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	196,400	172,695	164,334	76,721	41,781
Cost of revenue	(11,110)	(8,767)	(6,552)	(1,472)	(2,510)
Gross profit	185,290	163,928	157,782	75,249	39,271
Research and development expenses	(25,852)	(21,140)	(29,931)	(12,084)	(13,925)
Selling and marketing expenses	(162,709)	(68,634)	(29,249)	(20,097)	(45,225)
General and administration expenses	(13,756)	(14,656)	(5,054)	(3,036)	(858)
Gain on disposal of a subsidiary	—	—	—	—	253,871
(Loss)/profit before taxation	(17,027)	59,498	93,548	40,032	233,134
Income tax expense	—	—	—	—	—
(Loss)/profit for the year/period from discontinued operations	<u>(17,027)</u>	<u>59,498</u>	<u>93,548</u>	<u>40,032</u>	<u>233,134</u>
(Loss)/earnings per share – Discontinued operations					
Basic and diluted (RMB)	<u>(0.04)</u>	<u>0.11</u>	<u>0.18</u>	<u>0.08</u>	<u>0.44</u>

(b) Cash (used in)/generated from discontinued operations

	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net cash (used in)/generated from operating activities	(66,009)	94,988	66,214	4,323	(19,278)
Net cash used in investing activities	—	—	—	—	—
Net cash used in financing activities	—	—	—	—	—
Net cash (used in)/generated for the year/period	<u>(66,009)</u>	<u>94,988</u>	<u>66,214</u>	<u>4,323</u>	<u>(19,278)</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

4 Discontinued operations (continued)

(c) Effect of disposal on the financial position of the Group

The disposals had the following consolidated effect on the Group's assets and liabilities on the disposal date:

	<u>RMB'000</u>
Cash and cash equivalents	26,101
Restricted bank deposits	10,513
Other current assets	1,292
Trade receivables	53
Prepayments, deposits and other receivables	28,007
Other non-current assets	10
Contract liabilities	(4,888)
Accrued expenses and other payables	(231,729)
Net liabilities	(170,641)
Total consideration satisfied by cash	-*
Intangible assets recognized from pre-disposal intergroup transactions upon loss of control	83,230
Gain on disposal of subsidiaries charged to the results of discontinued operations in the consolidated statements of profit or loss	253,871
Net cash outflow arising on disposal:	
Consideration received, satisfied in cash	-*
Less: cash and cash equivalents disposed of	26,101
Net cash outflow	(26,101)

* The balance represents amount less than RMB500.

5 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are providing retail core service cloud, e-commerce service cloud and other revenue to customers.

(i) Disaggregation of revenue

Revenue of the Group are all from contracts with customers within the scope of IFRS 15. The amount of each significant category of revenue is as follows:

	<u>Years ended December 31,</u>			<u>Six months ended June 30,</u>	
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2023</u>	<u>2024</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Revenue from contracts with customers within the scope of IFRS 15				<u>(unaudited)</u>	
• Retail core service cloud	438,814	880,502	1,298,730	602,255	933,185
• E-commerce service cloud	409,312	447,487	300,006	160,465	4,279
• Other revenue	66	275	(13,379)	1,283	1,698
	<u>848,192</u>	<u>1,328,264</u>	<u>1,585,357</u>	<u>764,003</u>	<u>939,162</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

5 Revenue and segment reporting (continued)

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is as follows:

	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Disaggregated by timing of revenue recognition					
• Point in time	569,469	682,065	469,203	248,560	108,270
• Over time	278,723	646,199	1,116,154	515,443	830,892
	<u>848,192</u>	<u>1,328,264</u>	<u>1,585,357</u>	<u>764,003</u>	<u>939,162</u>

The Group's revenue from customers individually contributing over 10% of the total revenue of the Group during the Track Record Period is as below, details of concentrations of credit risk arising from this customer are set out in Note 33(a).

	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Customer A*	508,725	850,501	1,139,183	550,318	706,770

* Customer A is considered as a group of entities known to be under common control.

- (ii) Revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date

As at December 31, 2021, 2022 and 2023 and June 30, 2024, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB148,254,000, RMB115,008,000, RMB247,238,000 and RMB568,067,000, respectively. These amounts represent revenue expected to be recognized in the future from contracts with customers in existence at the reporting date. The Group will recognize the expected revenue in future when or as the work is completed, which is expected to occur over the next 1 year to 5 years.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

5 Revenue and segment reporting (continued)

(b) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment property, property and equipment, intangible assets, goodwill, investments in associates and joint ventures, non-current prepayments, deposits and other receivables ("Specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of investments in associates and joint ventures.

	Revenues from external customers				
	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
The Chinese Mainland	827,936	1,247,930	1,462,096	705,676	864,121
Overseas	20,256	80,334	123,261	58,327	75,041
	<u>848,192</u>	<u>1,328,264</u>	<u>1,585,357</u>	<u>764,003</u>	<u>939,162</u>

	Specified non-current assets				
	As at December 31,			As at June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
The Chinese Mainland	490,047	340,930	328,128	343,774	396,787
Overseas	541	—	4,627	3,860	3,798
	<u>490,588</u>	<u>340,930</u>	<u>332,755</u>	<u>347,634</u>	<u>400,585</u>

(c) Segment reporting

The Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Retail core service cloud
- E-commerce service cloud

Other operations include offline advertising service, marketing resource collaboration service and product sales.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the revenue and gross profit attributable to each reportable segment. Other items in profit or loss are not allocated to reportable segments.

Revenue and costs are allocated to the reportable segments with reference to sales generated by those segments and the costs incurred by those segments.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

5 Revenue and segment reporting (continued)

The measure used for reporting segment profit is gross profit. No inter-segment sales have occurred during the Track Record Period. The Group's other net income/(loss) and expense items, such as other net income/(loss), selling and marketing expenses, general and administration expenses, research and development expenses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, operating expenses, interest income and interest expenses is presented.

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for the Track Record Period is set out below.

	Year ended December 31, 2021			
	Reportable segments			
	Retail core service cloud	E-commerce service cloud	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	438,814	409,312	66	848,192
Segment gross profit/(loss)	260,163	(87,490)	66	172,739

	Year ended December 31, 2022			
	Reportable segments			
	Retail core service cloud	E-commerce service cloud	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	880,502	447,487	275	1,328,264
Segment gross profit	494,570	10,351	275	505,196

	Year ended December 31, 2023			
	Reportable segments			
	Retail core service cloud	E-commerce service cloud	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	1,298,730	300,006	(13,379)	1,585,357
Segment gross profit/(loss)	541,721	30,858	(17,878)	554,701

	Six months ended June 30, 2024			
	Reportable segments			
	Retail core service cloud	E-commerce service cloud	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	933,185	4,279	1,698	939,162
Segment gross profit/(loss)	368,566	1,708	(11,020)	359,254

	Six months ended June 30, 2023 (unaudited)			
	Reportable segments			
	Retail core service cloud	E-commerce service cloud	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	602,255	160,465	1,283	764,003
Segment gross profit/(loss)	265,308	12,554	(693)	277,169

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

6 Other net income/(loss)

	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Government grants and tax preference (i)	15,890	52,849	71,653	22,620	26,486
Rental income	230	2,451	—	—	—
Investment income from wealth management products	6,841	1,195	167	46	547
Fair value change in financial assets measured at FVPL (Note 17)	11,433	12,460	43,762	1,374	(87,107)
Gain from re-measurement of equity interest upon acquisition (Note 31)	2,782	—	—	—	—
Gain/(loss) on disposal of subsidiaries, net (Note 32) . .	—	100,131	(1)	—	—
Others	61	1,343	(79)	(164)	940
	<u>37,237</u>	<u>170,429</u>	<u>115,502</u>	<u>23,876</u>	<u>(59,134)</u>

(i) Government grants mainly represented unconditional cash awards granted by local authorities in the PRC during the Track Record Period. During the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, government grants mainly represented subsidies received from government for encouraging foreign investment and technology research activities.

7 Loss before taxation

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

(a) Net finance costs

	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on bank loans and other borrowings	4,061	3,348	9,027	3,471	6,462
Accrued financial charges of convertible bond	—	7,233	13,595	6,803	6,606
Interest on lease liabilities	1,197	1,091	1,870	887	870
Interest income from bank deposits	(2,356)	(4,965)	(10,897)	(4,959)	(4,748)
Gains on partial derecognition of convertible bond (Note 29)	—	—	—	—	(2,379)
Changes in fair value on the derivative components of convertible bond (Note 29)	—	4,370	2,570	3,752	(172)
Foreign currency exchange loss/(gain)	2,320	11,988	(2,821)	(3,179)	(899)
	<u>5,222</u>	<u>23,065</u>	<u>13,344</u>	<u>6,775</u>	<u>5,740</u>

(b) Staff costs

	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, wages, bonuses and other benefits	729,520	866,904	780,810	388,474	309,617
Contributions to defined contribution retirement schemes	76,209	83,685	77,201	39,689	31,243
Share-based payment expenses (Note 26)	134,140	12,530	13,620	7,229	8,330
	<u>939,869</u>	<u>963,119</u>	<u>871,631</u>	<u>435,392</u>	<u>349,190</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

7 Loss before taxation (continued)

Employees of the Group's subsidiaries in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's subsidiaries in the PRC contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant salaries, subject to a cap of monthly relevant salaries of HKD30,000. Contributions to the MPF Scheme vest immediately.

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Expenses of promotion and marketing activities	245,772	118,359	48,002	29,737	2,076
Logistics costs	383,125	342,992	233,454	129,831	—
Servers and cloud infrastructure costs	63,218	58,542	58,046	29,308	21,430
Depreciation charge (Note 13)	63,481	51,937	45,793	23,387	19,421
Cost of inventories sold	27,528	70,724	31,725	20,719	11,348
Amortization of intangible assets (Note 14)	2,478	12,478	12,485	6,162	8,916
Impairment loss on trade and other receivables	1,032	1,596	1,784	578	1,533
Listing expenses	—	38,391	25,859	14,537	20,372

8 Income tax in the consolidated statements of profit or loss

(a) Taxation in the consolidated statements of profit or loss represent:

	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current taxation					
Provision for the year/period (Note 27(a))	60	316	534	253	389
Deferred taxation					
Origination and reversal of temporary differences (Note 27(b))	685	(2,145)	(3,855)	(2,131)	(2,397)
	<u>745</u>	<u>(1,829)</u>	<u>(3,321)</u>	<u>(1,878)</u>	<u>(2,008)</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

8 Income tax in the consolidated statements of profit or loss (continued)

(b) Reconciliation between tax expenses/(benefit) and accounting loss at applicable tax rates:

	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Loss before taxation	1,824,303	842,355	658,760	549,754	251,080
Notional tax on loss before taxation, calculated at the applicable rates in the jurisdictions concerned (i) . .	223,904	56,768	23,856	20,346	(45,301)
Effect of preferential tax rate (i) (iii)	(76,538)	(21,455)	5,719	2,803	48,128
Effect of additional deduction on research and development expenses (ii)	47,447	58,615	60,094	23,867	23,630
Tax effect of non-deductible expenses	(442)	(328)	(70,166)	(131)	(1,441)
Tax losses and temporary differences for which no deferred tax assets were recognized	(193,626)	(95,429)	(22,824)	(48,763)	(27,024)
Actual tax expenses/(benefit)	<u>745</u>	<u>(1,829)</u>	<u>(3,321)</u>	<u>(1,878)</u>	<u>(2,008)</u>

(i) Income tax rate applies to the Group:

Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI.

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

Dmall Hong Kong Limited (“Dmall HK”), Retail Technology Asia Limited (“Retail Technology Asia”), DFI Digital (Hong Kong) Limited (formerly known as Retail Technology (Hong Kong) Ltd., which was disposed in 2022) and Digital Retail Technology (Hong Kong) Limited, the Group’s subsidiaries incorporated in Hong Kong, are subject to Hong Kong profits tax rate of 16.5%. For the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024, subsidiaries in Hong Kong did not have any assessable profits.

The Group’s PRC subsidiaries, including VIEs and the VIEs’ subsidiaries are subject to the PRC Corporate Income Tax Law (“CIT Law”) at the statutory income tax rate of 25%, unless otherwise specified. According to the CIT Law, entities that qualify as “high-and-new technology enterprises” (“HNTE”) are entitled to a preferential income tax rate of 15%, and entities that qualify as Small Low-profit Enterprises (“SLE”) are entitled to a preferential income tax rate of 20%.

Taxation for subsidiaries incorporated in other jurisdictions is charged at the appropriate current rates of taxation ruling in the relevant countries.

(ii) An additional 75% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the PRC Income Tax Law and its relevant regulations before October 1, 2022 during the Track Record Period. And an additional 100% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the PRC Income Tax Law and its relevant regulations after October 1, 2022.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

8 Income tax in the consolidated statements of profit or loss (continued)

(iii) Dmall Life (China) Network Technology Co., Ltd (“Dmall Life Network”) was qualified as a HNTE in 2018 and the qualification was valid for three years from 2018 to 2020. The qualification was renewed in 2022 and the valid period is extended to 2024. Dmall Life (Chengdu) Technology Co., Ltd (“Dmall Chengdu”) and Dmall Zhilian (Wuhan) Technology Co., Ltd. (“Zhilian Wuhan”) were qualified as a HNTE in 2019 and the qualification was valid for three years from 2019 to 2021. Dmall Chengdu and Zhilian Wuhan’s qualifications were renewed in 2022 and the valid period is extended to 2024. Shenzhen Enjoy was qualified as a HNTE in 2020 and the qualification was valid for three years from 2020 to 2022, and its qualification was renewed in 2023 and the valid period is extended to 2025. Dmall (Shenzhen) Digital Technology Co., Ltd. (“Dmall (Shenzhen) Digital”) was qualified as a HNTE in 2021 and the qualification was valid for three years from 2021 to 2023. Dmall Fresh (Beijing) was qualified as a HNTE in 2023 and the qualification was valid for three years from 2023 to 2025.

Certain subsidiaries of the Group have been approved as SLE. The entitled subsidiaries are subject to a preferential income tax rate of 20% during the Track Record Period.

9 Directors’ emoluments

Details of emoluments of the directors of the Company during the Track Record Period are as follows:

<i>Year ended December 31, 2021</i>								
	<u>Note</u>	<u>Directors’ fees</u>	<u>Salaries, allowances and benefits in kind</u>	<u>Discretionary bonuses</u>	<u>Retirement scheme contributions</u>	<u>Sub-total</u>	<u>Share-based payments</u>	<u>Total</u>
		<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Dr. Zhang								
Wenzhong	(a)	—	—	—	—	—	—	—
Mr. Zhang Feng	(b)	—	1,528	695	49	2,272	23,717	25,989
Mr. Chen Zhiyu	(f)	—	875	—	39	914	35,189	36,103
Mr. Zhang Bin	(c)	—	—	—	—	—	—	—
Mr. Zhou Quan	(d)	—	—	—	—	—	—	—
Mr. Wu Guangze	(e)	—	—	—	—	—	—	—
Mr. Liu Jiangfeng . . .	(d)	—	—	—	—	—	—	—
Mr. Wang								
Zhenghao	(e)	—	—	—	—	—	—	—
Ms. Sun Yuhan	(e)	—	—	—	—	—	—	—
		—	<u>2,403</u>	<u>695</u>	<u>88</u>	<u>3,186</u>	<u>58,906</u>	<u>62,092</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

9 Directors' emoluments (continued)

Year ended December 31, 2022

	Note	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 Note (i)	RMB'000
Dr. Zhang								
Wenzhong	(a)	—	—	—	—	—	—	—
Mr. Curtis Alan								
Ferguson	(g)	—	—	—	—	—	—	—
Mr. Zhang Feng	(b)	—	2,603	—	58	2,661	46	2,707
Mr. Chen Zhiyu	(f)	—	1,091	—	—	1,091	—	1,091
Mr. Zhang Bin	(c)	—	—	—	—	—	—	—
Ms. Zhang								
Kangrong	(h)	—	—	—	—	—	—	—
Mr. Wu Guangze	(e)	—	—	—	—	—	—	—
Mr. Liu Jiangfeng . . .	(d)	—	—	—	—	—	—	—
Mr. Wang								
Zhenghao	(e)	—	—	—	—	—	—	—
Ms. Sun Yuhan	(e)	—	—	—	—	—	—	—
		—	3,694	—	58	3,752	46	3,798

Year ended December 31, 2023

	Note	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Note i)	RMB'000
Mr. Curtis Alan								
Ferguson	(g)	351	—	—	—	351	—	351
Mr. Zhang Feng	(b)	—	2,602	—	52	2,654	4	2,658
Mr. Chen Zhiyu	(f)	—	1,091	—	—	1,091	—	1,091
Ms. Zhang								
Kangrong	(h)	—	—	—	—	—	—	—
Mr. Wang								
Zhenghao	(e)	—	—	—	—	—	—	—
Ms. Sun Yuhan	(e)	—	—	—	—	—	—	—
		351	3,693	—	52	4,096	4	4,100

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

9 Directors' emoluments (continued)

<i>Six months ended June 30, 2024</i>							
Note	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Note i)	RMB'000
Mr. Curtis Alan							
Ferguson	(g)	354	—	—	354	—	354
Mr. Zhang Feng	(b)	—	1,302	—	39	—	1,341
Mr. Chen Zhiyu	(f)	—	546	—	—	—	546
Ms. Zhang							
Kangrong	(h)	—	—	—	—	—	—
Mr. Wang							
Zhenghao	(e)	—	—	—	—	—	—
Ms. Sun Yuhan	(e)	—	—	—	—	—	—
		<u>354</u>	<u>1,848</u>	<u>—</u>	<u>39</u>	<u>—</u>	<u>2,241</u>
<i>Six months ended June 30, 2023</i>							
Note	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Note i)	RMB'000
(unaudited)							
Mr. Curtis Alan							
Ferguson	(g)	—	—	—	—	—	—
Mr. Zhang Feng	(b)	—	1,302	—	24	—	1,330
Mr. Chen Zhiyu	(f)	—	545	—	—	4	545
Ms. Zhang							
Kangrong	(h)	—	—	—	—	—	—
Mr. Wang							
Zhenghao	(e)	—	—	—	—	—	—
Ms. Sun Yuhan	(e)	—	—	—	—	—	—
		<u>—</u>	<u>1,847</u>	<u>—</u>	<u>24</u>	<u>4</u>	<u>1,875</u>

Note:

- (a) Dr. Zhang Wenzhong was appointed as Chairman of the Company on February 6, 2015 and resigned on November 27, 2022.
- (b) Mr. Zhang Feng was appointed as director of the Company on August 23, 2018. He is key management personnel of the Group during the Track Record Period and his remuneration disclosed above include those for services rendered by him as key management personnel.
- (c) Mr. Zhang Bin was appointed as director of the Company on October 16, 2017 and resigned on March 2, 2022.
- (d) Mr. Zhou Quan, Mr. Liu Jiangfeng were appointed as directors of the Company on February 5, 2015, October 16, 2017 and resigned on November 17, 2021, March 2, 2022, respectively.
- (e) Mr. Wu Guangze, Mr. Wang Zhenghao, Ms. Sun Yuhan were appointed as directors of the Company on October 16, 2017, November 13, 2020 and November 17, 2021, respectively. Mr. Wu Guangze resigned on November 27, 2022.
- (f) Mr. Chen Zhiyu was appointed as director of the Company on November 13, 2020.
- (g) Mr. Curtis Alan Ferguson was appointed as chairman and director of the Company on November 28, 2022.
- (h) Ms. Zhang Kangrong was appointed as non-executive director of the Company on November 28, 2022 and resigned on April 19, 2024.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

9 Directors' emoluments (continued)

- (i) These represent the estimated value of share options or RSUs granted to the directors under the Company's share incentive plans. The value of these share options or RSUs is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(w)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options or RSUs granted, are disclosed under Note 26.

During the Track Record Period, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in Note 10 below as an inducement to join or upon joining the Group or as a compensation for loss of office.

10 Individuals with highest emoluments

During the Track Record Period, of the five individuals with the highest emoluments, 2, 1, 1, 1, 1 (unaudited) and 1 are the directors of the Company for each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively, whose emoluments are disclosed in Note 9. The aggregate of the emoluments in the respect of the remaining 3, 4, 4, 4 (unaudited) and 4 individuals during the Track Record Period are as followings:

	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other emoluments	4,791	8,739	10,659	4,873	7,089
Discretionary bonuses	1,208	877	284	592	2,156
Retirement scheme contributions	119	231	177	109	105
Share-based payment expenses	45,836	2,394	1,823	2,536	242
	<u>51,954</u>	<u>12,241</u>	<u>12,943</u>	<u>8,110</u>	<u>9,592</u>

The emoluments of the above individuals with the highest emoluments are within the following bands:

	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	Number of individuals	Number of individuals	Number of individuals	Number of individuals (unaudited)	Number of individuals
HKD1,500,001 - HKD2,000,000	—	—	—	2	1
HKD2,000,001 - HKD2,500,000	—	1	—	1	1
HKD2,500,001 - HKD3,000,000	—	—	1	—	—
HKD3,000,001 - HKD3,500,000	—	2	1	—	1
HKD3,500,001 - HKD4,000,000	—	—	1	1	1
HKD4,500,001 - HKD5,000,000	—	1	1	—	—
HKD7,500,001 - HKD8,000,000	1	—	—	—	—
HKD16,000,001 - HKD16,500,000	1	—	—	—	—
HKD38,000,001 - HKD38,500,000	1	—	—	—	—
	<u>3</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

11 (Loss)/earnings per share**(a) Basic (loss)/earnings per share**

The following table sets forth the basic (loss)/earnings per share computation and the numerator and denominator for the years/periods presented:

	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
				(unaudited)	
Net (loss)/profit attributable to equity shareholders of the Company (RMB'000)					
- Continuing operations	(1,733,653)	(866,904)	(685,909)	(552,650)	(468,009)
- Discontinued operations	(17,027)	59,498	93,548	40,032	233,134
	<u>(1,750,680)</u>	<u>(807,406)</u>	<u>(592,361)</u>	<u>(512,618)</u>	<u>(234,875)</u>
Weighted average number of ordinary shares	476,616,164	525,150,000	525,150,000	525,150,000	525,150,000
Basic (loss)/earnings per share (RMB)					
- Continuing operations	(3.64)	(1.65)	(1.31)	(1.05)	(0.89)
- Discontinued operations	(0.04)	0.11	0.18	0.08	0.44
	<u>(3.68)</u>	<u>(1.54)</u>	<u>(1.13)</u>	<u>(0.97)</u>	<u>(0.45)</u>

Basic (loss)/earnings per share is calculated by dividing the net (loss)/earnings attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the Track Record Period.

(b) Weighted average number of shares

Weighted average number of ordinary shares outstanding

	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
				(unaudited)	
Ordinary shares at January 1	500,000,000	525,150,000	525,150,000	525,150,000	525,150,000
Surrender of ordinary shares	(36,329,041)	—	—	—	—
Effect of exercise of RSUs (Note 26)	12,945,205	—	—	—	—
Weighted average number of ordinary shares outstanding	<u>476,616,164</u>	<u>525,150,000</u>	<u>525,150,000</u>	<u>525,150,000</u>	<u>525,150,000</u>

(c) Diluted loss per share

The Company has four categories of potential ordinary shares: preferred shares, RSUs, share options and convertible bond. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would result in anti-dilution. Accordingly, diluted loss per share for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024 were the same as basic loss per share of the respective years and periods.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

12 Investment property

(a) Reconciliations of carrying amount

	Years ended December 31,			Six months ended
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Fair value				
At January 1	—	141,860	—	—
Transfer from property and equipment	179,098	—	—	—
Revaluation loss on property and equipment upon transfer	(37,618)	—	—	—
Valuation gains on investment property	380	16,972	—	—
Disposal of a subsidiary (Note 32)	—	(158,832)	—	—
At December 31/June 30	141,860	—	—	—

The investment property was owned by Dmall (Shenzhen) Development Co., Ltd. (“Dmall (Shenzhen) Development”), a subsidiary of the Company. In November 2022, the Group sold 100% of equity interests in Dmall (Shenzhen) Development to Wumei South Commercial Co., Ltd, a subsidiary of Wumei Technology Group Co., Ltd for the cash consideration of RMB79,840,000.

(b) Fair value measurement of properties

All of the Group’s investment property were revalued as at December 31, 2021. The valuations were carried out by an independent firm, with recent experience in the location and category of property being valued.

The Group entered into a lease agreement with a lessee from December 2021 to June 2022. The valuation technique was income approach during the period.

The following table gives information about how the fair values of the investment property is determined (in particular, the valuation techniques and inputs used).

	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Investment property	Income approach The key inputs are:	Capitalization rate: December 31, 2021: 2.7%-2.9%	The higher the capitalization rate, the lower the market value
	– Capitalization rate	Unit rent of individual	
	– Unit rent of individual unit	unit per sq.m. per month: December 31, 2021: RMB128.89-192.18	The higher the unit rent, the higher the market value

Under the income approach, the fair value of investment property is estimated based on capitalization rate and unit rent. The unit rent is mainly made reference to the rents in existing lease.

As of December 31, 2021, it is estimated that with all other variables held constant, an increase/decrease in market rental by 1% would have increase/decrease the fair value of investment property by RMB1,330,000.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

13 Property and equipment

(a) Reconciliations of carrying amounts

	Building	Electronic equipment	Motor vehicles	Office equipment and furniture	Leasehold improvement	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
At January 1, 2021	190,003	92,221	—	10,877	9,657	53,984	356,742
Acquisitions through business combinations (Note 31(a))	5,457	371	751	200	133	2,056	8,968
Additions	—	6,061	—	6,610	2,064	13,841	28,576
Disposals	—	(3,837)	—	(353)	(5)	(12,539)	(16,734)
Reclassification to investment property	(190,003)	—	—	—	—	—	(190,003)
At December 31, 2021 and January 1, 2022	5,457	94,816	751	17,334	11,849	57,342	187,549
Additions	—	3,431	—	4,293	30,462	16,417	54,603
Disposals	—	(10,501)	(265)	(1,191)	(425)	(38,605)	(50,987)
Disposal of subsidiaries (Note 32)	—	(639)	—	—	(3,048)	—	(3,687)
At December 31, 2022 and January 1, 2023	5,457	87,107	486	20,436	38,838	35,154	187,478
Acquisitions through business combinations (Note 31(b))	—	—	—	155	—	5,210	5,365
Additions	—	729	—	609	1,722	41,384	44,444
Disposals	—	(12,675)	(641)	(8,075)	(726)	(16,880)	(38,997)
At December 31, 2023	5,457	75,161	(155)	13,125	39,834	64,868	198,290
Additions	14,226	3,776	—	1,084	—	15,493	34,579
Disposals	—	(2,812)	—	(63)	—	(23,206)	(26,081)
Disposal of subsidiaries (Note 32)	—	(2,107)	—	—	(204)	—	(2,311)
At June 30, 2024	19,683	74,018	(155)	14,146	39,630	57,155	204,477
Accumulated depreciation:							
At January 1, 2021	(2,256)	(46,278)	—	(2,358)	(3,717)	(20,837)	(75,446)
Charge for the year	(9,052)	(22,932)	(24)	(5,604)	(3,194)	(22,675)	(63,481)
Written back on disposals	—	3,290	—	91	5	12,539	15,925
Reclassification to investment property	11,281	—	—	—	—	—	11,281
At December 31, 2021 and January 1, 2022	(27)	(65,920)	(24)	(7,871)	(6,906)	(30,973)	(111,721)
Charge for the year	(317)	(16,650)	(242)	(5,993)	(7,259)	(21,476)	(51,937)
Written back on disposals	—	9,609	251	553	319	37,915	48,647
Disposal of subsidiaries (Note 32)	—	141	—	—	1,844	—	1,985
At December 31, 2022 and January 1, 2023	(344)	(72,820)	(15)	(13,311)	(12,002)	(14,534)	(113,026)
Charge for the year	(317)	(7,479)	(297)	(3,610)	(5,743)	(28,347)	(45,793)
Written back on disposals	—	11,960	467	7,688	726	16,487	37,328
At December 31, 2023 and January 1, 2024	(661)	(68,339)	155	(9,233)	(17,019)	(26,394)	(121,491)
Charge for the period	(158)	(1,492)	—	(1,129)	(2,865)	(13,777)	(19,421)
Written back on disposals	—	2,543	—	54	—	14,911	17,508
Disposal of subsidiaries (Note 32)	—	2,107	—	—	204	—	2,311
At June 30, 2024	(819)	(65,181)	155	(10,308)	(19,680)	(25,260)	(121,093)
Net book value:							
At December 31, 2021	5,430	28,896	727	9,463	4,943	26,369	75,828
At December 31, 2022	5,113	14,287	471	7,125	26,836	20,620	74,452
At December 31, 2023	4,796	6,822	—	3,892	22,815	38,474	76,799
At June 30, 2024	18,864	8,837	—	3,838	19,950	31,895	83,384

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

13 Property and equipment (continued)

During the Track Record Period, there was no impairment provided for the Group's property and equipment.

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Properties leased for own use, carried at depreciated cost				
- Office buildings	26,369	20,620	16,012	19,165
- Equipment and others	—	—	22,462	12,730
	<u>26,369</u>	<u>20,620</u>	<u>38,474</u>	<u>31,895</u>

The analysis of expenses items in relation to leases recognized in the Group's profit or loss are as follows:

	As at December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Depreciation on right-of-use assets has been charged to the consolidated statements of profit or loss as follows:					
Cost of revenue	3,224	2,960	13,788	5,447	8,826
General and administration expenses	15,879	15,029	11,976	5,960	1,914
Selling and marketing expenses	1,405	1,490	1,372	687	588
Research and development expenses	2,167	1,997	1,211	473	2,449
Depreciation charge of right-of-use assets (Note 13(a))	<u>22,675</u>	<u>21,476</u>	<u>28,347</u>	<u>12,567</u>	<u>13,777</u>
Interest on lease liabilities (Note 7(a))	1,197	1,091	1,870	887	870
Expense relating to short-term leases and leases of low-value assets	<u>13,213</u>	<u>12,904</u>	<u>10,892</u>	<u>6,191</u>	<u>4,579</u>
	<u>14,410</u>	<u>13,995</u>	<u>12,762</u>	<u>7,078</u>	<u>5,449</u>

The Group leases office buildings, equipment and others under leases expiring from 1 to 3 years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

The total cash outflow for leases and the maturity analysis of lease liabilities are set out in Note 20(d) and Note 25, respectively.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

14 Intangible assets

	Technological know-how	Software	Customer relationship	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At January 1, 2021	—	3,255	—	3,255
Additions	—	314	—	314
Disposals	—	(143)	—	(143)
Acquisitions through business combinations	29,315	51	76,000	105,366
At December 31, 2021 and January 1, 2022	29,315	3,477	76,000	108,792
Additions	—	363	—	363
Disposals	—	(1,060)	—	(1,060)
At December 31, 2022 and January 1, 2023	29,315	2,780	76,000	108,095
Additions	—	2,963	—	2,963
Disposals	—	(33)	—	(33)
At December 31, 2023	29,315	5,710	76,000	111,025
Recognized from pre-disposal intergroup transactions upon loss of control	—	83,230	—	83,230
Disposals	—	(12)	—	(12)
At June 30, 2024	29,315	88,928	76,000	194,243
Accumulated depreciation:				
At January 1, 2021	—	(1,139)	—	(1,139)
Charge for the year	(289)	(1,556)	(633)	(2,478)
Written back on disposals	—	143	—	143
At December 31, 2021 and January 1, 2022	(289)	(2,552)	(633)	(3,474)
Charge for the year	(4,098)	(780)	(7,600)	(12,478)
Written back on disposals	—	1,060	—	1,060
At December 31, 2022 and January 1, 2023	(4,387)	(2,272)	(8,233)	(14,892)
Charge for the year	(4,098)	(787)	(7,600)	(12,485)
Written back on disposals	—	33	—	33
At December 31, 2023 and January 1, 2024	(8,485)	(3,026)	(15,833)	(27,344)
Charge for the period	(1,734)	(3,382)	(3,800)	(8,916)
Written back on disposals	—	12	—	12
At June 30, 2024	(10,219)	(6,396)	(19,633)	(36,248)
Net book value:				
At December 31, 2021	29,026	925	75,367	105,318
At December 31, 2022	24,928	508	67,767	93,203
At December 31, 2023	20,830	2,684	60,167	83,681
At June 30, 2024	19,096	82,532	56,367	157,995

During the Track Record Period, there was no impairment provided for the Group's intangible assets.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

15 Goodwill

	RMB'000
Cost:	
At January 1, 2021	—
Acquisition of Shenzhen Enjoy	<u>151,887</u>
At December 31, 2021 and December 31, 2022	<u>151,887</u>
Acquisition of Beijing Xianmei Technology Services Co., Ltd. (“Beijing Xianmei”)	<u>106</u>
At December 31, 2023 and June 30, 2024	<u>151,993</u>
Accumulated impairment losses:	
At January 1, 2021, December 31, 2021, December 31, 2022 and December 31, 2023 and June 30, 2024	—
Net book value:	
At December 31, 2021	<u>151,887</u>
At December 31, 2022	<u>151,887</u>
At December 31, 2023	<u>151,993</u>
At June 30, 2024	<u>151,993</u>

Goodwill is attributed to significant synergies expected to arise after the Group's acquisition of Shenzhen Enjoy in 2021 and Beijing Xianmei in 2023.

Impairment tests for cash-generating units containing goodwill of Shenzhen Enjoy

Goodwill acquired in business combination in 2021 is allocated to the cash generating unit (“CGU”) of Shenzhen Enjoy (Note 31(a)).

The recoverable amount of Shenzhen Enjoy has been determined based on a value in use calculation. The directors of the Company forecasted an average annual revenue growth rate of 17.0%, 18.8% and 17.8% in 2021, 2022 and 2023 respectively, for the next five-year period, and the cash flows beyond the five-year period were extrapolated using an estimated annual growth rate of 3.0%, 3.0% and 2.5%. Pre-tax discount rate of 14% were used to reflect market assessment of time value and the specific risks relating to the CGU.

The Group performs annual impairment tests on goodwill at the end of reporting year. Based on the result of the goodwill impairment tests, the estimated recoverable amount of Shenzhen Enjoy was approximately RMB219,174,000, RMB213,309,000 and RMB207,108,000 as of December 31, 2021, 2022 and 2023, exceeding carrying amount by RMB20,892,000, RMB19,202,000 and RMB18,705,000 respectively. No impairment was recognized in respect of the goodwill as of December 31, 2021, 2022 and 2023. As of June 30, 2024, the directors of the Company consider there are no significant changes to Shenzhen Enjoy's operations, and as a result no impairment assessment as of June 30, 2024 was considered necessary.

The Group performed a sensitivity analysis on key assumptions used in management's annual impairment test of goodwill. Had the discount rate during the forecast period been 1% higher, the remaining headroom would have decreased to RMB3,989,000, RMB6,417,000 and RMB193,000 as of December 31, 2021, 2022 and 2023, respectively. Had the estimated profit

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

15 Goodwill (continued)

Impairment tests for cash-generating units containing goodwill of Shenzhen Enjoy—(Continued)

during the forecast period been decreased by 5%, the remaining headroom would have decreased to RMB13,960,000, RMB3,652,000 and RMB8,328,000 as of December 31, 2021, 2022 and 2023. Reasonably possible changes in key assumptions would not lead to impairment as of December 31, 2021, 2022 and 2023. The parameters of average revenue growth rate, annual growth rate and pre-tax discount rate used for impairment test of goodwill remained largely the same throughout the Track Record Period, because the management considered that there were no material changes in business and operation of Shenzhen Enjoy or external market conditions when determining the key assumptions.

16 Subsidiaries

(a) Subsidiaries of the Group

The list in Note 1 contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

The following table lists out the information relating to Retail Technology Asia, Shenzhen Enjoy, as disclosed in Note 31 and Dmall Zhilian (Beijing) Technology Co., Ltd., (“Dmall Zhilian”) the subsidiaries of the Group which has a material non-controlling interest (“NCI”). The summarized financial information presented below represents the amounts before any inter-company elimination.

	For the year ended December 31, 2021	
	Retail Technology	Shenzhen Enjoy
	Asia	Shenzhen Enjoy
	RMB'000	RMB'000
NCI percentage*	50.00%	58.93%
Current assets	71,155	80,639
Non-current assets	5,275	119,917
Current liabilities	(67,804)	(49,204)
Non-current liabilities	—	(17,563)
Net assets	8,626	133,789
Carrying amount of NCI	4,313	78,842
Revenue	20,256	23,699
(Loss)/profit for the year	(157,474)	7,414
Total comprehensive income	(159,104)	7,414
(Loss)/profit allocated to NCI	(78,737)	4,369
Cash flows from operating activities	(129,294)	12,493
Cash flows from investing activities	(6,020)	23,280
Cash flows from financing activities	—	1,117

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

16 Subsidiaries (continued)

(a) Subsidiaries of the Group—continued

	For the year ended December 31, 2022		
	Retail Technology Asia	Shenzhen Enjoy	Dmall Zhilian
	RMB'000	RMB'000	RMB'000
NCI percentage*	41.50%	49.00%	45.00%
Current assets	76,383	61,341	21,957
Non-current assets	2,618	119,984	26,089
Current liabilities	(49,366)	(41,353)	(26,241)
Non-current liabilities	—	(15,044)	(423)
Net assets	29,635	124,297	21,382
Carrying amount of NCI	12,298	61,214	9,622
Revenue	74,417	72,706	86,354
Loss for the year	(74,166)	(1,541)	(6,437)
Total comprehensive income	(67,707)	(1,541)	(6,437)
Loss allocated to NCI	(28,242)	(1,981)	(2,897)
Dividend paid to NCI	—	(4,314)	—
Cash flows from operating activities	(98,160)	(5,140)	6,541
Cash flows from investing activities	(36,022)	(6,216)	(276)
Cash flows from financing activities	136,130	(10,356)	8,000
	For the year ended December 31, 2023		
	Retail Technology Asia	Shenzhen Enjoy	Dmall Zhilian
	RMB'000	RMB'000	RMB'000
NCI percentage*	41.50%	50.25%	20.00%
Current assets	82,849	81,277	127,193
Non-current assets	651	107,286	34,571
Current liabilities	(38,762)	(51,153)	(73,108)
Non-current liabilities	—	(13,462)	(2,713)
Net assets	44,738	123,948	85,943
Carrying amount of NCI	18,566	62,284	18,853
Revenue	113,829	83,697	477,060
Loss for the year	(127,337)	(3,285)	(31,025)
Total comprehensive income	(128,993)	(3,285)	(31,025)
Loss allocated to NCI	(52,845)	(1,608)	(8,625)
Dividend paid to NCI	—	—	—
Cash flows from operating activities	(134,149)	12,621	(38,664)
Cash flows from investing activities	(144)	(25,715)	(297)
Cash flows from financing activities	143,458	4,038	38,411

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

16 Subsidiaries (continued)

(a) Subsidiaries of the Group—continued

	Six months ended June 30, 2024		
	Retail Technology Asia	Shenzhen Enjoy	Dmall Zhilian
	RMB'000	RMB'000	RMB'000
NCI percentage*	41.50%	50.25%	20.00%
Current assets	59,890	64,772	235,351
Non-current assets	40	105,084	33,141
Current liabilities	(45,546)	(42,179)	(168,352)
Non-current liabilities	—	(14,416)	(2,980)
Net assets	14,384	113,261	97,160
Carrying amount of NCI	5,969	56,810	21,404
Revenue	65,251	36,312	330,283
(Loss)/profit for the period	(30,840)	(7,225)	10,666
Total comprehensive income	(30,662)	(7,225)	10,666
(Loss)/profit allocated to NCI	(12,799)	(3,839)	2,441
Dividend paid to NCI	—	(2,514)	—
Cash flows from operating activities	(25,553)	(11,316)	(2,912)
Cash flows from investing activities	—	23,858	(179)
Cash flows from financing activities	—	(5,503)	23,820

* As disclosed in Note 30, following the share repurchase in 2022, the Group's share of interests in Retail Technology Asia increased from 50.00% to 58.50%.

As disclosed in Note 31, on November 11, 2022, the Group acquired additional 9.93% share of interests in Shenzhen Enjoy, and then Group's share of interests in Shenzhen Enjoy increased from 41.07% to 51.00%. As disclosed in Note 26, on May 25, 2023, Shenzhen Enjoy approved a share incentive plan of granting up to 613,000 restricted ordinary shares to eight core employees. The Group's shares of interests in Shenzhen Enjoy decreased accordingly.

As disclosed in Note 30, following the capital injected to Dmall Zhilian in March 2023, the Group's share of interests in Dmall Zhilian increased from 55.00% to 80.00%.

(b) Investments in a subsidiary by the Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investment, at cost	1	1	1	1
	=	=	=	=

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

17 Other financial assets

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Financial assets measured at FVPL				
- Wealth management products	15,053	9,029	34,935	11,211
Non-current				
Financial assets measured at FVPL				
- Equity investment				
- 鍋圈供應鏈 (上海) 有限公司 (Guoquan Supply Chain (Shanghai) Co., Ltd.) (“Guoquan”)	140,734	153,218	196,574	109,692

The fair value of wealth management products is calculated by discounting the expected future cash flows. The key input used by the Group for wealth management products is the expected rate of return. For the years ended December 31, 2021, 2022 and 2023, and the six months ended June 30, 2024 it is estimated that with all other variables held constant, an increase/decrease in fair value of investment management products by 1% would have decreased/increased the Group's loss by approximately RMB151,000, RMB90,000 and RMB349,000, and RMB112,000, respectively.

As of December 31, 2021 and 2022, the Group determines the fair value of the investment in Guoquan by reference to its recent transaction prices or using a backsolve method based on assumptions that are not supported by observable market prices or rates. As of December 31, 2021 and 2022, it is estimated that with all other variables held constant, an increase/decrease in the expected probability of event by 10% would have increased/decreased the Group's loss by RMB9,748,000 and RMB9,937,000, respectively. As of December 31, 2023 and June 30, 2024, the fair value of the investment in Guoquan is determined based on the closing market price of its shares.

18 Trade receivables

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	95,888	144,120	168,395	261,007
Less: loss allowance	(2,649)	(3,511)	(3,253)	(4,554)
	<u>93,239</u>	<u>140,609</u>	<u>165,142</u>	<u>256,453</u>

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

18 Trade receivables (continued)

(a) Aging analysis

At the end of each reporting period, the aging analysis of trade receivables, based on the invoice date, are as follows:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	72,619	126,556	148,234	169,437
3 to 6 months	15,625	2,213	4,491	74,647
7 to 12 months	1,150	7,004	5,621	4,955
More than 1 year but less than 3 years	4,116	6,138	9,072	11,124
Over 3 years	2,378	2,209	977	844
Less: loss allowance	(2,649)	(3,511)	(3,253)	(4,554)
	<u>93,239</u>	<u>140,609</u>	<u>165,142</u>	<u>256,453</u>

19 Prepayments, deposits and other receivables

The Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Prepayments for purchase of services/goods	2,113	1,993	8,142	5,833
Receivable from a supplier (i)	43,558	43,558	43,558	43,558
Deposits	1,156	1,648	2,335	2,231
Receivable from third party payment platform	22,885	13,819	19,482	—
Deductible input value-added tax	47,884	16,457	19,803	10,035
Receivables from retailers and advertisers	23,271	18,649	17,906	8,099
Receivable for transferring software copyright	—	—	—	31,717
Other receivables	10,216	12,974	8,103	29,832
Less: loss allowance (i)	(44,249)	(44,443)	(43,833)	(43,921)
	<u>106,834</u>	<u>64,655</u>	<u>75,496</u>	<u>87,384</u>
Non-current				
Prepayments for purchase of property and equipment	1,541	15,810	15,615	3,229
Lease and security deposits	8,915	5,539	4,467	3,984
Others	76	39	—	—
	<u>10,532</u>	<u>21,388</u>	<u>20,082</u>	<u>7,213</u>

The Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Others	—	—	5,070	3,021
Less: loss allowance	—	—	—	—
	<u>—</u>	<u>—</u>	<u>5,070</u>	<u>3,021</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

19 Prepayments, deposits and other receivables (continued)

- (i): The receivable from a supplier was in connection with a dispute for purchase of goods of RMB43,558,000. The Group sued such supplier for undelivered goods. Full provision was provided for the receivable from the third-party supplier, since the loss was determined to be probable.

Current portion of prepayments, deposits and other receivables are expected to be recovered or recognized as expenses within one year.

20 Cash at bank and on hand and other cash flow information**(a) Cash at bank and on hand comprise:**

	As at December 31,			As at June 30
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	424,383	589,140	554,104	470,034
Less: Restricted bank deposits (i)	(55,667)	(56,086)	(20,933)	(498)
Cash and cash equivalents	<u>368,716</u>	<u>533,054</u>	<u>533,171</u>	<u>469,536</u>

- (i): As of December 31, 2021, the Group's restricted bank deposit mainly pertained to funds that were frozen by the court due to a lawsuit involving a subsidiary of the Company and a supplier, which occurred in May 2021. The lawsuit was dismissed in September 2022, and the restricted bank deposits were unfrozen in October 2022.

As of December 31, 2022 and 2023, the Group had restricted cash of RMB56,086,000 and RMB20,933,000, respectively, mainly representing cash received from consumers and reserved in a bank supervised account for payments to retailers and merchants.

(b) Reconciliation of loss before taxation to cash used in operations:

Note	Years ended December 31,			Six months ended June 30,		
	2021	2022	2023	2023	2024	
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000	
Loss before taxation	(1,824,303)	(842,355)	(658,760)	(549,754)	(251,080)	
Adjustments for:						
Fair value change of convertible redeemable preferred shares	28	732,280	493,191	476,160	422,261	397,118
Fair value changes of derivative components of convertible bond	29	—	4,370	2,570	3,752	(172)
Fair value changes of investment property . .	12	37,238	(16,972)	—	—	—
Share of (profits)/losses of an associate . . .		(607)	—	—	—	200
Share of profits of a joint venture		—	—*	—	—	—
Gain from re-measurement of equity interest upon acquisition	31	(2,782)	—	—	—	—
Depreciation on property and equipment . .	13(a)	63,481	51,937	45,793	23,387	19,421
Amortization of intangible assets	14	2,478	12,478	12,485	6,162	8,916
Loss/(gain) on disposal of property and equipment		52	362	246	112	(682)
Investment income from wealth management products	6	(6,841)	(1,195)	(167)	(46)	(547)

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

20 Cash at bank and on hand and other cash flow information (continued)

	Note	Years ended December 31,			Six months ended June 30,	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Fair value change on financial assets at FVPL	6	(11,433)	(12,460)	(43,762)	(1,374)	87,107
Net impairment losses on trade and other receivables	7(c)	1,032	1,596	1,784	578	1,533
Interest on bank loans and other borrowings	7(a)	4,061	3,348	9,027	3,471	6,462
Accrued financial charges of convertible bond	7(a)	—	7,233	13,595	6,803	6,606
Gains on partial derecognition of convertible bond	7(a)	—	—	—	—	(2,379)
Interest on lease liabilities	7(a)	1,197	1,091	1,870	887	870
(Gain)/loss on disposal of subsidiaries	32	—	(100,131)	1	—	(253,871)
Equity settled share-based payment expenses	7(b)	134,140	12,530	13,620	7,229	8,330
Impairment loss on inventory		—	1,804	—	—	—
Changes in working capital:						
(Increase)/decrease in restricted bank deposits		(55,667)	(419)	35,153	46,068	9,922
Decrease/(increase) in inventories and other contract costs		7,347	(648)	(5,275)	(6,446)	132
Increase in trade receivables and contract asset		(57,811)	(47,773)	(25,218)	(47,186)	(92,643)
Decrease/(increase) in other receivables and prepayments		11,278	50,928	(7,557)	(10,973)	(41,423)
Deferred tax assets		872	(434)	(2,168)	(1,312)	(1,556)
Deferred tax liabilities		(187)	(1,710)	(1,687)	(819)	(841)
Increase in trade payables		14,551	14,417	20,788	36,450	11,804
(Decrease)/increase in other payables and accruals		(340,700)	158,589	(109,657)	(145,969)	37,855
Increase/(decrease) in contract liabilities		15,657	4,967	41,815	13,926	(7,803)
Cash used in operations		<u>(1,274,667)</u>	<u>(205,256)</u>	<u>(179,343)</u>	<u>(192,793)</u>	<u>(56,721)</u>

* The balance represents amount less than RMB500.

(c) *Reconciliation of liabilities arising from financing activities:*

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the consolidated cash flow statements as cash flows from financing activities.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

20 Cash at bank and on hand and other cash flow information (continued)

	Note	Bank loans and other borrowings	Convertible redeemable preferred shares	Convertible bond	Lease liabilities	Total
		RMB'000 (Note 23)	RMB'000 (Note 28)	RMB'000 (Note 29)	RMB'000 (Note 25)	RMB'000
At January 1, 2021		159,297	3,767,451	—	32,724	3,959,472
Changes from financing cash flows:						
Proceeds from issuance of Convertible Redeemable preferred shares		—	742,109	—	—	742,109
Interest element of lease rentals paid		—	—	—	(1,197)	(1,197)
Capital element of lease rentals paid		—	—	—	(22,880)	(22,880)
Proceeds from borrowings from related parties		64,799	—	—	—	64,799
Repayment of bank loans		(8,245)	—	—	—	(8,245)
Interest paid		(67,952)	—	—	—	(67,952)
Total changes from financing cash flows		(11,398)	742,109	—	(24,077)	706,634
Other changes:						
Increase in lease liabilities from entering into new lease during the year		—	—	—	13,846	13,846
Interest expenses	7(a)	4,061	—	—	1,197	5,258
Acquisition of subsidiary		3,301	—	—	1,922	5,223
Changes in fair value through profit or loss		—	732,280	—	—	732,280
Foreign currency translation adjustment		—	(104,684)	—	—	(104,684)
Total other changes		7,362	627,596	—	16,965	651,923
At December 31, 2021 and January 1, 2022		155,261	5,137,156	—	25,612	5,318,029
Changes from financing cash flows:						
Proceeds from issuance of Convertible Redeemable preferred shares		—	111,017	—	—	111,017
Proceeds from Convertible bond	29	—	—	190,000	—	190,000
Interest element of lease rentals paid		—	—	—	(1,091)	(1,091)
Capital element of lease rentals paid		—	—	—	(21,028)	(21,028)
Proceeds from bank loans		120,420	—	—	—	120,420
Repayment for bank loans		(9,959)	—	—	—	(9,959)
Proceeds from borrowings from related parties		13,573	—	—	—	13,573
Repayment of borrowings from related parties		(85,314)	—	—	—	(85,314)
Interest paid		(3,277)	—	—	—	(3,277)
Total changes from financing cash flows		35,443	111,017	190,000	(22,119)	314,341
Other changes:						
Increase in lease liabilities from entering into new lease during the year		—	—	—	16,408	16,408
Disposal of a subsidiary	32	(80,503)	—	—	—	(80,503)
Early termination of leases		—	—	—	(679)	(679)
Accrued financial charges of convertible bond	29	—	—	7,233	—	7,233
Interest expenses	7(a)	3,348	—	—	1,091	4,439
Issuance of Convertible Redeemable preferred shares	28,29	—	127,384	—	—	127,384
Changes in fair value through profit or loss	29	—	493,191	4,370	—	497,561
Foreign currency translation adjustment		6,941	509,987	1,590	—	518,518
Total other changes		(70,214)	1,130,562	13,193	16,820	1,090,361
At December 31, 2022		120,490	6,378,735	203,193	20,313	6,722,731

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

20 Cash at bank and on hand and other cash flow information (continued)

	Note	Bank loans and other borrowings	Convertible redeemable preferred shares	Convertible bond	Lease liabilities	Total
		RMB'000 (Note 23)	RMB'000 (Note 28)	RMB'000 (Note 29)	RMB'000 (Note 25)	RMB'000
At January 1, 2023		120,490	6,378,735	203,193	20,313	6,722,731
Changes from financing cash flows:						
Interest element of lease rentals paid		—	—	—	(1,870)	(1,870)
Capital element of lease rentals paid		—	—	—	(25,845)	(25,845)
Proceeds from bank loans		260,700	—	—	—	260,700
Proceeds of borrowings from a non-controlling shareholder of a subsidiary		2,700	—	—	—	2,700
Repayment of bank loans		(70,020)	—	—	—	(70,020)
Interest paid		(8,721)	—	(11,173)	—	(19,894)
Total changes from financing cash flows		184,659	—	(11,173)	(27,715)	145,771
Other changes:						
Increase in lease liabilities from business combination	31(b)	—	—	—	5,371	5,371
Increase in lease liabilities from entering into new lease during the year		—	—	—	40,745	40,745
Accrued financial charges of convertible bond	29	—	—	13,595	—	13,595
Interest expenses	7(a)	9,027	—	—	1,870	10,897
Changes in fair value through profit or loss	28,29	—	476,160	2,570	—	478,730
Foreign currency translation adjustment		—	110,598	392	—	110,990
Total other changes		9,027	586,758	16,557	47,986	660,328
At December 31, 2023 and January 1, 2024		314,176	6,965,493	208,577	40,584	7,528,830
Changes from financing cash flows:						
Interest element of lease rentals paid		—	—	—	(870)	(870)
Capital element of lease rentals paid		—	—	—	(10,691)	(10,691)
Proceeds from bank loans		182,000	—	—	—	182,000
Repayment of bank loans		(99,600)	—	—	—	(99,600)
Repayment of convertible bond		—	—	(50,000)	—	(50,000)
Interest paid		(6,374)	—	(11,204)	—	(17,578)
Total changes from financing cash flows		76,026	—	(61,204)	(11,561)	3,261

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

20 Cash at bank and on hand and other cash flow information (continued)

	Note	Bank loans and other borrowings	Convertible redeemable preferred shares	Convertible bond	Lease liabilities	Total
		RMB'000 (Note 23)	RMB'000 (Note 28)	RMB'000 (Note 29)	RMB'000 (Note 25)	RMB'000
Other changes:						
Increase in lease liabilities from entering into new lease during the period		—	—	—	6,757	6,757
Accrued financial charges of convertible bond	29	—	—	6,606	—	6,606
Interest expenses	7(a)	6,462	—	—	870	7,332
Changes in fair value through profit or loss	28,29	—	397,118	(172)	—	396,946
Gains on partial derecognition of convertible bond	29	—	—	(2,379)	—	(2,379)
Foreign currency translation adjustment		—	44,583	(389)	—	44,194
Total other changes		6,462	441,701	3,666	7,627	459,456
At June 30, 2024		396,664	7,407,194	151,039	36,650	7,991,547

	Note	Bank loans and other borrowings	Convertible redeemable preferred shares	Convertible bond	Lease liabilities	Total
		RMB'000 (Note 23)	RMB'000 (Note 28)	RMB'000 (Note 29)	RMB'000 (Note 25)	RMB'000
(unaudited)						
At January 1, 2023		120,490	6,378,735	203,193	20,313	6,722,731
Changes from financing cash flows:						
Interest element of lease rentals paid		—	—	—	(887)	(887)
Capital element of lease rentals paid		—	—	—	(12,021)	(12,021)
Proceeds from bank loans		165,700	—	—	—	165,700
Proceeds from borrowings from a non-controlling shareholder of a subsidiary		1,215	—	—	—	1,215
Repayment of bank loans		(10,000)	—	—	—	(10,000)
Interest paid		(3,311)	—	(11,173)	—	(14,484)
Total changes from financing cash flows		153,604	—	(11,173)	(12,908)	129,523
Other changes:						
Increase in lease liabilities from acquisition of subsidiary	31	—	—	—	5,371	5,371
Increase in lease liabilities from entering into new lease during the period		—	—	—	29,045	29,045
Accrued financial charges of convertible bond	29	—	—	6,803	—	6,803
Interest expenses	7(a)	3,471	—	—	887	4,358

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

20 Cash at bank and on hand and other cash flow information (continued)

(unaudited)	Note	Bank loans and other borrowings	Convertible redeemable preferred shares	Convertible bond	Lease liabilities	Total
		RMB'000 (Note 23)	RMB'000 (Note 28)	RMB'000 (Note 29)	RMB'000 (Note 25)	RMB'000
Changes in fair value through profit or loss	28, 29	—	422,261	3,752	—	426,013
Foreign currency translation adjustment		—	257,309	1,012	—	258,321
Total other changes		3,471	679,570	11,567	35,303	729,911
At June 30, 2023		277,565	7,058,305	203,587	42,708	7,582,165

(d) Total cash outflow for leases:

Amounts included in the cash flow statements for leases comprise the following:

	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Within operating cash flows	13,389	15,391	10,752	5,906	4,190
Within financing cash flows	24,077	22,119	27,715	12,908	11,561
	37,466	37,510	38,467	18,814	15,751

21 Trade payables

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Logistics cost payable	31,033	29,284	28,016	—
AIoT product and service fee payable	13,049	23,404	50,140	89,602
Customer service fee and other procurement cost payable	5,279	11,090	8,407	8,765
Total	49,361	63,778	86,563	98,367

The aging analysis of the trade payables, based on the invoice date, are as follows:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	47,884	56,737	77,959	89,623
3 to 6 months	1,069	5,420	1,775	746
7 to 12 months	97	1,284	2,989	1,780
Over 1 year	311	337	3,840	6,218
	49,361	63,778	86,563	98,367

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

22 Accrued expenses and other payables

The Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Payables to retailers and merchants (i)	216,661	237,748	153,677	19,113
Advance from an investor (ii)	127,384	—	—	—
Accrued payroll and welfare	116,345	159,573	137,375	78,280
Advances from consumers (iii)	16,878	16,105	2,568	—
Deposits from merchants	17,717	9,908	4,175	5,170
Refundable government subsidy (iv)	23,000	23,000	23,000	23,000
Cloud services fee payables	18,434	11,591	4,343	2,348
Taxes payable	6,351	7,516	16,768	6,321
Professional fee payables	3,281	23,202	20,784	17,635
Sales incentive payables	5,579	2,486	—	—
Other payables	39,238	42,608	60,059	75,670
	<u>590,868</u>	<u>533,737</u>	<u>422,749</u>	<u>227,537</u>
Non-current				
Rental deposits	1,001	—	—	—
Others	635	622	959	1,006
	<u>1,636</u>	<u>622</u>	<u>959</u>	<u>1,006</u>

The Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Professional fee payables	6,485	21,375	18,139	15,777
Advance from an investor (ii)	127,384	—	—	—
Others	1,302	1	1	1
	<u>135,171</u>	<u>21,376</u>	<u>18,140</u>	<u>15,778</u>

- (i) Payables to retailers and merchants mainly represent cash collected on behalf of retailers and merchants from consumers.
- (ii) Advance from an investor represents advance from a potential investor, which the Company subsequently issued preferred shares to.
- (iii) Advances from consumers represent advances from consumers the Group has received on behalf of retailers and merchants before the merchandise is delivered.
- (iv) Refundable government subsidy represents the cash received from the government, but the conditions attaching to the grant have not been fulfilled.

Current portion of accrued expenses and other payables are expected to be settled within one year or are repayable on demand.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

23 Bank loans and other borrowings

The Group

	Note	As at December 31,			As at June 30,
		2021	2022	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000
Current					
Bank loans		11,364	70,090	199,331	278,470
Borrowings from related parties		64,799	—	—	—
Borrowings from other companies		—	—	2,745	2,794
		<u>76,163</u>	<u>70,090</u>	<u>202,076</u>	<u>281,264</u>
Non-current					
Bank loans	20	79,098	50,400	112,100	115,400
		<u>79,098</u>	<u>50,400</u>	<u>112,100</u>	<u>115,400</u>
		<u>155,261</u>	<u>120,490</u>	<u>314,176</u>	<u>396,664</u>

(a) As at the end of each reporting period, borrowings were repayable as follows:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year or on demand	76,163	70,090	202,076	281,264
After 1 year but within 2 years	8,709	21,600	64,500	82,600
After 2 years but within 5 years	28,541	28,800	47,600	32,800
After 5 years	41,848	—	—	—
	<u>155,261</u>	<u>120,490</u>	<u>314,176</u>	<u>396,664</u>

(b) As at the end of each reporting period, borrowings were secured as follows:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Bank Loans				
-Secured	90,462	92,055	173,094	183,684
-Unsecured	—	28,435	138,337	210,186
Other borrowings				
-Unsecured	64,799	—	2,745	2,794
	<u>155,261</u>	<u>120,490</u>	<u>314,176</u>	<u>396,664</u>

In September 2020, the Group entered into a 10-year mortgage loan of RMB96,700,000 with Bank of Communications Co., Ltd. The gross carrying amount of the mortgaged property was approximately RMB190,003,000. The loan was disposed together with the Group's disposal of 100% equity interests in Dmall (Shenzhen) Development to Wumei South Commercial Co., Ltd. in November 2022.

As at June 30, 2024, the Group had total bank facilities amounting to RMB660,000,000. As at June 30, 2024, the Group had unused bank facilities of RMB266,500,000.

As at June 30, 2024, the loan in amount of RMB183,500,000 borrowed by Dmall Life Network was guaranteed by Dmall Life (China) Digital Technology Co., Ltd.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

23 Bank loans and other borrowings (continued)

The Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Current</i>				
Borrowings from related parties-unsecured	<u>64,799</u>	<u>—</u>	<u>—</u>	<u>—</u>

The borrowings of the Company were from Retail Enterprise Corporation Limited, a related party of the Company. The borrowings have been fully settled in October 2022.

24 Contract liabilities

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
- Retail core service cloud	38,804	36,312	73,887	78,597
- E-commerce service cloud	2,188	4,323	4,007	—
- Other revenue	3,514	8,838	13,394	—
	<u>44,506</u>	<u>49,473</u>	<u>91,288</u>	<u>78,597</u>

Movements in contract liabilities

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1	1,144	44,506	49,473	91,288
Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year/period	(1,133)	(34,716)	(33,917)	(43,369)
Increase in contract liabilities as a result of receiving advance payments during the year/period	22,387	39,683	75,732	30,678
Increase in contract liabilities as a result of acquisitions through business combinations	22,108	—	—	—
Balance at December 31/June 30	<u>44,506</u>	<u>49,473</u>	<u>91,288</u>	<u>78,597</u>

As at December 31, 2021, 2022 and 2023 and June 30, 2024, the amount of contract liabilities expected to be recognized as income after more than one year is RMB10,852,000, RMB19,974,000, RMB41,866,000 and RMB46,542,000, respectively.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

25 Lease liabilities

The following tables show the remaining contractual maturities of the Group's lease liabilities as at the end of each of the reporting period:

	As at December 31,						As at June 30,	
	2021		2022		2023		2024	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	17,570	18,369	16,029	16,657	25,428	26,757	27,422	28,251
After 1 year but within 2 years	7,963	8,177	4,260	4,439	13,915	14,292	8,437	8,598
After 2 years but within 5 years	79	167	24	25	1,241	1,254	791	801
	8,042	8,344	4,284	4,464	15,156	15,546	9,228	9,399
Subtotal	25,612	26,713	20,313	21,121	40,584	42,303	36,650	37,650
	25,612		20,313		40,584		36,650	
Less: total future interest expenses		1,101		808		1,719		1,000
Present value of lease liabilities		25,612		20,313		40,584		36,650

26 Equity settled share-based transactions

The table below sets forth share-based payments expenses for share options and RSUs during the Track Record Period:

	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Share Option Plan	8,340	9,021	9,182	4,542	6,766
RSUs	125,800	3,509	2,158	2,361	(173)
Restricted ordinary shares	—	—	2,280	326	1,737
	134,140	12,530	13,620	7,229	8,330

On January 8, 2016, the shareholders of the Company approved and adopted the 2016 Stock Incentive Plan (the "2016 Plan"), under which the Company approved 100,000,000 ordinary shares to motivate eligible employees of the Group and eligible non-employees, under which restricted share units (RSUs) and share options accounts for 50%, respectively. On December 12, 2018, the shareholders of the Company approved to revise the total shares under 2016 Plan to 99,850,000 shares, including 49,850,000 shares of RSUs and 50,000,000 shares of

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

26 Equity settled share-based transactions (continued)

share options. Restricted share units and share options granted to employees or non-employees under the 2016 Plan are generally subject to a five-year service schedule, under which 25% of restricted share units or share options shall vest on each anniversary date since the second anniversary of the grant date. Restricted share units and share options become exercisable only when an Initial Public Offering (“IPO”) occurs. If the employee leaves the Company with good faith before the IPO, the employee will retain the vested restricted share units or share options.

On April 2, 2021, the shareholders of the Company approved and adopted the 2020 Stock Incentive Plan (the “2020 Plan”), under which a total of 60,000,000 restricted share units and share options were newly authorized. In addition, for the number of restricted share units and share options (1) unissued; (2) issued but forfeited shares and (3) issued and that is forfeited in the future under the 2016 Plan are authorized under the 2020 Plan. Upon the effective of the 2020 Plan, no new shares would be issued under the 2016 Plan. Restricted share units and share options under the 2020 Plan are generally subject to a five-year service schedule, under which 25% of restricted share units or share options shall vest on each anniversary date since the second anniversary of the grant date. If the employee leaves the Company with good faith before the IPO, the employee will retain the vested restricted share units or share options.

On May 25, 2023, the shareholders of Shenzhen Enjoy approved a share incentive plan (the “Shenzhen Enjoy incentive plan”). The participants were granted 613,000 restricted ordinary shares with a grant price of RMB8.5 per share on May 25, 2023. The vesting of the restricted ordinary shares is subject to certain performance targets and will take place in two equal instalments over 24 months.

(a) Share Option Plan

A summary of activities of the share options is presented as follows:

	Number of share options	Weighted average exercise price
		USD
Outstanding - January 1, 2021	52,724,500	1.20
Granted during the year	15,759,900	1.98
Forfeited	(8,547,200)	1.62
Outstanding - December 31, 2021	59,937,200	1.35
Outstanding - January 1, 2022	59,937,200	1.35
Granted during the year	13,623,400	2.72
Forfeited	(10,386,600)	1.63
Outstanding - December 31, 2022	63,174,000	1.60
Outstanding - January 1, 2023	63,174,000	1.60
Granted during the year	9,128,000	2.72
Forfeited	(9,509,200)	2.22
Outstanding - December 31, 2023	62,792,800	1.67
Outstanding-January 1, 2024	62,792,800	1.67
Granted during the period	2,649,500	2.72
Forfeited	(3,649,900)	2.44
Outstanding-June 30, 2024	61,792,400	1.67

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

26 Equity settled share-based transactions (continued)

All the share options are only exercisable after the IPO of the Company. The contractual lives of these share options are (i) either five years from the later of the Listing Date and the vesting date or (ii) ten years from the vesting date.

Fair value of share options

The fair value of share options was estimated using the Binomial option-pricing model. The determination of estimated fair value of share options on the grant date is affected by the fair value of the Company's ordinary shares as well as assumptions regarding a number of complex and subjective variables.

Key assumptions are set as below:

	Years ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Risk-free interest rates	0.74% - 1.34%	2.46% - 4.05%	3.57% - 3.85%	3.85%
Expected volatility	46.6% -47.8%	48.0% -51.9%	52.8% -53.1%	53.1%
Exercise multiple	2.2	2.2	2.2	2.2
Dividend yield	0%	0%	0%	0%

The expected volatility was referenced to the average of daily historical share price volatility of comparable companies operating in similar industry of the Company.

(b) RSUs

Movements in the number of RSUs granted and the respective weighted average grant date fair value are as follows:

	Number of RSUs	Weighted average grant date fair value per RSU
		USD
Outstanding - January 1, 2021	76,981,859	0.27
Granted during the year	13,637,000	0.55
Forfeited	(1,260,000)	0.50
Exercised	(75,000,000)	0.34
Outstanding - December 31, 2021	14,358,859	0.19
Outstanding - January 1, 2022	14,358,859	0.19
Granted during the year	1,500,000	0.88
Forfeited	(150,000)	0.35
Outstanding - December 31, 2022	15,708,859	0.25
Outstanding - January 1, 2023	15,708,859	0.25
Granted during the year	2,000,000	1.26
Forfeited	(2,337,500)	0.82
Outstanding - December 31, 2023	15,371,359	0.30
Outstanding-January 1, 2024	15,371,359	0.30
Granted during the period	—	—
Forfeited	(1,000,000)	1.06
Outstanding-June 30, 2024	14,371,359	0.24

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

26 Equity settled share-based transactions (continued)

Share-based payment expense relating to awards granted to employees is based on the grant date fair value of the RSUs is recognized, on a straight-line basis over the entire vesting period. The fair value of each RSU at the grant dates is determined by reference to the fair value of the underlying ordinary shares of the Company on the date of grant. The grant date fair value of the underlying ordinary shares was determined with the assistance of an independent third-party valuation firm.

The contractual lives of these RSUs are (i) either five years from the later of the Listing Date and the vesting date or (ii) ten years from the vesting date.

In October 2021, the Company accelerated the vesting of 75,000,000 RSUs. It resulted in the unrecognized share-based compensation expense of RMB94,684,000 recognized in profit or loss at the time of vesting.

(c) Restricted ordinary shares granted by Shenzhen Enjoy

As at June 30, 2024, 613,000 restricted ordinary shares granted by Shenzhen Enjoy were outstanding. All these shares of Shenzhen Enjoy are restricted for sale until certain service and performance conditions are met. The fair value of these restricted ordinary shares at the grant date was RMB17 per Shenzhen Enjoy ordinary share with reference to its market price. The total expenses recognized in the consolidated statement of profit or loss in respect of these restricted ordinary shares granted by Shenzhen Enjoy for the year ended December 31, 2023 and for the six months ended June 30, 2024 were RMB2,280,000 and RMB1,737,000 respectively.

27 Income tax in the consolidated statements of financial position**(a) Movements of current taxation in the consolidated statements of financial position are as follows:**

	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Income tax payable at January 1	—	50	(78)	(78)	4
Provision for the year/period	60	—	33	—	65
Effect of withholding tax	—	316	501	253	324
Tax (paid)/refunded:					
-Income Tax	(10)	(245)	95	127	(22)
-Withholding tax	—	(199)	(547)	(327)	(141)
Income tax payable/(receivable) at					
December 31/June 30	<u>50</u>	<u>(78)</u>	<u>4</u>	<u>(25)</u>	<u>230</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

27 Income tax in the consolidated statements of financial position (continued)

(b) Deferred tax assets and liabilities recognized

(i) Movements of each component of deferred tax assets and liabilities

The deferred tax assets/(liabilities) recognized in the consolidated statements of financial position and the movements during the Track Record Period are as follows:

	<u>Cumulative tax losses</u> RMB'000	<u>Credit loss allowance</u> RMB'000	<u>Restricted ordinary shares</u> RMB'000	<u>Revaluation of intangible assets</u> RMB'000	<u>Others</u> RMB'000	<u>Total</u> RMB'000
Deferred tax arising from:						
At January 1, 2021	—	—	—	—	—	—
Effect of business combinations	2,115	317	—	(16,087)	97	(13,558)
(Charged)/credited to the consolidated statements of profit or loss	<u>(918)</u>	<u>48</u>	<u>—</u>	<u>187</u>	<u>(2)</u>	<u>(685)</u>
At December 31, 2021 and January 1, 2022	1,197	365	—	(15,900)	95	(14,243)
Credited/(charged) to the consolidated statements of profit or loss	<u>398</u>	<u>39</u>	<u>—</u>	<u>1,714</u>	<u>(6)</u>	<u>2,145</u>
At December 31, 2022 and January 1, 2023	1,595	404	—	(14,186)	89	(12,098)
Credited/(charged) to the consolidated statements of profit or loss	<u>1,982</u>	<u>(143)</u>	<u>342</u>	<u>1,683</u>	<u>(9)</u>	<u>3,855</u>
At December 31, 2023	3,577	261	342	(12,503)	80	(8,243)
Credited/(charged) to the consolidated statements of profit or loss	<u>1,546</u>	<u>62</u>	<u>(81)</u>	<u>841</u>	<u>29</u>	<u>2,397</u>
At June 30, 2024	<u>5,123</u>	<u>323</u>	<u>261</u>	<u>(11,662)</u>	<u>109</u>	<u>(5,846)</u>

(ii) Reconciliations to the consolidated statements of financial position

	<u>As at December 31,</u>			<u>As at June 30,</u>
	<u>2021</u> RMB'000	<u>2022</u> RMB'000	<u>2023</u> RMB'000	<u>2024</u> RMB'000
Deferred tax assets recognized in the consolidated statements of financial position	1,657	2,092	4,260	5,816
Deferred tax liabilities recognized in the consolidated statements of financial position	<u>(15,900)</u>	<u>(14,190)</u>	<u>(12,503)</u>	<u>(11,662)</u>
	<u>(14,243)</u>	<u>(12,098)</u>	<u>(8,243)</u>	<u>(5,846)</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

27 Income tax in the consolidated statements of financial position (continued)

(c) Deferred tax assets not recognized

In accordance with the accounting policy set out in Note 2(x), the Group has not recognized deferred tax assets in respect of cumulative tax losses of RMB4,695,183,000, RMB5,408,858,000, RMB5,420,825,000 and RMB5,013,443,000 at December 31, 2021, 2022, 2023 and June 30, 2024, respectively, as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entities.

28 Financial liabilities measured at fair value through profit or loss

*Convertible redeemable preferred shares**Issued and fully paid*

Series of Convertible Redeemable Preferred Shares	Share Issued	Issue Price per Share USD	Proceeds from issuance USD
A	106,000,000	1.00	106,000,000
B	40,404,040	1.98	80,000,000
B+	25,505,051	1.98	50,500,000
B++	18,399,621	2.50	46,000,000
C	132,103,065	2.80	369,888,571
C+	13,354,347	3.88	51,814,866

The rights, preferences and privileges of the Series A Preferred Shares, Series B Preferred Shares, Series B+ Preferred Shares, Series B++ Preferred Shares, Series C Preferred Shares and Series C+ Preferred Shares (collectively “Convertible Redeemable Preferred Shares”) are as follows:

Redemption Rights

The preferred shares are redeemable at the option of the holders after the occurrence of any of the following events: (a) at any time after the fifth anniversary of the issuance date of Series C+ Preferred Shares, if a Qualified IPO has not been consummated by then; (b) Dr. Zhang Wenzhong, together with his affiliate companies, ceasing to be the single largest shareholder of the Company and have the right to appoint or designate at least the majority of the directors of the Company; (c) termination of cooperation between the Group and the supermarkets in which Wumei Technology Group Co., Ltd, holds more than 50% of equity interests in; or (d) termination of VIEs Agreements, which would result in that the Company’s failure to consolidate the VIEs and VIEs’ subsidiary. For above-mentioned (c) and (d), the Company is obliged to rectify within three months after receipt of a written notice from any holder of Preferred Shares demanding the rectification. The redemption rights granted upon the occurrence of any of events (b), (c) and (d) to the investors have been suspended immediately prior to the first submission of the listing application form to the Stock Exchange, and will only be exercisable if the listing does not take place, otherwise such redemption rights will terminate upon the listing.

The redemption preference from high priority to low priority is as follows in sequence: Series C+ Preferred Shares, Series C Preferred Shares, Series B++ Preferred Shares, Series B+ Preferred Shares/Series B Preferred Shares and Series A Preferred Shares.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

28 Financial liabilities measured at fair value through profit or loss (continued)

The redemption price equals to the amount at the issuance price of preferred shares (as adjusted by any share split, combination, recapitalization and other similar transactions) plus an interest rate of 8% per annum (simple interest), accruing daily from the first issuance date of such preferred shares to the date the applicable redemption price is paid in full by the Company.

Conversion Feature

Each preferred share is convertible, at the option of the holder, at any time after the issuance date according to a conversion ratio, subject to adjustments for dilution, including but not limited to share splits and combinations, share dividends and distributions, issuance of new securities for a consideration less than the applicable conversion price (i.e. a “down-round” protection feature) and certain other events. The number of ordinary shares to which a holder shall be entitled upon conversion of each preferred share shall be the quotient of the applicable original issue price divided by the then effective conversion price for the preferred shares (the “Conversion Price”), which shall initially be the Issue Price, resulting in an initial conversion ratio for the preferred shares of 1:1. The conversion price of preferred shares is the same as its original issuance price and no adjustments to conversion price have occurred. As of December 31, 2021, 2022 and 2023 and June 30, 2024, each preferred share is convertible into one ordinary share.

Each preferred share shall automatically be converted, based on the then-effective Conversion Price, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares upon the closing of a Qualified IPO.

Voting Rights

Each preferred shareholder shall be entitled to that number of votes corresponding to the number of ordinary shares on an as-converted basis.

Dividend Rights

No dividend shall be paid on or declared and set aside for any ordinary share during any fiscal year unless and until a dividend in like amount as is declared or paid on ordinary shares has been paid on or declared and set aside for each outstanding preferred share, on an as if converted basis, in such fiscal year.

Liquidation Preferences

In the event of any dissolution, liquidation or winding up of the Company or any other deemed liquidation event (as defined below), the holders of the preferred shares shall be entitled to receive the amount equal to one hundred percent (100%) of the issue price for each preferred share then held by them and, in addition, an amount equal to all declared but unpaid dividends on such preferred shares (the “Liquidation Preference Amount”), in the sequence of Series C+ Preferred Shares, Series C Preferred Shares, Series B++ Preferred Shares, Series B+ Preferred Shares/Series B Preferred Shares and Series A Preferred Shares. If there are any net assets remaining after the Liquidation Preference Amount has been distributed or paid in full to all

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

28 Financial liabilities measured at fair value through profit or loss (continued)

holders of the preferred shares, the remaining net assets of the Company available for distribution to the shareholders shall be distributed ratably among all shareholders according to the number of ordinary shares held by such shareholder on an as if converted basis.

“Deemed liquidation event” refer an event involving (i) the sale, lease, transfer or other disposition, in a single transaction or series of related transactions, by the Company of all or substantially all the assets or properties of the Company, except where such sale, lease, transfer or other disposition is to a wholly owned subsidiary of the Company; (ii) any merger, consolidation, amalgamation or acquisition of the Company, whereby the holders of the Company’s Capital Stock immediately prior to the transaction own or control less than a majority of the as-converted voting power of the surviving entity immediately after such transaction; or (iii) any other transaction or series of related transactions involving the Company as a result of which the holders of the Company’s Capital Stock immediately prior to the transaction, own or control less than a majority of the as-converted voting power of the surviving entity immediately after such transaction.

Upon the occurrence of the Deemed liquidation event, the Company is required to be liquidated unless otherwise waived by the holders holding at least 50% of the votes of the outstanding Preferred Shares.

Presentation and classification

The Company classified the convertible redeemable preferred shares as financial liabilities, because it is obliged to redeem the convertible redeemable preferred shares or liquidate itself at the option of the holders of the outstanding preferred shares upon occurrence of contingent events that are beyond its control and the preferred shares are not in the most subordinated class of instruments issued by the Company upon the liquidation.

Upon occurrence of certain redemption events which are beyond the control of the Company, the Company is obliged to purchase the convertible redeemable preferred shares if requested by the holders. Such redemption obligation also gives rise to financial liabilities. The conversion feature meets the definition of a derivative and the fixed-for-fixed criterion is not met due to the “down-round” protection feature, thus the conversion feature is classified as a derivative financial liability. As at December 31, 2021, 2022 and 2023 and June 30, 2024, all the preferred shares were classified as current liabilities as the preferred shares may be converted into ordinary shares at the option of the holders at any time and the conversion feature does not meet the definition of an equity instrument.

The convertible redeemable preferred shares are hybrid instruments with parts that have different economic characteristics and risks (debt vs equity nature).

The financial liability is designated and measured at fair value through profit or loss in its entirety, as the Company cannot reliably measure its embedded derivatives separately.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

28 Financial liabilities measured at fair value through profit or loss (continued)

The movements of the convertible redeemable preferred shares are set out as below:

	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Balance at January 1	3,767,451	5,137,156	6,378,735	6,378,735	6,965,493
Issuance of convertible redeemable preferred shares	742,109	238,401	—	—	—
Changes in fair value through profit or loss	732,280	493,191	476,160	422,261	397,118
Foreign currency translation adjustment	(104,684)	509,987	110,598	257,309	44,583
Balance at December 31/June 30	<u>5,137,156</u>	<u>6,378,735</u>	<u>6,965,493</u>	<u>7,058,305</u>	<u>7,407,194</u>

The Company has engaged an independent qualified professional valuer to determine the underlying equity value of the Company using the discounted cash flow valuation approach and the fair value of convertible redeemable preferred shares using Black-Scholes model and equity allocation model. Key assumptions are set as below:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Discount rate	16.00%	16.00%	16.00%	15.00%
Risk-free interest rate	1.24%	4.13%	4.04%	4.68%
Volatility	53.42%	55.46%	55.71%	46.42%

It is estimated that with all other variables held constant, 1% increase/decrease in discount rate would decrease/increase the fair value of convertible redeemable preferred shares by RMB492,116,000/RMB575,554,000, RMB542,786,000/RMB634,190,000, RMB597,026,000/RMB704,530,000 and RMB645,301,000/RMB753,483,000 as at December 31, 2021, 2022 and 2023 and June 30, 2024, respectively.

29 Convertible bond

	Liability component	Derivative components	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2021, December 31, 2021 and January 1, 2022	—	—	—
Issuance of convertible bond	175,580	14,420	190,000
Accrued finance charges for the year (Note 7(a))	7,233	—	7,233
Fair value changes on the derivative components (Note 7(a))	—	4,370	4,370
Foreign currency translation adjustment	—	1,590	1,590
At December 31, 2022 and January 1, 2023	182,813	20,380	203,193
Issuance of convertible bond	—	—	—
Accrued finance charges for the year (Note 7(a))	13,595	—	13,595
Payment of accrued finance charges	(11,173)	—	(11,173)
Fair value changes on the derivative components (Note 7(a))	—	2,570	2,570
Foreign currency translation adjustment	—	392	392
At December 31, 2023	185,235	23,342	208,577
Partial derecognition of convertible bond	3,242	(5,621)	(2,379)
Repayment of convertible bond	(50,000)	—	(50,000)
Accrued finance charges for the period (Note 7(a))	6,606	—	6,606

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

29 Convertible bond (continued)

	<u>Liability component</u>	<u>Derivative components</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Payment of accrued finance charges	(11,204)	—	(11,204)
Fair value changes on the derivative components (Note 7(a))	—	(172)	(172)
Foreign currency translation adjustment	—	(389)	(389)
At June 30, 2024	<u>133,879</u>	<u>17,160</u>	<u>151,039</u>

On May 27, 2022, the Company, Dmall Life Network and Beijing Heyin Investment Fund (Limited Partner) (“Beijing Heyin”) entered into a series of agreements (the “Convertible Bond Investment Agreements”). Pursuant to the agreements, the Company agreed to issue, and Beijing Heyin agreed to subscribe for a convertible bond in the principal amount of RMB190,000,000 (the “Convertible Bond”), which bears interest of 5.8% per annum and matures on June 14, 2027. Beijing Heyin paid the consideration in cash to Dmall Life Network on June 15, 2022.

Beijing Heyin is entitled to early redeem the convertible bond by a notice of redemption at its face value plus accrued but not paid interest on June 14, 2025 or June 14, 2026 (i.e. the put option).

The Company could early repay the convertible bond by a notice of repayment at its face value plus accrued but not paid interest at any time after June 14, 2025 (i.e. the call option).

On or after the 180th calendar days upon the completion of a Qualified IPO, Beijing Heyin could, at any time till maturity date, convert the bond into ordinary shares of the Company at conversion price of US\$3.93 per share (i.e. the conversion option).

If at any time on or after the 180th calendar days upon the completion of a Qualified IPO till maturity date, if the closing price per share of the Company on last trading day and the average closing price per share of last 20 consecutive trading days equal to or exceed US\$5.1, the Company shall have the right to require Beijing Heyin to convert the bond into the Company’s ordinary shares (i.e. the forced conversion option).

The convertible bond was initially bifurcated into liability and derivative components upon issuance. The call option, put option, conversion option and forced conversion option are all classified as derivative financial instruments and have been included in the balance of the convertible bond in the consolidated statements of financial position. The effective interest rate of the liability component of the convertible bond is 7.6850% per annum.

The estimate of the fair value of the derivative components of the convertible bond is measured based on a Binomial pricing model. Details of the assumptions used are as follows:

Dates of valuation	<u>Derivative components of the convertible bond</u>			
	<u>Date of issue</u>	<u>December 31, 2022</u>	<u>December 31, 2023</u>	<u>June 30, 2024</u>
Expected volatility	48%	52%	52%	45%
Dividend yield	0%	0%	0%	0%
Maturity period	5.00	4.46	3.46	2.96
Risk free rate	3.37%	4.06%	3.97%	4.55%

It is estimated that with all other variables held constant, 1% increase/decrease in risk-free interest rate, would increase/decrease the fair value of derivative components of the convertible

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

29 Convertible bond (continued)

bond by RMB3,210,000/RMB3,411,000, RMB3,413,000/RMB3,581,000 and RMB2,542,000/RMB2,647,000 as at December 31, 2022, 2023 and June 30, 2024, respectively.

On March 22, 2024, the Group entered into an amendment to the convertible bond Investment Agreement with Beijing Heyin. Pursuant to the amended agreement, the Group repaid RMB50,000,000 of the principal amount and accrued but not paid interests by June 15, 2024. Therefore, it met the derecognition criteria for the convertible bond repaid and the difference between the carrying amount and the consideration paid is recognized in the consolidated statements of profit or loss on the amendment date.

30 Capital and reserves**(a) Share capital**

The Company was incorporated in British Virgin Islands in 2015 with authorized share capital of USD250,000 divided into 2,500,000,000 ordinary shares with par value of USD\$0.0001 each.

The outstanding ordinary shares issued to the equity shareholders of the Company were 525,150,000, 525,150,000, 525,150,000 and 525,150,000 as at December 31, 2021, 2022, 2023 and June 30, 2024 respectively.

(b) Reserves**(i) Capital reserve***Capital injected to a subsidiary by the Group and a non-controlling shareholder*

On January 6, 2022, Dmall (Shenzhen) Digital and Beijing Wumart Supermarket Co., Ltd. injected capital into Dmall Zhilian by RMB60,928,000 in total, of which RMB27,260,000 was contributed by the Group in cash, and RMB33,668,000 by Beijing Wumart Supermarket Co., Ltd. in equipment. After the capital injection, Dmall Zhilian's paid-in capital was increased to RMB74,818,000. The equity interest of the Group in Dmall Zhilian decreased from 100% to 55%, whereas that of Beijing Wumart Supermarket Co., Ltd increased to 45%.

Capital injected to a subsidiary by the Group

On February 28, 2023, equity holders of Dmall Zhilian approved Dmall (Shenzhen) Digital to increase its investment in Dmall Zhilian in amount of RMB93,522,000. In connection with such additional investment, the Group's equity interests in Dmall Zhilian increased from 55% to 80%. As of December 31, 2023, RMB36,000,000 was injected to Dmall Zhilian.

Such transaction was accounted for as a transaction with a non-controlling equity holder of Dmall Zhilian. No gain or losses on such changes was recognized in profit or loss. The difference between capital injected by the Group and its interests increased in the carrying amount of Dmall Zhilian's net assets was recognized as deduction in capital reserve with amount of RMB15,688,000.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

30 Capital and reserves (continued)*Repurchase of non-controlling interests*

Retail Technology Asia was established in Hong Kong on January 14, 2020. On the incorporation date, each of Dmall HK and DFI Retail Group Management Limited subscribed for and were issued 1 ordinary share in cash at US\$1,500,000 per share (equivalent to RMB10,333,700), representing 50% equity interests of Retail Technology Asia. Dmall HK has the right to and appointed four out of seven directors to the Board of Retail Technology Asia. Dmall HK has a controlling equity interest in Retail Technology Asia and has control over the operation of Retail Technology Asia, subject to any reserved matters under the JV Agreement.

In April 2022, Retail Technology Asia repurchased 4,358,974 of its shares by disposing 100% equity interest in DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited (formerly known as Retail Technology (Hong Kong) Ltd. and Retail Technology (Singapore) PTE. Ltd.) to DFI Retail Group. The repurchased shares were subsequently canceled. Upon completion of the repurchase, Dmall HK held 58.5% of the equity interest in Retail Technology Asia.

The difference between the fair value of the equity interests of DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited and the carrying amount of the net liabilities of these two subsidiaries upon the disposal was amounted to RMB101,845,000 and recognized in other net income/(loss).

(ii) Statutory reserve

Statutory reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies which are incorporated in the PRC until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before distribution of a dividend to equity holders.

(iii) Share-based payments reserve

The share-based payments reserve represents the portion of the grant date fair value of share options, RSUs and restricted ordinary shares granted to eligible employees, directors and non-employees of the Group that has been recognized in accordance with the accounting policy adopted for share-based payments in Note 2(w)(ii).

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements for operations outside of Chinese mainland. The reserve is dealt with in accordance with the accounting policies set out in Note 2(aa).

(c) Dividends

No dividends have been paid or declared by the Company during the Track Record Period.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

30 Capital and reserves (continued)**(d) Capital management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of adjusted liability-to-asset ratio. For this purpose, adjusted liabilities is defined as total liabilities less convertible redeemable preferred shares and convertible bond.

31 Business combination not under common control**(a) Acquisition of Shenzhen Enjoy**

On May 18, 2021, Shenzhen Xintonglu, a subsidiary of the Company, entered into a series of share purchase agreements (collectively, the "SPA") with certain shareholders of Shenzhen Enjoy to acquire the shares of Shenzhen Enjoy.

By August 5, 2021, Shenzhen Xintonglu had acquired 21.03% share of interests in Shenzhen Enjoy for a consideration of RMB102,640,000. The Group accounted such investment using equity method (i.e. Step 1). By November 26, 2021, the Group had acquired additional 20.04% share of interests in Shenzhen Enjoy for a consideration of RMB97,760,000. On November 26, 2021, according to the SPA, the former controlling shareholder of Shenzhen Enjoy delegated his voting right of 2,424,000 shares, which represented 9.93% of total outstanding shares of Shenzhen Enjoy to Shenzhen Xintonglu. As a result, Shenzhen Xintonglu was entitled to 51% of voting rights at the shareholders' meetings and obtained control over Shenzhen Enjoy. (i.e. Step 2)

For the two steps mentioned above, the occurrence of each step is independent and each of the step on their own is considered economically justified. As such, the directors considered that these transactions during the Track Record Period should be treated as separate transactions of a step acquisition to obtain control over Shenzhen Enjoy.

As at acquisition date (i.e. November 26, 2021), the fair value of the 21.03% share of interests as an associate of the Group acquired at the Step 1 formed part of the total consideration of the step acquisition and was included in the calculation of goodwill on the step acquisition. The Group recognized a gain of RMB2,782,000 in such re-measurement of the 21.03% share of interests previously held as an associate at fair value. The gain was recognized in other net income/(loss).

	November 26, 2021
	RMB'000
Initial investment	102,640
Share of profits before combination	607
Book value at acquisition date	103,247
Less: Fair value of previously held interests in Shenzhen Enjoy	106,029
Gain from re-measurement of equity interest upon acquisition	<u>2,782</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

31 Business combination not under common control (continued)

For the year ended December 31, 2021, Shenzhen Enjoy contributed revenue of RMB23,699,000 and profit of RMB8,209,000 to the Group's results. If the acquisition had occurred on January 1, 2021, management estimates that consolidated revenue would have increased by RMB55,648,000, and consolidated profit for the year would have increased by RMB7,393,000 (after deduction of share of profits as associate of the Group from May 18, 2021 to November 26, 2021 and gain from re-measurement of equity interest upon acquisition).

On November 11, 2022, the Group acquired additional 9.93% share of interests in Shenzhen Enjoy for a consideration of RMB48,480,000.

(i) Acquisition-related costs

The Group incurred acquisition-related costs of RMB1,106,000 on legal fees and due diligence costs. These costs have been included in general and administration expenses in the consolidated statement of profit or loss.

(ii) Identifiable assets acquired and liabilities assumed

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

	Recognized values on date of acquisition <u>RMB'000</u>
Property and equipment	8,968
Interest in associates	5,163
Intangible assets	105,366
Deferred tax assets	2,529
Inventories and other contract costs	9,781
Trade receivables	12,060
Contract assets	1,506
Prepayments, deposits and other receivables	2,877
Other financial assets	38,000
Cash and cash equivalents	7,222
Trade payables	(3,704)
Contract liabilities	(26,987)
Bank loans and other borrowings	(3,300)
Accrued expenses and other payables	(14,368)
Other non-current liabilities	(646)
Deferred tax liabilities	(16,088)
Lease liability	(2,005)
Total identifiable net assets acquired	<u>126,374</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

31 Business combination not under common control (continued)

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

<u>Assets acquired</u>	<u>Valuation technique</u>
Property and equipment	Market comparison technique and cost technique: The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangible assets	Relief-from-royalty method and multi-period excess earnings method: The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents being owned. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets. Market comparison technique: The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iii) Goodwill

Goodwill arising from the acquisition has been recognized as follows.

	<u>November 26, 2021</u>
	<u>RMB'000</u>
Fair value of pre-existing interest in Shenzhen Enjoy	106,029
NCI, based on their proportionate interest in the recognized amounts of the assets and liabilities of Shenzhen Enjoy	74,472
Cash consideration transferred	97,760
Total identifiable net assets acquired	<u>(126,374)</u>
Goodwill	<u>151,887</u>

(b) Acquisition of Beijing Xianmei

Pursuant to the equity transfer agreement dated February 21, 2023, Dmall Zhilian, a subsidiary of the Group, acquired 55% equity interest in Beijing Xianmei from selling shareholders, i.e. 30% from Wumei Group and 25% from a third-party shareholder, at a total consideration of RMB2,770,000.

For the year ended December 31, 2023, Beijing Xianmei contributed revenue of RMB64,938,000 and loss of RMB219,000 to the Group's results. If the acquisition had occurred on January 1, 2023, management estimates that consolidated revenue would have increased by RMB7,037,000, and consolidated loss for the year would have decreased by RMB569,000.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

31 Business combination not under common control (continued)**(i) Identifiable assets acquired and liabilities assumed**

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

	Recognized values on date of acquisition
	RMB'000
Property and equipment	5,365
Trade receivables	3,403
Prepayments, deposits and other receivables	900
Cash and cash equivalents	2,754
Trade payables	(1,997)
Accrued expenses and other payables	(210)
Lease liabilities	(5,371)
Total identifiable net assets acquired	<u>4,844</u>

(ii) Goodwill

Goodwill arising from the acquisition has been recognized as follows.

	February 28, 2023
	RMB'000
Non-controlling interests	2,180
Cash consideration transferred	2,770
Total identifiable net assets acquired	(4,844)
Goodwill	<u>106</u>

32 Disposal of subsidiaries**(a) Disposal of DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited**

As disclosed in Note 30, Retail Technology Asia repurchased 4,358,974 of its shares by disposing 100% equity interest in DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited to DFI Retail Group. The net loss of DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited for the year ended December 31, 2021 was RMB181,175,000 and the net loss for the period in 2022 before disposal was RMB61,760,000, which were included in the Historical Financial Information of the Group. The differences between the fair value of the equity interests of USD6,900,000 (equivalent to RMB45,586,000) and the carrying amount of the net liabilities upon the disposal was amounted to RMB101,845,000 and recognized in other net income.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

32 Disposal of subsidiaries (continued)

The financial information of the disposed subsidiaries at the disposal date are set out as below:

	RMB'000
Cash and cash equivalents	35,616
Trade receivables	8,521
Prepayments, deposits and other receivables	192,394
Property and equipment	492
Trade payables	(27,678)
Accrued expenses and other payables	(265,604)
Net liabilities	<u>(56,259)</u>
Net cash outflow arising on disposal:	
Consideration received, satisfied in cash	—
Less: cash and cash equivalents disposed of	(35,616)
Net cash outflow	<u>(35,616)</u>

(b) Disposal of Dmall (Shenzhen) Development Co., Ltd.

In November 2022, the Group sold 100% of equity interests in Dmall (Shenzhen) Development Co., Ltd. to Wumei South Commercial Co., Ltd, a subsidiary of Wumei Technology Group Co., Ltd for cash consideration of RMB79,840,000. The differences between the cash consideration and the carrying amount of the net assets was amounted to RMB1,714,000 and recognized in other net loss.

The financial information of the disposed subsidiaries at the disposal date are set out as below:

	RMB'000
Cash and cash equivalents	1,667
Other current assets	10
Investment property	158,832
Property and equipment	1,210
Other non-current assets	346
Loans and borrowings	(80,503)
Accrued expenses and other payables	(8)
Net assets	<u>81,554</u>
Net cash outflow arising on disposal:	
Consideration received, satisfied in cash	79,840
Less: cash and cash equivalents disposed of	(1,667)
Net cash inflow	<u>78,173</u>

(c) Disposal of Dmall Fresh (Shenzhen)

In August 2023, the Group disposed 100% interests in Dmall Fresh (Shenzhen) to a third party with a total consideration of RMB1.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

32 Disposal of subsidiaries (continued)

The financial information of the disposed subsidiary at the disposal date are set out as below:

	RMB'000
Cash and cash equivalents	1
Net assets	<u>1</u>
Net cash outflow arising on disposal:	
Consideration received, satisfied in cash	—*
Less: cash and cash equivalents disposed of	<u>(1)</u>
Net cash outflow	<u>(1)</u>

* The balance represents amount less than RMB500.

33 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit ratings assigned by the management of the Group, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

As at December 31, 2021, 2022 and 2023 and June 30, 2024, 44.02%, 53.12% and 66.75% and 47.88% of the total trade receivables and contract assets was due from the Group's largest customer, respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

33 Financial risk management and fair values of financial instruments (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at December 31, 2021, 2022 and 2023 and June 30, 2024:

	Expected loss rate %	December 31, 2021	
		Gross carrying amount	Loss allowance
		RMB'000	RMB'000
Within 1 year	0.68	89,393	606
1 - 2 years	12.56	2,579	324
2 - 3 years	18.02	1,537	277
3 - 4 years	30.22	1,264	382
4 - 5 years	45.00	100	45
More than 5 years	100.00	1,015	1,015
		<u>95,888</u>	<u>2,649</u>
	Expected loss rate %	December 31, 2022	
		Gross carrying amount	Loss allowance
		RMB'000	RMB'000
Within 1 year	0.90	135,773	1,224
1 - 2 years	13.92	4,510	628
2 - 3 years	25.43	1,628	414
3 - 4 years	29.97	744	223
4 - 5 years	50.00	886	443
More than 5 years	100.00	579	579
		<u>144,120</u>	<u>3,511</u>
	Expected loss rate %	December 31, 2023	
		Gross carrying amount	Loss allowance
		RMB'000	RMB'000
Within 1 year	0.62	158,346	985
1 - 2 years	21.34	8,290	1,769
2 - 3 years	22.38	782	175
3 - 4 years	29.98	884	265
4 - 5 years	50.00	68	34
More than 5 years	100.00	25	25
		<u>168,395</u>	<u>3,253</u>
	Expected loss rate %	June 30, 2024	
		Gross carrying amount	Loss allowance
		RMB'000	RMB'000
Within 1 year	0.36	249,039	900
1 - 2 years	16.98	6,079	1,032
2 - 3 years	44.16	5,045	2,228
3 - 4 years	30.00	200	60
4 - 5 years	50.00	620	310
More than 5 years	100.00	24	24
		<u>261,007</u>	<u>4,554</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

33 Financial risk management and fair values of financial instruments (continued)

Movement in the loss allowance account in respect of trade receivables during the year/period is as follows:

	2021	2022	2023	June 30, 2024
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1	11	2,649	3,511	3,253
Impairment loss recognized during the year/period	216	862	2,250	1,404
Amounts written off during the year/period	—	—	(2,508)	(103)
Impact of acquisition of subsidiaries	2,422	—	—	—
At December 31/June 30	<u>2,649</u>	<u>3,511</u>	<u>3,253</u>	<u>4,554</u>

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at December 31, 2021, 2022 and 2023 and June 30, 2024, of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at December 31, 2021, 2022 and 2023 and June 30, 2024) and the earliest dates the Group can be required to pay:

As at December 31, 2021						
Contractual undiscounted cash outflow						
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	49,361	—	—	—	49,361	49,361
Accrued expenses and other payables	590,868	—	—	—	590,868	590,868
Bank loans and other borrowings	76,786	11,880	35,640	44,796	169,102	155,261
Lease liabilities	18,369	8,177	167	—	26,713	25,612
	<u>735,384</u>	<u>20,057</u>	<u>35,807</u>	<u>44,796</u>	<u>836,044</u>	<u>821,102</u>

As at December 31, 2022						
Contractual undiscounted cash outflow						
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	63,778	—	—	—	63,778	63,778
Accrued expenses and other payables	533,737	—	—	—	533,737	533,737
Bank loans and other borrowings	74,560	23,616	29,912	—	128,088	120,490
Convertible bond-liability component	11,020	11,020	223,060	—	245,100	182,813
Lease liabilities	16,657	4,439	25	—	21,121	20,313
	<u>699,752</u>	<u>39,075</u>	<u>252,997</u>	<u>—</u>	<u>991,824</u>	<u>921,131</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

33 Financial risk management and fair values of financial instruments (continued)

As at December 31, 2023						
Contractual undiscounted cash outflow						
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	86,563	—	—	—	86,563	86,563
Accrued expenses and other payables	422,749	—	—	—	422,749	422,749
Bank loans and other borrowings	210,354	68,285	48,670	—	327,309	314,176
Convertible bond-liability component	11,020	11,020	212,040	—	234,080	185,235
Lease liabilities	26,757	14,292	1,254	—	42,303	40,584
	<u>757,443</u>	<u>93,597</u>	<u>261,964</u>	<u>—</u>	<u>1,113,004</u>	<u>1,049,307</u>

As at June 30, 2024						
Contractual undiscounted cash outflow						
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	98,367	—	—	—	98,367	98,367
Accrued expenses and other payables	227,537	—	—	—	227,537	227,537
Bank loans and other borrowings	291,965	86,102	33,667	—	411,734	396,664
Convertible bond-liability component	172,480	—	—	—	172,480	133,879
Lease liabilities	28,251	8,598	801	—	37,650	36,650
	<u>818,600</u>	<u>94,700</u>	<u>34,468</u>	<u>—</u>	<u>947,768</u>	<u>893,097</u>

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is primarily exposed to fair value interest rate risk in relation to lease liabilities and cash flow risk in relation to variable-rate bank balances. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise. The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant because the current market interest rates are relatively low and stable.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

33 Financial risk management and fair values of financial instruments (continued)

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. Currency risk is mainly due to exchange rate fluctuations between the USD and RMB. The Group manages this risk as follows:

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year-end date. Differences resulting from the translation of the Historical Financial Information of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in RMB)			
	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other receivables				
- in USD	1,317	—	228	229
- in HKD	—	7,204	6,335	7,898
- in SGD	—	—	717	669
- in RMB	—	63	—	—
- in MYR	—	—	—	9
Cash and cash equivalents				
- in USD	149,413	42,158	4,132	5,588
- in HKD	148	4,082	664	2,719
- in SGD	—	—	784	1,776
- in RMB	500	5	—	448
- in EUR	—	191	—	-
- in HUF	—	—	1,037	519
- in PHP	—	—	—	293
Trade and other payables				
- in USD	(182)	(20,522)	(831)	(363)
- in HKD	(268)	(134)	(94)	(4,134)
- in SGD	—	—	—	(53)
- in RMB	(29,988)	(35,240)	(21,273)	(21,392)
- in PHP	—	—	—	(12)
Net exposure arising from recognized assets and liabilities	<u>120,940</u>	<u>(2,193)</u>	<u>(8,301)</u>	<u>(6,969)</u>

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of each reporting period had changed at that date, assuming all other risk variables remained constant.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

33 Financial risk management and fair values of financial instruments (continued)

	2021		2022		2023		June 30, 2024	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000
USD	5%	7,528	5%	1,082	5%	163	5%	261
	(5%)	(7,528)	(5%)	(1,082)	(5%)	(163)	(5%)	(261)
HKD	5%	(5)	5%	380	5%	326	5%	308
	(5%)	5	(5%)	(380)	(5%)	(326)	(5%)	(308)
SGD	5%	—	5%	—	5%	71	5%	114
	(5%)	—	(5%)	—	(5%)	(71)	(5%)	(114)
RMB	5%	(1,474)	5%	(1,759)	5%	(1,008)	5%	(987)
	(5%)	1,474	(5%)	1,759	(5%)	1,008	(5%)	987
HUF	5%	—	5%	—	5%	174	5%	25
	(5%)	—	(5%)	—	(5%)	(174)	(5%)	(25)
EUR	5%	—	5%	10	5%	—	5%	—
	(5%)	—	(5%)	(10)	(5%)	—	(5%)	—
PHP	5%	—	5%	10	5%	—	5%	13
	(5%)	—	(5%)	(10)	(5%)	—	(5%)	(13)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower.

(e) Fair value measurement**(i) Fair value hierarchy**

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

33 Financial risk management and fair values of financial instruments (continued)

The following table presents the Group's investment property, financial assets and financial liabilities that are measured at fair value at the end of each reporting dates:

Recurring fair value measurements	Fair value at December 31, 2021 RMB'000	Fair value Measurement as at December 31, 2021 categorized into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Assets:				
- Investment property	141,860	—	—	141,860
- Equity investment	140,734	—	—	140,734
- Investment in wealth management products	15,053	—	—	15,053
Liability:				
- Convertible redeemable preferred shares	(5,137,156)	—	—	(5,137,156)
	<u>(4,839,509)</u>	<u>—</u>	<u>—</u>	<u>(4,839,509)</u>
Recurring fair value measurements	Fair value at December 31, 2022 RMB'000	Fair value Measurement as at December 31, 2022 categorized into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Assets:				
- Equity investment	153,218	—	—	153,218
- Investment in wealth management products	9,029	—	—	9,029
Liability:				
- Convertible redeemable preferred shares	(6,378,375)	—	—	(6,378,735)
- Derivative components of the convertible bond (Note 29)	(20,380)	—	—	(20,380)
	<u>(6,236,868)</u>	<u>—</u>	<u>—</u>	<u>(6,236,868)</u>
Recurring fair value measurements	Fair value at December 31, 2023 RMB'000	Fair value Measurement as at December 31, 2023 categorized into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Assets:				
- Equity investment	196,574	196,574	—	—
- Investment in wealth management products	34,935	—	—	34,935
Liability:				
- Convertible redeemable preferred shares	(6,965,493)	—	—	(6,965,493)
- Derivative components of the convertible bond (Note 29)	(23,342)	—	—	(23,342)
	<u>(6,757,326)</u>	<u>196,574</u>	<u>—</u>	<u>(6,953,900)</u>
Recurring fair value measurements	Fair value at June 30, 2024 RMB'000	Fair value Measurement as at June 30, 2024 categorized into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Assets:				
- Equity investment	109,692	109,692	—	—
- Investment in wealth management products	11,211	—	—	11,211
Liability:				
- Convertible redeemable preferred shares	(7,407,194)	—	—	(7,407,194)
- Derivative components of the convertible bond (Note 29)	(17,160)	—	—	(17,160)
	<u>(7,303,451)</u>	<u>109,692</u>	<u>—</u>	<u>(7,413,143)</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

33 Financial risk management and fair values of financial instruments (continued)

For assets and liabilities that are measured at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. During the year ended December 31, 2021 and 2022, there were no transfers among different levels of fair values measurement. During the year ended December 31, 2023, transfer from Level 3 to Level 1 was due to the IPO of Guoquan in November 2023. During the and six months ended June 30, 2024, there were no transfers among different levels of fair values measurement.

34 Material related party transactions and balances**(a) The Group**

The material related party transactions entered into by the Group during the Track Record Period and the balances with related parties at the end of each reporting period are set out below.

(i) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Company's directors.

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 9 and certain of the highest paid employees as disclosed in Note 10, is as follows:

	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other benefits	7,190	11,444	15,134	6,690	9,325
Discretionary bonuses	2,100	284	284	284	2,156
Retirement scheme contributions	216	289	292	135	176
Equity-settled share-based payment	74,176	46	2,075	610	318
	<u>83,682</u>	<u>12,063</u>	<u>17,785</u>	<u>7,719</u>	<u>11,975</u>

Total remuneration was included in staff costs (see Note 7(b)).

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

34 Material related party transactions and balances (continued)

(ii) Names and relationships of the related parties that had material transactions with the Group during the Track Record Period

Name of related party	Relationship
Wumei Technology Group, Inc. and its subsidiaries, excluding MDL Wholesale Group, Yinchuan Xinhua Group and B&T Entities (“Wumei Group”) (物美科技集團有限公司及其子公司, 不包含麥德龍供應鏈有限公司及其子公司, 銀川新華百貨商業集團股份有限公司及其子公司及百安居實體)*	Entities ultimately controlled by the Company’s Founder and Controlling Shareholder, Dr. Zhang Wenzhong
MDL Wholesale Limited and its subsidiaries (“MDL Wholesale Group”)** (麥德龍供應鏈有限公司及其子公司)*	Entities ultimately controlled by the Company’s Founder and Controlling Shareholder, Dr. Zhang Wenzhong
Chongqing Department Store Co., Ltd. and its subsidiaries (“Chongqing Department Store Group”) (重慶百貨大樓股份有限公司及其子公司)*	Entities significantly influenced by the Company’s Founder and Controlling Shareholder, Dr. Zhang Wenzhong
Yinchuan Xinhua Commercial (Group) Co., Ltd and its subsidiaries (“Yinchuan Xinhua Group”) (銀川新華百貨商業集團股份有限公司及其子公司)*	Entities ultimately controlled by the Company’s Founder and Controlling Shareholder, Dr. Zhang Wenzhong
Entities that manage and operate stores bearing the brand of B&T in the PRC (“B&T Entities”) (百安居實體)*	Entities ultimately controlled by the Company’s Founder and Controlling Shareholder, Dr. Zhang Wenzhong
Beijing CAST Technology Investment Co., Ltd. (北京卡斯特科技投資有限公司)*	Entities ultimately controlled by the Company’s Founder and Controlling Shareholder, Dr. Zhang Wenzhong
Retail Enterprise Corporation Limited	Entities ultimately controlled by the Company’s Founder and Controlling Shareholder, Dr. Zhang Wenzhong
Dmall Fresh (Beijing) E-commerce Co., Ltd. (“Dmall Fresh (Beijing)”) (多點新鮮(北京)電子商務有限公司)*	Entity under Company’s key management control after disposal

* The official names of these entities are in Chinese. The English translation of the names are for identification purpose only.

** Prior to MDL Wholesale Group’s reorganization in June 2024, MDL Wholesale Group represents Maidelong Entities that manage and operate stores bearing the brand of Maidelong in the PRC.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

34 Material related party transactions and balances (continued)

(iii) Transactions with related parties

	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations					
Services rendered and products sold to					
Wumei Group	384,055	561,579	821,047	396,454	484,459
MDL Wholesale Group	86,618	258,246	259,471	125,347	183,819
Chongqing Department Store Group	90,153	115,094	62,781	39,627	27,684
Yinchuan Xinhua Group	38,052	30,676	54,944	27,416	32,521
B&T Entities	—	—	3,721	1,101	5,971
Dmall Fresh (Beijing)	—	—	—	—	126
Purchase of delivery service from					
Wumei Group	32,676	9,266	13,067	4,914	—
MDL Wholesale Group	230	—	—	—	—
Chongqing Department Store Group	1,579	—	—	—	—
Yinchuan Xinhua Group	1,180	500	—	—	—
Other transactions with related parties					
Purchase of rental services received from Wumei Group					
	14,976	13,961	14,445	7,280	3,527
Purchase of rental services received from MDL Wholesale Group					
	606	653	600	328	90
Purchase of promotion and other services received from Wumei Group					
	803	1,302	852	224	4,051
Purchase of promotion and other services received from MDL Wholesale Group					
	275	114	389	303	244
Purchase of promotion and other services received from other related parties					
	31	—	32	—	11
Receipt on behalf of Dmall Fresh (Beijing)					
	—	—	—	—	11,934
Payment paid on behalf of Wumei Group					
	129,097	178,899	180,352	125,867	27,878
Payment paid on behalf of MDL Wholesale Group					
	558	950	—	—	—
Payment paid on behalf of other related parties					
	58,038	60,343	68,062	37,384	37,721
Discontinued operations					
Services rendered to					
Wumei Group	88,967	99,883	106,343	46,084	32,528
MDL Wholesale Group	13,143	923	1,114	644	174
Chongqing Department Store Group	8,456	2,785	1,090	124	93

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

34 Material related party transactions and balances (continued)

(iv) Related party balances

The Group's balances with related parties as at the end of each reporting period are as follows:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade in nature:				
Amounts due from related parties	76,434	109,593	143,112	246,744
Amounts due to related parties	197,474	244,698	169,081	40,962
Non-trade in nature:				
Borrowings and interests due to related parties	64,799	—	—	—

Amounts due from and to related parties of the Group are unsecured, interest-free, repayable on demand/on contract terms.

(v) Investing and financing arrangements with related parties

	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Borrowings provided by other related parties	64,799	13,573	—	—	—
Repayment of borrowings provided by other related parties	—	85,458	—	—	—
Interest expenses for borrowings provided by other related parties	—	142	—	—	—

(b) The Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Non-trade in nature:				
Amounts due from subsidiaries	4,592,949	4,606,466	4,618,234	4,600,767
Amounts due to subsidiaries	—	5,569	5,569	5,569

Amounts due from and to subsidiaries of the Company are with non-trade nature, unsecured, interest-free, repayable on demand.

35 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Track Record Period

Up to the date of this report, the IASB has issued a number of new or amended standards which are not yet effective for the Track Record Period and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to the Group.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

35 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Track Record Period (continued)

	Effective for accounting year beginning on or after
Amendments to IAS 21, <i>The effects of changes in foreign exchange rates: Lack of exchangeability</i>	January 1, 2025
Amendments to IFRS 9 and IFRS 7: <i>Amendments to the Classification and Measurement of Financial Instruments</i>	January 1, 2026
Annual Improvements to IFRS Accounting Standards — Volume 11	January 1, 2026
IFRS 18, <i>Presentation and Disclosure in Financial Statements</i>	January 1, 2027
IFRS 19, <i>Subsidiaries without Public Accountability: Disclosures</i>	January 1, 2027
Amendments to IFRS 10 and IAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

36 Immediate and ultimate controlling party

At December 31, 2021, the directors consider the immediate parent to be D&W Inc., which is incorporated in BVI, and ultimate controlling party of the Group to be Dr. Zhang Wenzhong.

At December 31, 2022 and 2023 and June 30, 2024, the directors consider the immediate parent to be Celestial Limited, which is incorporated in BVI, and ultimate controlling party of the Group to be Dr. Zhang Wenzhong.

37 Subsequent events

There were no material subsequent events after June 30, 2024 up to the date of this report.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to June 30, 2024.

The following information does not form part of the Accountants' Report received from KPMG, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group is prepared in accordance with Rule 4.29 of the Listing Rules and set out below to illustrate the effect of the Global Offering on the consolidated net tangible liabilities attributable to equity shareholders of the Company as at June 30, 2024 as if the Global Offering had taken place on June 30, 2024.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at June 30, 2024 or at any future date.

	Consolidated net tangible liabilities attributable to equity shareholders of the Company as at June 30, 2024 ⁽¹⁾ RMB'000	Estimated net proceeds from the Global Offering ⁽²⁾ RMB'000	Estimated impact to net tangible assets upon reclassification of convertible redeemable preferred shares ⁽³⁾ RMB'000	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company RMB'000	Unaudited pro forma adjusted net tangible assets per Share ⁽⁴⁾ RMB HK\$ ⁽⁵⁾	
Based on an Offer Price of						
HK\$30.21 per Share	(7,409,957)	660,935	7,407,194	658,172	0.74	0.80

Notes:

- (1) The consolidated net tangible liabilities of the Group attributable to equity shareholders of the Company as of June 30, 2024 are calculated based on the consolidated total deficit attributable to equity shareholders of the Company as of June 30, 2024 of RMB7,137,744,000 extracted from the Accountants' Report set out in Appendix I to this prospectus, after deduction of goodwill of RMB151,993,000 and intangible assets of RMB157,995,000 and adjusting the share of intangible assets attributable to non-controlling interests of RMB37,775,000.
- (2) The estimated net proceeds from the Global Offering are based on 25,774,000 Shares to be issued pursuant to the Global Offering and the Offer Price of HK\$30.21 per Share, after deduction of the estimated underwriting fees and other related listing expenses paid or payable by the Group (excluding the listing expenses that have been charged to profit or loss during the Track Record Period), assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no Shares are issued under the Share Incentive Plans. The estimated net proceeds from the Global Offering are converted to Renminbi at the exchange rate of HK\$1 to RMB0.9237. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted into Renminbi, or vice versa, at that rate.
- (3) As at June 30, 2024, the carrying amount of the convertible redeemable preferred shares was RMB7,407,194,000 (as set out in Note 28 of Appendix I to this prospectus). Upon the Listing, the redeemable preferred shares will be automatically converted into ordinary shares and will be reclassified from liabilities to equity.
- (4) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 886,690,124 Shares were in issue (being the outstanding 525,150,000 ordinary shares as at June 30, 2024, 335,766,124 ordinary shares being converted from the outstanding redeemable preferred shares as at June 30, 2024 and 25,774,000 Shares to be issued pursuant to the Global Offering) assuming that the Global Offering and the conversion of redeemable preferred shares into ordinary shares had been completed on June 30, 2024, and assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no Shares are issued under the Share Incentive Plans.
- (5) The unaudited pro forma adjusted net tangible assets per Share amounts in RMB are converted into Hong Kong dollar at a rate of RMB1.00 to HK\$1.0826. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollar, or vice versa, at that rate.
- (6) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to June 30, 2024.

B. REPORT FROM THE REPORTING ACCOUNTANTS

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF DMALL INC.**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Dmall Inc. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at June 30, 2024 and related notes as set out in Part A of Appendix II to the prospectus dated November 28, 2024 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at June 30, 2024 as if the Global Offering had taken place at June 30, 2024. As part of this process, information about the Group's financial position as at June 30, 2024 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at June 30, 2024 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of

America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in "Future plans and use of proceeds" in the prospectus.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group, and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG*Certified Public Accountants*

Hong Kong

November 28, 2024

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE BRITISH VIRGIN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum of Association and Articles of Association of the Company and of certain aspects of the British Virgin Islands company law.

The Company was incorporated in the BVI as a BVI business company with limited liability under the BVI Business Companies Act on February 5, 2015. The Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1 MEMORANDUM OF ASSOCIATION

The Memorandum was approved for adoption on November 27, 2024 which will take effect upon registration with the Registrar of Corporate Affairs in the BVI.

1.1 Classes of shares

The Company is authorized to issue a maximum of 2,500,000,000 shares of a single class with a par value of US\$0.0001.

1.2 Capacity and power

The objects for which the Company is established are unrestricted. The Company shall have full capacity and power to carry out any object not prohibited by the BVI Business Companies Act or any other law of the British Virgin Islands.

1.3 Liability of members

Pursuant to the Memorandum of Association, the liability of each member is limited to:

- (a) the amount from time to time unpaid on such member's shares;
- (b) any liability expressly provided for in the Memorandum of Association or the Articles of Association; and
- (c) any liability to repay a distribution pursuant to section 58(1) of the BVI Business Companies Act.

There is no provision in the Memorandum of Association or the Articles of Association which provides for the increase of a member's liability to the Company.

1.4 Rights of shares

Under the Memorandum of Association, each share confers on the holder:

- (a) the right to one (1) vote on any resolution of members or special resolution of members;
- (b) the right to an equal share in any dividend paid by the Company; and
- (c) the right to an equal share in the distribution of the surplus assets of the Company.

1.5 Alteration of Memorandum of Association

The Company may by a special resolution of members alter its Memorandum of Association with respect to any objects, powers or other matters specified therein.

The Memorandum of Association is on display at the address specified in Appendix V in the section headed “Documents delivered to the Registrar of Companies and on display.”

2 ARTICLES OF ASSOCIATION

The Articles of Association were approved for adoption on November 27, 2024 which will take effect upon registration with the Registrar of Corporate Affairs in the BVI. A summary of certain provisions of the Articles of Association is set out below.

2.1 Shares

(a) Variation of rights of existing shares or classes of shares

If at any time the authorized shares of the Company are divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the BVI Business Companies Act, be varied or abrogated either with the consent in writing of the holders of at least three-fourths (3/4) of the issued shares of that class, or with the approval of a resolution passed by at least three-fourths (3/4) of the votes cast by the holders of the shares of that class present and voting in person or by proxy at a separate meeting of such holders. In each such separate meeting all the provisions of the Articles of Association relating to general meetings shall apply *mutatis mutandis*, provided that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be two persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting at least one-third (1/3) of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(b) Alteration to the number of shares the Company is authorized to issue

The Company may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by resolution of members, increase the maximum number of shares the Company is authorized to issue.

The Company may from time to time by resolution of members cancel any shares which at the date of the passing of the resolution of members have not been taken or agreed to be taken by any person, and diminish the maximum number of shares the Company is authorized to issue by the number of shares so canceled subject to the provisions of the BVI Business Companies Act.

(c) Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer must be left at the registered office of the Company or at such other place as the Directors may appoint and all such instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) a fee of such maximum as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) has been paid to the Company;
- (b) the instrument of transfer is lodged with the Company accompanied by the certificate of the shares to which it relates (which shall upon registration of the transfer be canceled), and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do);
- (c) the instrument of transfer is in respect of only one (1) class of shares;
- (d) in the case of a transfer to joint holders, the number of joint holders to which the share is to be transferred does not exceed four (4);
- (e) the shares concerned are free from any lien in favor of the Company; and
- (f) if applicable, the instrument of transfer is properly stamped.

If the Directors refuse to register a transfer of any share, they shall, within two (2) months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on no less than ten (10) Business Days' notice (or on six (6) Business Days' notice in the case of a rights issue) being given by announcement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by resolution of members determine provided that such period shall not be extended beyond 60 days in any year).

(d) Power of the Company to purchase its own shares

The Company is empowered by the BVI Business Companies Act and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members by resolution of members as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as canceled upon the repurchase.

(e) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles of Association relating to the ownership of shares in the Company by a subsidiary.

(f) Calls on shares and forfeiture of shares

The Directors may, from time to time, make such calls as they think fit upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by installments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installments due in respect of such share or other monies due in respect thereof.

If a sum or any installment called in respect of a share is unpaid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 20% per annum, as the Directors may determine, but the Directors may waive payment of such interest in whole or in part.

If any call or installment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or installment as is unpaid, together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not earlier than the expiration of 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or installment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which, as at the date of forfeiture were payable by him to the Company in respect of the forfeited shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 20% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof as it thinks fit, and without being under any obligation to make any deduction or allowance for the value of the shares forfeited, as at the date of forfeiture.

2.2 Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Directors shall have power to appoint any person as a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment, and such Director shall then be eligible for re-election at the relevant meeting.

The Shareholders may by resolution of members remove any Director (including a managing director or other executive director) before the expiration of his period of office notwithstanding anything to the contrary in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by resolution of members appoint another person in his stead. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven (7) days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than ten (10) business days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified age limit for Directors.

The office of a Director shall be vacated if:

- (i) he resigns his office by notice in writing to the Company at its registered office or its principal place of business in Hong Kong;
- (ii) an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) he is removed from office by notice in writing served upon him signed by not less than three-fourths (3/4) in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) he shall be removed from office by a resolution of members under the Articles of Association.

Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the BVI Business Companies Act and the Memorandum of Association and the Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased authorized shares) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by resolution of members and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in relation to dividend, voting, return applicable to shares or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the BVI Business Companies Act and to any special rights

conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a resolution of members, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(c) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities expressly conferred upon them by the Articles of Association, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the BVI Business Companies Act expressly directed or required to be exercised or done by resolution of members, subject nevertheless to the provisions of the BVI Business Companies Act and of the Articles of Association and to any regulation from time to time made by resolution of members not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(d) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled amounts owing on the shares in the Company or any part thereof.

(e) Remuneration

The Directors shall be entitled to receive, by way of remuneration for their services, such sum as shall from time to time be determined by resolution of members or by the Directors, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of traveling to and from board meetings, committee meetings or general meetings or otherwise incurred while engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission, participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(f) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director or past Director is contractually or statutorily entitled) must first be approved by resolution of members.

(g) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h) Financial assistance to purchase shares

Subject to all applicable laws, the Company may give, directly or indirectly, by means of a loan, a guarantee, a gift, an indemnity, the provision of security or otherwise, financial assistance for the purpose of or in connection with a purchase or other acquisition made or to be made by any person of any shares or warrants in the Company or any company which is its holding company.

(i) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associate(s) (or, if required by the Listing Rules, his other associates) has/have any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving of any security or indemnity either: (i) to such Director or any of his close associates in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or (ii) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (ii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iii) any proposal concerning any other company in which the Director or his close associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his close associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his close associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his close associates is derived) or of the voting rights;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or (ii) any of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

2.3 Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world and may determine the quorum

necessary for the transaction of business. Questions arising at any meeting of the Directors shall be determined by a majority of votes, and in case of an equality of votes, the chairman of such meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and the Company's name

No alteration or amendment to the Memorandum of Association or the Articles of Association may be made except by special resolution of members, except the members may from time to time amend the Memorandum of Association or the Articles of Association to increase the maximum number of shares the Company is authorized to issue by resolution of members.

A change of name of the Company shall constitute an amendment of the Memorandum of Association and the Articles of Association, and may only be changed with the sanction of a special resolution of members.

2.5 Meetings of members

(a) Special resolution and resolution of members

A "special resolution of members" is defined in the Articles of Association as a resolution passed by a majority of not less than three-fourths (3/4) of the voting rights held by such members of the Company as, being entitled to do so, vote in person or, in the case of any member being a corporation, by its duly authorized representative(s) or, where proxies are allowed, by proxy(ies) at a general meeting of which notice specifying the intention to propose the resolution as a special resolution of members has been duly given and includes a special resolution of members approved in writing signed by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution of members so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

A "resolution of members" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of the members of the Company as, being entitled to do so, vote in person or, in the case of any member being a corporation, by its duly authorized representative(s) or, where proxies are allowed, by proxy(ies) at a general meeting held in accordance with the Articles of Association and includes a resolution of members approved in writing signed by all the members of the Company aforesaid.

(b) Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting where a show of hands is allowed, every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) shall have one (1) vote, and on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one (1) vote for each share registered in his name in the register of members of the Company.

All Shareholders of the Company (including a Shareholder which is a recognized clearing house (or its nominee(s))) shall have the right to (a) speak at a general meeting and

(b) vote at a general meeting except where a Shareholder is required by the Listing Rules to abstain from voting to approve the matter under consideration. Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one (1) of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one (1) of such joint holders be present at any meeting personally or by proxy, the person so present being the more or most senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be counted in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided on a poll, provided that the chairman of the general meeting may, in good faith, allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may appoint proxies or authorize such person or persons as it thinks fit to act as its representative(s), who enjoy rights equivalent to the rights of other Shareholders, at any meeting of the Company (including but not limited to general meetings and creditors meetings) or at any general meeting of any class of members of the Company provided that, if more than one (1) person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to the Articles of Association shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorization, including the right to speak and vote individually on a show of hands or on a poll.

(c) Annual general meetings

The Company shall hold a general meeting as its annual general meeting for each financial year, and such annual general meeting shall be held within six months after the end of the

Company's financial year (or such longer period as the Stock Exchange may authorize). The annual general meeting shall be specified as such in the notices calling it.

(d) Notice of meetings and business to be conducted

The board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened and resolutions shall be added to the agenda of a meeting on the written requisition of any member(s) deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that one or more such requisitionists held as at the date of deposit of the requisition in aggregate not less than one-tenth (1/10) of the voting rights (on a one vote per share basis) attached to the shares of the Company which carry the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one (1) member which is a recognized clearing house (or its nominee(s)) deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth (1/10) of voting rights (on a one vote per share basis) attached to the shares of the Company which carry the right of voting at general meetings of the Company.

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. Subject to the requirements under the Listing Rules, the notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place, agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution of members shall specify the intention to propose the resolution as a special resolution of members. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, if permitted by the Listing Rules, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or by their proxies; and
- (ii) in the case of any other meeting, by a majority in number of the members entitled to attend and vote thereat or by their proxies, being a majority together holding not less than 95% in nominal value of the shares having that right.

(e) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two (2) members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.1(a) above.

(f) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote on his behalf and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or such other form that complies with the Listing Rules as the Directors may from time to time approve, provided that it shall enable a member to instruct his proxy to vote in favor of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority on the proxy to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney authorized in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority, (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before

the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.6 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the BVI Business Companies Act.

The Directors shall from time to time determine whether, to what extent, at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the BVI Business Companies Act or any other relevant law or regulation or as authorized by the Directors or by the resolution of members.

The Directors shall cause to be prepared at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit and loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents referred above shall not less than 21 days before the date of an annual general meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Shareholders shall at every annual general meeting by resolution of members appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of a resolution of members. The remuneration of the auditors shall be fixed by the Shareholders by resolution of members at the annual general meeting at which they are appointed provided that in respect of any particular year the Company may by resolution of members delegate the fixing of such remuneration to the Directors.

2.7 Dividends and other methods of distribution

Subject to the BVI Business Companies Act and Articles of Association, the Directors may resolve to declare and pay dividends on the issued shares in the Company in any currency, if they are satisfied, on reasonable grounds, that immediately after the payment of the dividend, the value of the Company's assets will exceed its liabilities and the Company is able to pay its debts as they fall due.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes, no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company interim dividends. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

No dividend shall carry interest against the Company and no dividend shall be paid on treasury shares.

Whenever the Directors or the Company by resolution of members have resolved that a dividend be paid or declared on the shares in the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members entitled to such dividend shall be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by resolution of members resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by check or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every check or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk. The payment of any such check or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such checks for dividend entitlements or dividend warrants by post if such checks or warrants have been left uncashed on two (2) consecutive occasions. However, the Company may exercise its power to cease sending checks for dividend entitlements or dividend warrants after the first occasion on which such a check or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

All dividends or bonuses unclaimed for six (6) years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors, with the sanction of a resolution of members, may direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, or in one or more of such ways, and where any difficulty arises in relation to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.8 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on no less than ten (10) Business Days' notice (or on six (6) Business Days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed in accordance with the terms equivalent to the relevant section of the Companies Ordinance at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by resolution of members determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members of the Company held in Hong Kong shall during normal business hours (except when such register is closed in accordance with the terms equivalent to the relevant section of the Companies Ordinance and subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.9 Rights of the minorities in relation to fraud or oppression

There is no provision in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.10 Procedure on liquidation

The Company may, by special resolution of members, approve a liquidation plan and appoint a voluntary liquidator for the voluntary winding up of the Company in accordance with the BVI Business Companies Act.

If the Company shall be wound up, and the assets available for distribution among the members of the Company as such shall be insufficient to repay the whole of the amounts paid up on the issued

shares in the Company, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the amounts paid up on the issued shares in the Company, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution among the members of the Company shall be more than sufficient to repay the whole of the amounts paid up on the issued shares in the Company at the commencement of the winding up, the excess shall be distributed among the members of the Company in proportion to the amounts paid up on the issued shares in the Company at the commencement of the winding up on the shares held by them respectively. The foregoing applies without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of members and any other sanction required by the BVI Business Companies Act, divide among the members of the Company *in specie* or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the BVI Business Companies Act, shall think fit, provided that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.11 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if and provided that: (a) all checks or warrants, not being less than three (3) in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three (3) month period referred to in paragraph (d) below received any indication of the whereabouts or existence of the member of the Company; (c) during the 12-year period, at least three (3) dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member of the Company; and (d) upon expiry of the 12-year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares, and a period of three (3) months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company, and upon receipt by the Company of such net proceeds it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

3 BRITISH VIRGIN ISLANDS COMPANY LAW AND TAXATION

The Company operates subject to the laws of the BVI. Set out below is a summary of certain provisions of BVI company law and taxation, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of BVI company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Incorporation

The Company was incorporated in the BVI as a BVI business company under the BVI Business Companies Act on February 5, 2015. The Company is required to pay an annual fee to the Registrar of Corporate Affairs in the BVI which is based on the number of shares the Company is authorized to issue.

3.2 Shares

The concept of share capital does not apply to a BVI Business Company. A company limited by, or otherwise authorized to issue shares, shall state in its memorandum of association the maximum number (or that the company is authorized to issue an unlimited number of shares) and classes of shares that the company is authorized to issue. Companies may also divide their shares (including those shares already in issue) into a larger number of shares or consolidate them into a smaller number of shares in the same class or series, provided that the maximum number of shares the company is authorized to issue is not exceeded (where relevant). On any such division or combination of shares, the aggregate par value (if any) of the new shares must be equal to the aggregate par value (if any) of the original shares.

The directors of a company may, at their discretion, issue shares in registered or bearer form (although in order to issue bearer shares there must be an express authorization in the memorandum of association of the company and such bearer shares must be held by an approved custodian) for such consideration and on such terms as they may determine.

Shares can be issued for consideration in any form, provided that such consideration is not less than par value where the share is a par value share. Under the BVI Business Companies Act, the liability of a shareholder to the company, as shareholder, is limited to (i) any amount unpaid on a share held by the shareholder; (ii) any liability expressly provided for in the memorandum of association or articles of association of the company; and (iii) any liability to repay a distribution under section 58(1) of the BVI Business Companies Act (which relates to the recovery of a distribution made when a company did not satisfy the statutory solvency test).

If so authorized by its memorandum of association, a company can issue more than one class of shares and, if so, the memorandum of association must also specify the rights, privileges, restrictions and conditions which attach to each class of shares.

The BVI Business Companies Act provides that companies may issue redeemable shares, shares with no rights, limited rights or preferential rights to share in distributions, or shares with no or special or limited or conditional voting rights. They may also, subject to their memorandum of association and articles of association, issue bonus shares, partly or nil paid shares, and fractional shares.

The BVI Business Companies Act provides that a company may purchase, redeem or otherwise acquire its own shares, either in accordance with the procedure set out in the BVI Business Companies Act, or any other procedure as provided for in the memorandum of association and articles of association of the company.

Shares that the Company purchases, redeems or otherwise acquires may be cancelled or held as treasury shares provided that the number of shares purchased, redeemed or otherwise acquired and held

as treasury shares, when aggregated with shares of the same class already held by the Company as treasury shares, may not exceed 50% of the shares of that class previously issued by the Company excluding shares that have been cancelled. Shares which have been cancelled shall be available for reissue.

Under the provisions in the BVI Business Companies Act, the directors may make an offer for the company to purchase, redeem or otherwise acquire shares in the company, provided that the offer is either (a) to all shareholders and would, if successful, leave the relative voting and distribution rights unaffected, or (b) to one or more shareholders and consented to in writing by all shareholders, or is otherwise permitted by the memorandum of association or articles of association. Where the offer is to one or more shareholders, the directors must pass a resolution to the effect that, in their opinion, the purchase, redemption or other acquisition would benefit the remaining shareholders, and the proposed offer is fair and reasonable to the company and the remaining shareholders.

Where an acquisition by a company of its own shares would be treated as a distribution, the conditions imposed on distributions (as set out in paragraph 3.4 below) must be met. The purchase, redemption or other acquisition by a company of its own shares is not deemed to be a distribution where it is effected pursuant to, *inter alia*, a right of a shareholder to have his shares redeemed or exchanged for money or other property of the company or where the share is redeemable at the option of the company.

3.3 Financial assistance

There is no statutory restriction in the BVI on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of due care, skill and diligence that they are acting in good faith, for a proper purpose and in the interests of the company, that such assistance can be given.

3.4 Dividends and distributions

The directors of a company may only declare a distribution by the company if they are satisfied, on reasonable grounds, that the company will, immediately after the distribution, satisfy the solvency test set out in section 56 of the BVI Business Companies Act. A company satisfies the solvency test if the value of its assets exceeds its liabilities and it is able to pay its debts as they fall due.

3.5 Shareholders' remedies

The BVI Business Companies Act has introduced a series of remedies available to shareholders. Where a company engages in activity which breaches the BVI Business Companies Act or the company's memorandum of association and articles of association, the court can issue a restraining or compliance order. Shareholders can also bring derivative, personal and representative actions under certain circumstances. The traditional English basis for shareholders' remedies has also been incorporated into the BVI Business Companies Act, namely where a shareholder of a company considers that the affairs of the company have been, are being or are likely to be conducted in a manner likely to be oppressive, unfairly discriminating or unfairly prejudicial to him, he may apply to the court for an order on such conduct.

3.6 Mergers and consolidations

Under the BVI Business Companies Act, two or more companies, each a “constituent company”, may merge or consolidate.

A merger involves merging two or more companies into one of the constituent companies that will remain as the surviving company and a consolidation involves two or more companies consolidating into a new company. Subject to the memorandum of association and articles of association of the company a merger or consolidation must be authorized by a resolution of shareholders of every class of shares entitled to vote on the merger or consolidation.

There are different procedures depending on the type of merger that is taking place. Under the BVI Business Companies Act, a merger may occur between any of the following:

- (a) two or more companies incorporated under the BVI Business Companies Act;
- (b) one or more companies incorporated under the BVI Business Companies Act and one or more companies incorporated under the laws of a jurisdiction outside the BVI, with the BVI company as the surviving entity;
- (c) one or more companies incorporated under the BVI Business Companies act and one or more companies incorporated under the laws of a jurisdiction outside the BVI, with the foreign company as the surviving entity;
- (d) a parent company and one or more of its subsidiaries where the companies are incorporated under the BVI Business Companies Act;
- (e) a parent company and one or more of its subsidiaries where one or more of the companies are incorporated under the BVI Business Companies Act, and one or more companies are incorporated under the laws of a jurisdiction outside the BVI, with the BVI company as the surviving entity; or
- (f) a parent company and one or more of its subsidiaries where one or more of the companies are incorporated under the BVI Business Companies Act, and one or more companies are incorporated under the laws of a jurisdiction outside the BVI, with the foreign company as the surviving entity.

Under the BVI Business Companies Act, a shareholder of a company is entitled to payment of the fair value of his shares upon dissenting from:

- (a) a merger, if the company is a constituent company, unless the company is the surviving company and the shareholder continues to hold the same or similar shares; or
- (b) a consolidation, if the company is a constituent company.

The BVI Business Companies Act sets out the procedures that must be followed in effecting dissenters’ rights. Ultimately, if the company and the dissenting shareholder fail to agree on the price to be paid for the shares owned by the dissenting shareholder, then the fair value of the shares owned by the dissenting shareholder shall be fixed by the appraisers in accordance with the BVI Business Companies Act.

3.7 Redemption of minority shares

Under the BVI Business Companies Act and subject to the memorandum of association or articles of association of a company, shareholders of a company holding 90% of the votes of the outstanding shares entitled to vote; and shareholders of a company holding 90% of the votes of the outstanding shares of each class of shares entitled to vote as a class, may give a written instruction to the company directing it to redeem the shares held by the remaining shareholders. Upon receiving this direction, the company must redeem the shares it has been directed to redeem and must give written notice to each shareholder stating the redemption price and the manner by which the redemption will be effected.

The shareholders having their shares compulsorily redeemed are entitled to receive fair value for their shares and may dissent from the compulsory redemption. The BVI Business Companies Act sets out the procedures that must be followed in effecting dissenters' rights. Ultimately, if the company and the dissenting shareholder fail to agree on the price to be paid for the shares owned by the dissenting shareholder, then the fair value of the shares owned by the dissenting shareholder shall be fixed by the appraisers in accordance with the BVI Business Companies Act.

3.8 Disposition of assets

Under the BVI Business Companies Act and subject to the memorandum of association or articles of association of a company, any sale, transfer, lease, exchange or other disposition, other than a mortgage, charge or other encumbrance or the enforcement thereof, of more than 50% in value of the assets of the company, if not made in the usual or regular course of the business carried on by the company, requires the approval of the shareholders.

The BVI Business Companies Act sets out the procedures that must be followed in relation to effecting such a disposal.

3.9 Accounting and auditing requirements

The BVI Business Companies Act requires that a company shall cause to be kept proper books of account that (a) are sufficient to show and explain the company's transactions; and (b) will, at any time, enable the financial position of the company to be determined with reasonable accuracy. Each company shall file a financial return containing certain financial information about the company to its registered agent on an annual basis.

3.10 Register of members

Under the BVI Business Companies Act, a company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside of the BVI, as its directors may, from time to time, think fit. However, either the register of members or a copy of the register of members of the company has to be kept at the office of its registered agent in the BVI.

There is no mandatory requirement under the BVI Business Companies Act for a company to make any filings of shareholders' information to the Registrar of Corporate Affairs in the BVI. The names and addresses of the shareholders are, accordingly, not a matter of public record and are not available for public inspection.

3.11 Register of directors

Under the BVI Business Companies Act, a company is required to file a copy of its register of directors with the Registrar of Corporate Affairs. The list of the names of the current directors of a company shall be made on display by any person upon payment of a fee by such person to the British Virgin Islands Financial Services Commission.

3.12 Inspection of books and records

Subject to the BVI Business Companies Act, a shareholder of a company will have general right under the BVI Business Companies Act to inspect or obtain copies of the register of members, the register of directors and minutes of meetings and resolutions of members and of those classes of members of which he is a member. However, subject to the company's memorandum of association and articles of association, the directors may, if they are satisfied that it would be contrary to the company's interests to allow a shareholder to inspect any document (or part of a document) refuse to permit the shareholder to inspect the document or limit the inspection of the document, including limiting the making of copies or the taking of extracts from the records.

3.13 Special resolutions

The BVI Business Companies Act does not define "special resolution". However, a company's memorandum of association and articles of association may make provisions for varying threshold levels of votes required to pass a resolution and require that certain matters may only be approved if passed by a certain percentage of votes.

3.14 Subsidiary owning shares in parent

The BVI Business Companies Act does not prohibit a BVI company acquiring and holding shares in its parent company. The directors of any subsidiary making such acquisition must discharge their duties of care and to act honestly and in good faith and in what the director believes to be in the best interests of the company.

Under the BVI Business Companies Act:

- (a) a director of a company that is a wholly-owned subsidiary may, when exercising powers or performing duties as a director, if expressly permitted to do so by the memorandum of association and articles of association of the company, act in a manner which he believes is in the best interests of that company's holding company even though it may not be in the best interests of the company;
- (b) a director of a company that is a subsidiary, but not a wholly-owned subsidiary, may, when exercising powers or performing duties as a director, if expressly permitted to do so by the memorandum of association or articles of association of the company and with the prior agreement of the shareholders, other than its holding company, act in a manner which he believes is in the best interests of that company's holding company even though it may not be in the best interests of the company; and
- (c) a director of a company that is carrying out a joint venture between the shareholders may, when exercising powers or performing duties as a director in connection with the carrying out of the joint venture, if expressly permitted to do so by the memorandum of association

or articles of association of the company, act in a manner which he believes is in the best interests of a shareholder or shareholders, even though it may not be in the best interests of the company.

3.15 Indemnification

BVI law in general does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, subject to the conditions set out in the BVI Business Companies Act (for example, the officer or director has acted honestly and in good faith and in what he believed to be in the best interests of the company and, in the case of criminal proceedings, that officer or director had no reasonable cause to believe that his conduct was unlawful).

3.16 Economic substance

The BVI enacted the Economic Substance (Companies and Limited Partnerships) Act 2018 (the "ES Act"), which became effective on January 1, 2019, and the International Tax Authority's (the "ITA") Rules on Economic Substance in the Virgin Islands (the "ITA's Rules"), containing rules and guidance relating to the interpretation of the ES Act and how the ITA will carry out its obligations. The ITA's Rules were first issued on October 9, 2019, were further updated on February 10, 2020 and again updated on February 23, 2023. A BVI company that is considered a "legal entity" that is conducting one or more of the nine "relevant activities" is required to comply with the economic substance requirements in relation to that relevant activity. A BVI company is required to report to the ITA, via its registered agent, on an annual basis under the Beneficial Ownership Secure Search Act 2017 to enable the ITA to monitor compliance with the economic substance requirements (as applicable).

3.17 Liquidation

A company is placed in liquidation either by an order of the court or by a resolution of directors or shareholders. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), to settle the list of creditors and to discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

3.18 Stamp duty on transfers

No stamp duty is payable in the BVI on transfers of shares of BVI companies incorporated or registered under the BVI Business Companies Act.

3.19 Taxation

Companies incorporated or registered under the BVI Business Companies Act are currently exempt from income and corporate tax. In addition, the BVI currently does not levy capital gains tax on companies incorporated or registered under the BVI Business Companies Act.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the BVI with respect to any shares, debt obligation or other securities of the Company.

3.20 Exchange controls

There are no foreign exchange controls or foreign exchange regulations under the currently applicable laws of the BVI.

4 GENERAL

Harney Westwood & Riegels, the Company's legal advisers on BVI law, have sent to the Company a letter of advice summarizing certain aspects of the BVI Business Companies Act. This letter, together with a copy of the BVI Business Companies Act, is on display as referred to in the paragraph headed "Documents on Display" in Appendix V. Any person wishing to have a detailed summary of BVI company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated under the laws of the BVI on February 5, 2015 as a BVI business company with limited liability. Upon our incorporation, the maximum number of shares we were authorized to issue was 2,500,000,000 shares with par value of US\$0.0001 each.

Our registered office address is at Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, VG 1110, British Virgin Islands. Accordingly, our Company's corporate structure and Memorandum and Articles are subject to the relevant laws of the BVI. A summary of our Memorandum and Articles is set out in Appendix III.

Our registered place of business in Hong Kong is at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on February 2, 2023 with the Registrar of Companies in Hong Kong. Ms. AU Wing Sze has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

2. Changes in the number of issued shares of our Company

There has been no alteration in the number of issued shares of our Company within the two years immediately preceding the date of this document.

3. Changes in the share capital of members of our Group

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 1 to the Accountants' Report as set out in Appendix I.

The following sets out the changes in the share or registered capital of our subsidiaries and operating entities our Group within the two years immediately preceding the date of this document:

Dmall Digital Europe Kft.

Dmall Digital Europe Kft. was established in Hungary on December 21, 2022 with a registered capital stock of HUF600.0 million.

Dmall Digital Philippines Inc.

Dmall Digital Philippines Inc. was established in the Philippines on December 11, 2023 with a authorised capital stock of PHP12.0 million.

Dmall Life Beijing

On December 13, 2023, the registered capital of Dmall Life Beijing was increased from RMB10.0 million to RMB1,666.0 million.

Dmall Life Network

On March 22, 2023, the registered share capital of Dmall Life Network was decreased from US\$213.0 million to US\$198.0 million.

On January 26, 2024, the registered share capital of Dmall Life Network was decreased from US\$198.0 million to US\$188.0 million.

On October 21, 2024, the registered share capital of Dmall Life Network was decreased from US\$188.0 million to US\$178.0 million.

Dmall Life Tianjin

Dmall Life Tianjin was established in the PRC on August 11, 2023 with a registered capital of RMB2.0 million.

Dmall (Ningbo) New Energy Technology Co., Ltd.

Dmall (Ningbo) New Energy Technology Co., Ltd. was established in the PRC on January 15, 2024 with a registered capital of RMB1.0 million.

Dmall Zhilian

On March 21, 2023, the registered capital of Dmall Zhilian was increased from RMB74.8 million to RMB168.3 million.

Retail Technology Asia

On September 22, 2023, the registered capital of Retail Technology Asia was increased from US\$43.1 million to US\$63.1 million.

Shenzhen Enjoy

On July 27, 2023, the registered capital of Shenzhen Enjoy was increased from RMB24.4 million to RMB25.0 million.

Shenzhen Firefly Circulation Information Technology Co., Ltd.

Shenzhen Firefly Circulation Information Technology Co., Ltd. was established in the PRC on January 22, 2024 with a registered capital of RMB3.0 million.

Save as disclosed above, there has been no alteration in the share capital of our subsidiaries and operating entities of our Group within the two years immediately preceding the date of this document.

4. Resolutions of our Shareholders dated November 27, 2024

Resolutions of our Shareholders were passed on November 27, 2024, pursuant to which, among others, conditional upon the conditions of the Global Offering (as set out in this document) being fulfilled:

- (a) the Memorandum and the Articles were approved and adopted effective conditional on and immediately prior to the Listing on the Listing Date;
- (b) the Global Offering, Listing and Over-allotment Option were approved, and our Directors were authorized to negotiate and agree the Offer Price and to allot and issue the Offer Shares (including pursuant to the Over-allotment Option);

- (c) a general mandate (the “**Sale Mandate**”) was granted to our Directors to allot, issue and deal with any Shares or securities convertible into Shares (including the resale or transfer of treasury shares by our Company) and to make or grant offers, agreements or options which would or might require Shares to be allotted, issued or dealt with, provided that the number of Shares so allotted, issued or dealt with or agreed to be allotted, issued or dealt with by our Directors, shall not exceed 20% of the total number of Shares in issue immediately following the completion of Global Offering;
- (d) a general mandate (the “**Repurchase Mandate**”) was granted to our Directors to repurchase our own Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the Global Offering;
- (e) the Sale Mandate was extended by the addition to the total number of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of the Shares purchased by our Company pursuant to the Repurchase Mandate, provided that such extended amount shall not exceed 10% of the total number of the Shares in issue immediately following completion of the Global Offering; and
- (f) each authorized and issued (if any) Preferred Shares be converted into one ordinary share of par value US\$0.0001 by re-designation and re-classification immediately before the Listing;

Each of the general mandates referred to above will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the BVI or the memorandum and the articles of association of our Company; and
- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

5. Explanatory statement on repurchase of our own securities

The following summarizes restrictions imposed by the Listing Rules on share repurchases by a company listed on the Stock Exchange and provides further information about the repurchase of our own securities.

Shareholders’ approval

A listed company whose primary listing is on the Stock Exchange may only purchase its shares on the Stock Exchange, either directly or indirectly, if: (i) the shares proposed to be purchased are fully-paid up, and (ii) its shareholders have given a specific approval or general mandate by way of an ordinary resolution of shareholders.

Size of mandate

The exercise in full of the Repurchase Mandate, on the basis of 886,690,124 Shares in issue immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no Shares are issued under the Share Incentive Plans), could accordingly result in up to approximately 88,669,012 Shares being repurchased by our Company.

The total number of shares which a listed company may repurchase on the Stock Exchange may not exceed 10% of the number of issued shares (excluding any treasury shares) as of the date of the shareholder approval.

Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

Source of funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles and the applicable Laws of the BVI.

Our Company shall not purchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

The Articles and the Laws of the BVI provide that our Company may not repurchase its own shares unless (i) the value of our Company's assets exceeds its liabilities, and (ii) our Company is able to pay its debts as they fall due.

Suspension of repurchase

A listed company shall not repurchase its shares on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the issuer to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), until the date of the results announcement, the company may not repurchase its shares on the Stock Exchange unless there are exceptional circumstances.

Trading restrictions

The number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the number of shares in issue (excluding treasury shares) as at the date of the shareholder approval. Our Company may not issue Shares, sell or

transfer treasury shares, or announce a proposed issue of Shares, or a sale or transfer of any treasury shares for a period of 30 days immediately following a repurchase of Shares without the prior approval of the Stock Exchange. Such restriction does not apply to (i) a new issue of Shares, or a sale or transfer of treasury shares under capitalization issue; (ii) a grant of share awards or options under a share scheme that complies with Chapter 17 of the Listing Rules or a new issue of Shares or a transfer of treasury shares upon vesting or exercise of shares awards or options under the share scheme that complies with Chapter 17 of the Listing Rules; and (iii) a new issue of Shares or a transfer of treasury shares pursuant to the exercise of warrants, share options or similar instruments requiring our Company to issue Shares or transfer treasury shares, which were outstanding prior to the purchase of its own Shares.

A listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

A listed company may not repurchase its shares if that repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

Status of repurchased shares

Our Company may cancel any repurchased Shares (upon which the certificates for such shares must be cancelled and destroyed) and/or hold them as treasury shares subject to, among others, market conditions and its capital management needs at the relevant time of the repurchases, which may change due to evolving circumstances. Shareholders and potential investors should pay attention to any announcement to be published by us in the future, including but without limitation, any next day disclosure return (which shall identify, amongst others, the number of repurchased Shares that are to be held as treasury shares or cancelled upon settlement of such repurchases).

The listing status of all Shares which are held as treasury shares will be retained. Our Company will ensure that treasury shares are appropriately identified and segregated. For any treasury shares deposited with CCASS pending resale on the Stock Exchange, our Company will ensure that it would not exercise any shareholders' rights or receive any entitlements which would otherwise be suspended under the relevant laws if those shares were registered in our Company's own name as treasury shares by, including but not limited to, obtaining an approval by the board of our Company that (i) our Company should procure its broker not to give any instructions to HKSCC to vote at general meetings for the treasury shares deposited with CCASS; and (ii) in the case of dividends or distributions, our Company should withdraw the treasury shares from CCASS, and either re-register them in its own name as treasury shares or cancel them, in each case before the record date for the dividends or distributions.

The listing status of all Shares which are purchased by our Company (whether on the Stock Exchange or otherwise) but not held as treasury shares shall be automatically cancelled upon repurchase. Our Company shall ensure that the documents of title of these repurchased Shares are cancelled and destroyed as soon as reasonably practicable following settlement of any such repurchase.

Close associates and core connected persons

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates have a present intention, in the event the Repurchase Mandate is approved, to sell any Shares to our Company.

No core connected person of our Company has notified our Company that they have a present intention to sell Shares to our Company, or have undertaken to do so, if the Repurchase Mandate is approved.

A listed company shall not knowingly purchase its shares on the Stock Exchange from a core connected person (namely a director, chief executive or substantial shareholder of the company or any of its subsidiaries, or a close associate of any of them), and a core connected person shall not knowingly sell their interest in shares of the company to it.

Takeover implications

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

General

If the Repurchase Mandate were to be carried out in full at any time, there may be a material adverse impact on our working capital or gearing position (as compared with the position disclosed in our most recent published audited accounts). However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would have a material adverse effect on our working capital or gearing position.

Our Directors have undertaken to the Stock Exchange to will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the BVI.

We have not made any repurchases of our Shares in the previous six months.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by any member of our Group within the two years immediately preceding the date of this document that are or may be material:










- (a) a termination agreement dated April 24, 2024 entered into among Shenzhen Xintonglu, Dmall Fresh (Beijing), Mr. Zhang and Ms. LU Yuxin, pursuant to which the parties agreed to terminate the contractual arrangements which permitted us to have effective control over Dmall Fresh (Beijing);
- (b) a cornerstone investment agreement dated November 22, 2024 entered into among our Company, DFI Development Holdings Limited, UBS Securities Hong Kong Limited, UBS AG Hong Kong Branch, CMB International Capital Limited, China Merchants Securities (HK) Co., Limited, CLSA Limited and China International Capital Corporation Hong Kong Securities Limited, pursuant to which DFI Development Holdings Limited agreed to subscribe for Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US\$39.06 million; and
- (c) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

Save as disclosed below, as of the Latest Practicable Date, there were no other trademarks, service marks, patents, intellectual property rights, or industrial property rights which are or may be material in relation to our business.

Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Registered Owner	Place of registration	Class	Registered Number	Expiry Date
1.	DmallLife	Dmall Life Digital	PRC	35	56379465	12/20/2031
2.	DMALLOS	Dmall Life Digital	PRC	9	54623926	10/27/2031
3.	DMALLOS	Dmall Life Digital	PRC	9	54620762	10/27/2031
4.	DMALLOS	Dmall Life Digital	PRC	42	54616716	10/27/2031
5.	DMALLOS	Dmall Life Digital	PRC	42	54601038	10/20/2031
6.		Dmall Life Digital	PRC	39*	53016254	8/27/2031
7.	DMALLOS	Dmall Life Digital	PRC	9	50070228	6/13/2031
8.	DMALL	Dmall Life Digital	PRC	39*	50068170	10/27/2031
9.		Dmall Life Digital	PRC	39*	50062596	10/6/2031
10.	多点	Dmall Life Digital	PRC	39*	50058553	10/20/2031
11.	DMALL	Dmall Life Digital	PRC	41	50054814	9/13/2031
12.	DMALLOS	Dmall Life Digital	PRC	42	50054285	5/27/2031
13.		Dmall Life Digital	PRC	35*	44106559	7/13/2031
14.		Dmall Life Digital	PRC	9*	44094300	6/13/2031
15.		Dmall Life Digital	PRC	39*	44104202	12/6/2030
16.	多点	Dmall Life Digital	PRC	37/29/45/ 38/9*/41/30/ 40/42/39*	17106722	3/6/2028
17.		Dmall Life Digital	PRC	39*/36	17102542	3/6/2028
18.	dmall	Dmall Life Digital	PRC	41/31/29/ 9*/37/39*/ 45/30/42/40	17099516	10/27/2027
19.		Dmall Life Digital	PRC	7	57102418	1/13/2032
20.	多点云	Dmall Life Digital	PRC	42	60690924	5/27/2032
21.		Dmall Life Network	PRC	7	20549170	12/20/2027
22.	多点	Dmall Life Network	PRC	7	20549174	12/6/2027
23.	dmall	Dmall Life Network	PRC	7	20549178	9/27/2027
24.		Dmall Life Digital	Hong Kong	35	305577968	3/28/2031
25.	DMALLOS	Dmall Life Digital	Hong Kong	42	305577959	3/28/2031
26.	DMALLOS	Dmall Life Digital	Cambodia	42	KH/T/2021/97571	4/2/2031
27.	DMALLOS	Dmall Life Digital	Singapore	42	40202107248R	3/26/2031

No.	Trademark	Registered Owner	Place of registration	Class	Registered Number	Expiry Date
28.	DMALL	Dmall Life Digital	European Union	42	18432328	3/19/2031
29.	DMALLOS	Dmall Life Digital	European Union	42	18720553	6/23/2032
30.	多点数智	Dmall Life Digital	European Union	9	018806200	12/8/2032
31.	多点数智	Dmall Life Digital	European Union	42	018806200	12/8/2032
32.	智守便利	Dmall Life Digital	PRC	38	72394167	12/20/2033

Note:

(1) We have granted Dmall Fresh (Beijing) a perpetual license to use these trademarks, along with other trademarks. Please refer to "Connected Transactions—Trademark Licensing Agreement."

Copyrights

As of the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

Software

No.	Copyright	Version	Registered owners	Registration number	Registration date
1	多點TMS-運輸系統	V1.0	Dmall (Shenzhen) Digital	2020SR0912236	8/12/2020
2	多點生鮮自動補貨平台	V1.0	Dmall (Shenzhen) Digital	2020SR0916645	8/12/2020
3	多點門店(倉庫)運營中心系統	V1.0	Dmall (Shenzhen) Digital	2020SR0917338	8/12/2020
4	多點流量中台系統	V1.0	Dmall (Shenzhen) Digital	2020SR0912957	8/12/2020
5	多點磅秤系統	V1.0	Dmall (Shenzhen) Digital	2020SR0917233	8/12/2020
6	多點虛擬便民系統	V2.1	Dmall (Shenzhen) Digital	2020SR0916708	8/12/2020
7	多點智能服務台系統	V1.0	Dmall (Shenzhen) Digital	2020SR0917632	8/12/2020
8	多點憑證系統	V1.0	Dmall (Shenzhen) Digital	2020SR0917359	8/12/2020
9	多點商家卡系統	V1.0.10	Dmall (Shenzhen) Digital	2020SR0917809	8/12/2020
10	多點研發管理平台	V1.0	Dmall (Shenzhen) Digital	2020SR0916652	8/12/2020
11	多點陳列系統	V2.0	Dmall (Shenzhen) Digital	2020SR0916312	8/12/2020
12	多點盤點系統	V3.0	Dmall (Shenzhen) Digital	2020SR0917247	8/12/2020
13	多點推薦系統	V3.0	Dmall (Shenzhen) Digital	2020SR0916701	8/12/2020
14	多點聲納系統	V1.0	Dmall (Shenzhen) Digital	2020SR0916305	8/12/2020
15	多點異業合作系統	V1.5.0	Dmall (Shenzhen) Digital	2020SR0916024	8/12/2020
16	多點來客安卓版軟件	V1.9.0	Dmall (Shenzhen) Digital	2022SR0092675	1/13/2022
17	多點加盟入駐系統	V1.0	Dmall (Shenzhen) Digital	2022SR0105509	1/17/2022
18	多點銷補合同系統V1.0	V1.0	Dmall (Shenzhen) Digital	2022SR0190087	1/29/2022
19	多點市調管理程序V2.2	V2.2	Dmall (Shenzhen) Digital	2022SR0180005	1/27/2022
20	多點選品規劃程序	V1.0	Dmall (Shenzhen) Digital	2022SR0363204	3/18/2022
21	多點退款管理系統	V2.0	Dmall (Shenzhen) Digital	2022SR0284039	2/28/2022
22	多點售後管理系統	V2.0	Dmall (Shenzhen) Digital	2022SR0284040	2/28/2022
23	多點採購管理系統	V1.0	Dmall (Shenzhen) Digital	2022SR0283952	2/28/2022
24	多點加盟商結算管理系統	V1.0	Dmall (Shenzhen) Digital	2022SR0272221	2/24/2022
25	多點商家監控系統	V1.0	Dmall (Shenzhen) Digital	2022SR0265020	2/23/2022
26	多點(DMALL)團購價格系統	V1.0	Dmall (Shenzhen) Digital	2022SR0252359	2/21/2022
27	多點外賣中台營銷活動系統	V1.0	Dmall (Shenzhen) Digital	2022SR0252360	2/21/2022
28	多點商品價格系統	V1.0	Dmall (Shenzhen) Digital	2022SR0252358	2/21/2022
29	多點(DMALL)代下單系統	V1.0	Dmall (Shenzhen) Digital	2022SR0252357	2/21/2022
30	多點智能購促銷系統	V3.0	Dmall (Shenzhen) Digital	2022SR0240541	2/17/2022
31	多點(DMALL)智能考勤系統	V1.0	Dmall (Shenzhen) Digital	2022SR0240542	2/17/2022
32	多點營銷限制商品名單系統	V2.0	Dmall (Shenzhen) Digital	2022SR0240528	2/17/2022
33	多點(DMALL)智能排班系統	V1.0	Dmall (Shenzhen) Digital	2022SR0241674	2/17/2022
34	多點開放平台	V1.0	Dmall (Shenzhen) Digital	2022SR0241675	2/17/2022
35	多點時效系統	V3.0.2	Dmall (Shenzhen) Digital	2022SR0240543	2/17/2022
36	多點價簽模板設計系統	V2.0.2	Dmall (Shenzhen) Digital	2022SR0192999	1/30/2022
37	多點供應商結算系統	V1.5	Dmall (Shenzhen) Digital	2022SR0190095	1/29/2022
38	多點線上庫存管理系統	V1.0	Dmall (Shenzhen) Digital	2022SR0381483	3/23/2022
39	多點生鮮報價程序	V2.2	Dmall (Shenzhen) Digital	2022SR0375352	3/22/2022
40	多點採購風控管理系統	V1.0	Dmall (Shenzhen) Digital	2022SR0369231	3/21/2022
41	多點 (Dmall) 雲平台系統	V3.0	Dmall (Shenzhen) Digital	2022SR0029303	1/6/2022
42	多點自營招商程序	V1.0	Dmall (Shenzhen) Digital	2022SR0375380	3/22/2022
43	多點營銷限制商品名單系統	V2.0	Dmall (Shenzhen) Digital	2022SR0240528	2/17/2022

No.	Copyright	Version	Registered owners	Registration number	Registration date
44	多點DMALL OS安卓版軟件	V1.4.9	Dmall (Shenzhen) Digital	2021SR0516948	4/9/2021
45	多點DMALL OS iOS版軟件	V1.5.0	Dmall (Shenzhen) Digital	2021SR1001882	7/7/2021
46	多點模板搭建平台	V1.0.2	Dmall (Shenzhen) Digital	2022SR1522303	11/17/2022
47	多點 (DMALL) 搜索質量監控平台	V1.0	Dmall (Shenzhen) Digital	2022SR1522304	11/17/2022
48	多點品牌家平台	V1.0	Dmall (Shenzhen) Digital	2022SR1628084	12/30/2022
49	多點支付管理系統	V1.0	Dmall (Shenzhen) Digital	2022SR1628085	12/30/2022
50	多點數據庫運維管理平台	V1.0	Dmall (Shenzhen) Digital	2022SR1628083	12/30/2022
51	多點 (DMALL OS) 開放平台	V1.0.1	Dmall (Shenzhen) Digital	2023SR0300325	3/3/2023
52	多點加盟資金管理系統	V1.0	Dmall (Shenzhen) Digital	2023SR0397995	3/27/2023
53	多點UniData資源管理控制管理系統	V1.0	Dmall (Shenzhen) Digital	2023SR0432990	4/3/2023
54	多點UniData數據探查後端管理系統	V1.0	Dmall (Shenzhen) Digital	2023SR0493996	4/23/2023
55	多點大牌購系統	V1.0	Dmall (Shenzhen) Digital	2023SR0518190	5/5/2023
56	多點易捷陽光招商平台	V1.0	Dmall (Shenzhen) Digital	2023SR0518191	5/5/2023
57	多點 (DMALL) 供應商合同系統	V1.0.0	Dmall (Shenzhen) Digital	2023SR0592905	6/7/2023
58	多點POS支付系統	V1.0.0	Dmall (Shenzhen) Digital	2023SR0592906	6/7/2023
59	多點優惠券管理系統	V2.0	Dmall (Shenzhen) Digital	2023SR0600391	6/8/2023
60	多點網上商城裝修系統	V1.0	Dmall (Shenzhen) Digital	2023SR0656653	6/14/2023
61	多點陳列任務執行系統	V1.0	Dmall (Shenzhen) Digital	2023SR0992057	8/30/2023
62	多點企微私域運營管理系統	V1.0	Dmall (Shenzhen) Digital	2023SR0986214	8/30/2023
63	多點壓力測試平台系統	V1.0.0	Dmall (Shenzhen) Digital	2023SR0986174	8/30/2023
64	多點自動補貨系統	V3.0	Dmall (Shenzhen) Digital	2023SR0986410	8/30/2023
65	多點支付促銷系統	V1.0	Dmall Life Network	2018SR242180	4/10/2018
66	多點揀貨後台系統	V1.1	Dmall Life Network	2016SR166541	7/4/2016
67	多點大數據集成平台	V1.0	Dmall Life Network	2022SR0703654	6/6/2022
68	多點智能風控引擎系統	V1.0.0	Dmall Life Network	2022SR0703621	6/6/2022
69	多點品牌營銷一體化系統	V1.0	Dmall Life Network	2022SR0703651	6/6/2022
70	多點自動化生產運力系統	V1.0	Dmall Life Network	2022SR0703620	6/6/2022
71	多點數據模型中心系統	V1.0	Dmall Life Network	2022SR0703622	6/6/2022
72	多點電子價籤系統	V1.0	Dmall Life Network	2022SR0703653	6/6/2022
73	多點物聯網平台	V3.0	Dmall Life Network	2022SR1354140	9/14/2022
74	多點能源管理系統	V1.0	Dmall Life Network	2022SR1354139	9/14/2022
75	多點數據管理服務平台	V2.0	Dmall Life Network	2022SR1396578	10/11/2022
76	多點全鏈路監控系統	V1.0	Dmall Life Network	2022SR1454985	11/3/2022
77	多點數據交換中心系統	V1.0	Dmall Life Network	2022SR1454984	11/3/2022
78	多點統一登錄與權限管理系統	V1.0	Dmall Life Network	2023SR0437774	4/4/2023
79	多點設備運維管理系統	V1.0	Dmall Life Network	2023SR0432989	4/4/2023
80	多點Dmall POS收銀系統	V2.3.7.0	Dmall Life Network	2023SR0784125	7/3/2023
81	多點網絡測試自動化處理軟件	V1.0	Dmall Life Network	2023SR0779275	7/3/2023
82	多點物流結算中心系統	V1.0	Dmall Life Network	2023SR0882192	8/2/2023
83	多點商家財務結算系統	V1.0	Dmall Life Network	2023SR1029409	9/7/2023
84	多點空位檢查系統	V1.0	Dmall Life Chengdu	2021SR1631350	11/4/2021
85	多點工作流系統	V1.0	Dmall Life Chengdu	2021SR1631349	11/4/2021
86	多點消息系統	V1.0	Dmall Life Chengdu	2021SR1631392	11/4/2021
87	多點地推RN版軟件	V4.0.0	Dmall Life Chengdu	2019SR1053744	10/17/2019
88	多點配送APP安卓版軟件	V3.1.8	Dmall Life Chengdu	2019SR1053083	10/17/2019
89	多點盤古揀貨App安卓版軟件	V5.1.3	Dmall Life Chengdu	2019SR1053078	10/17/2019
90	多點稽核App安卓版軟件	V1.3.5	Dmall Life Chengdu	2019SR1053072	10/17/2019
91	多點庫存中台系統	V1.0	Dmall Life Chengdu	2018SR1064267	12/25/2018
92	多點實時指標計算平台	V1.0	Dmall Life Chengdu	2018SR1064247	12/25/2018
93	多點隱號系統	V1.0	Dmall Life Chengdu	2018SR1067635	12/25/2018
94	多點商品分析 (蓋亞) 系統	V1.0	Dmall Life Chengdu	2018SR1065264	12/25/2018
95	多點自動補貨平台	V1.0	Dmall Life Chengdu	2018SR1065280	12/25/2018
96	多點數據大屏系統	V1.0	Dmall Life Chengdu	2018SR1064206	12/25/2018
97	多點接入網關平台	V1.0	Dmall Life Chengdu	2018SR1063917	12/25/2018
98	多點合同計費管理平台	V1.0	Dmall Life Chengdu	2018SR1063712	12/25/2018
99	多點智能存包櫃APP	V1.0.6	Dmall Life Chengdu	2021SR0643751	5/7/2021
100	多點物流倉儲管理系統	V1.0	Dmall Life Chengdu	2021SR0441003	3/24/2021
101	多點物流運輸管理系統	V1.0	Dmall Life Chengdu	2021SR0441041	3/24/2021
102	多點自助購APP	V1.9.8	Dmall Life Chengdu	2021SR0643750	5/7/2021
103	多點協同發佈平台	V1.0	Dmall Life Chengdu	2021SR1624343	11/3/2021
104	多點賣場補貨系統	V1.0	Dmall Life Chengdu	2021SR1624296	11/3/2021
105	多點巡檢系統	V1.0	Dmall Life Chengdu	2021SR1624342	11/3/2021
106	多點表單系統	V1.0	Dmall Life Chengdu	2021SR1624297	11/3/2021
107	多點報表開發系統	V1.0	Dmall Life Chengdu	2022SR1433322	10/31/2022
108	多點上傳中心系統	V1.0	Dmall Life Chengdu	2022SR1433323	10/31/2022
109	多點 (DMALL) 數據探查系統	V1.0	Dmall Life Chengdu	2023SR0467389	4/12/2023
110	多點數據庫服務平台系統	V2.0	Dmall Life Chengdu	2023SR0656860	6/14/2023
111	多點用例管理系統	V1.0	Dmall Life Chengdu	2023SR0656861	6/14/2023
112	當康智能稱重APP軟件	V1.0	Zhilian Wuhan	2021SR1434359	9/26/2021
113	微晟智能顯示屏嵌入式軟件	V1.0	Zhilian Wuhan	2021SR1441776	9/27/2021
114	微晟智能安防移動端管理平台	V1.0	Zhilian Wuhan	2021SR0512086	4/8/2021
115	生活莊園管理系統	V1.0	Zhilian Wuhan	2021SR1441359	9/27/2021
116	自助收銀機APP軟件	V1.0	Zhilian Wuhan	2021SR1434473	9/26/2021
117	風鈴軟件iOS App軟件	V1.0	Zhilian Wuhan	2021SR0482416	4/1/2021
118	陸吾安防系統平台	V1.0	Zhilian Wuhan	2021SR1441358	9/27/2021
119	智能訂單監控系統	V1.0	Zhilian Wuhan	2021SR1441532	9/27/2021
120	風鈴軟件Android App 軟件	V1.0	Zhilian Wuhan	2021SR0211836	2/7/2021
121	微晟設備管理服務Windows版軟件	V1.0	Zhilian Wuhan	2021SR1434472	9/26/2021

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Copyright	Version	Registered owners	Registration number	Registration date
122	微晨設備管理平台	V1.0	Zhilian Wuhan	2021SR0211837	2/7/2021
123	微晨廣告管理平台	V2.0	Zhilian Wuhan	2021SR0211872	2/7/2021
124	微晨無線通訊基站嵌入式軟件	V1.0	Zhilian Wuhan	2019SR0805064	8/2/2019
125	微晨智能手錶嵌入式軟件	V1.0	Zhilian Wuhan	2019SR0805047	8/2/2019
126	微晨智能視頻分析嵌入式軟件	V1.0	Zhilian Wuhan	2019SR0787951	7/30/2019
127	微晨基礎防損平台軟件	V1.0	Zhilian Wuhan	2019SR0784363	7/29/2019
128	微晨智能銀檯燈嵌入式軟件	V1.0	Zhilian Wuhan	2019SR0784354	7/29/2019
129	微晨智能安防網關適配器嵌入式軟件	V1.0	Zhilian Wuhan	2018SR766622	9/20/2018
130	微晨自助收銀機維護管理系統	V1.0	Zhilian Wuhan	2018SR658364	8/17/2018
131	微晨自助收銀防損系統(ios版)	V1.0	Zhilian Wuhan	2018SR653489	8/16/2018
132	微晨自助收銀防損系統(Android版)	V1.0	Zhilian Wuhan	2018SR653500	8/16/2018
133	微晨智能安防管理系統	V1.0	Zhilian Wuhan	2018SR576687	7/23/2018
134	微晨自助收銀防損系統H5軟件	V1.1	Zhilian Wuhan	2018SR541519	7/11/2018
135	微晨自助購OS系統	V1.1	Zhilian Wuhan	2018SR347107	5/16/2018
136	微晨智能雲掃碼盒管理平台	V1.0	Zhilian Wuhan	2021SR0512088	4/8/2021
137	多點採購主數據管理系統	V1.0	Dmall Life Chengdu	2022SR0310247	3/4/2022
138	多點(DMALL)信鴿系統	V1.0	Dmall Life Chengdu	2022SR0310246	3/4/2022
139	昂捷商戶通操作管理系統	V1.0	Shenzhen Enjoy	2021SR0875609	6/10/2021
140	昂捷場景化營銷系統	V1.0	Shenzhen Enjoy	2021SR1115671	7/28/2021
141	昂捷雲平台零售終端系統軟件	V1.0	Shenzhen Enjoy	2020SR1723274	12/3/2020
142	昂捷社區團購小程序	V1.0	Shenzhen Enjoy	2020SR1723273	12/3/2020
143	昂捷聚合支付平台軟件	V2.0	Shenzhen Enjoy	2019SR1221439	11/27/2019
144	昂捷供應商網上服務廳APP軟件	V1.0	Shenzhen Enjoy	2019SR1224383	11/27/2019
145	昂捷電子會員小程序軟件	V1.0	Shenzhen Enjoy	2019SR1210144	11/25/2019
146	昂捷掃碼購小程序軟件	V1.0	Shenzhen Enjoy	2019SR1210146	11/25/2019
147	昂捷珠寶行業B2B管理系統軟件	V1.0	Shenzhen Enjoy	2019SR0939154	9/10/2019
148	昂捷全渠道銷售管理信息系統	V1.0	Shenzhen Enjoy	2018SR1038420	12/19/2018
149	昂捷大會員平台管理系統軟件	V1.0	Shenzhen Enjoy	2017SR737790	12/27/2017
150	昂捷自助買單信息系統軟件	V1.0	Shenzhen Enjoy	2017SR737635	12/27/2017
151	昂捷閃電報表系統軟件	V1.0	Shenzhen Enjoy	2017SR634616	11/20/2017
152	昂捷跨平台零售終端系統軟件	V3.0	Shenzhen Enjoy	2016SR358024	12/7/2016
153	昂捷專營專賣行業管理信息系統軟件	V1.0	Shenzhen Enjoy	2016SR357994	12/7/2016
154	昂捷商戶網上服務廳系統軟件	V2.0	Shenzhen Enjoy	2016SR357990	12/7/2016
155	昂捷誠家電連鎖管理信息系統軟件	V2.0	Shenzhen Enjoy	2016SR342932	11/28/2016
156	管易通超市移動管理系統軟件	V1.0	Shenzhen Enjoy	2016SR074870	4/12/2016
157	捷誠百購管理系統軟件	V2.0	Shenzhen Enjoy	2016SR069211	4/6/2016
158	昂捷微商城系統軟件	V2.0	Shenzhen Enjoy	2016SR067053	4/1/2016
159	捷誠倉儲管理系統軟件	V2.0	Shenzhen Enjoy	2013SR148667	12/18/2013
160	昂捷珠寶行業管理信息系統軟件	V2.0	Shenzhen Enjoy	2013SR131569	11/25/2013
161	昂捷聰明報表系統軟件	V3.0	Shenzhen Enjoy	2012SR069525	8/1/2012
162	昂捷資材管理系統軟件	V2.0	Shenzhen Enjoy	2012SR069578	8/1/2012
163	昂捷辦公自動化系統軟件	V2.0	Shenzhen Enjoy	2012SR069576	8/1/2012
164	昂捷捷誠零售業管理信息系統軟件	V3.0	Shenzhen Enjoy	2012SR069574	8/1/2012
165	昂捷捷誠零售業管理信息系統軟件	V5.0	Shenzhen Enjoy	2008SR13212	7/11/2008
166	捷誠零售業管理信息系統	V2.0	Shenzhen Enjoy	2004SR10369	10/25/2004
167	昂捷比價寶軟件	V1.0	Shenzhen Enjoy Data Technology Co., Ltd	2019SR0391296	4/25/2019
168	昂捷多業態連鎖管理信息系統	V1.0	Shenzhen Enjoy	2022SR0068178	1/11/2022
169	昂捷智能POS零售收銀系統(EnjoyPOS4.0)	V1.0	Shenzhen Enjoy	2022SR0661609	5/27/2022
170	昂捷生鮮物流供應鏈系統	V1.0	Shenzhen Enjoy	2022SR1561701	11/23/2022
171	昂捷全渠道業務中後系統	V1.0	Shenzhen Enjoy	2022SR1561491	11/23/2022
172	昂捷顧客數字化運營系統	V1.0	Shenzhen Enjoy	2022SR1564403	11/23/2022
173	昂捷數e通平台	V1.0	Shenzhen Enjoy	2022SR1627462	12/29/2022
174	昂捷百購數字化管理系統	V1.0	Shenzhen Enjoy	2022SR1627345	12/29/2022
175	昂捷微商城H5系統軟件	V2.0	Shenzhen Enjoy	2023SR1686894	12/19/2023
176	昂捷供應鏈管理系統	V5.0	Shenzhen Enjoy	2023SR1720080	12/21/2023
177	全渠道零售數字化經營管理系統	V1.0	Shenzhen Enjoy	2023SR1703837	12/20/2023
178	電子會員商戶端後台管理系統	V1.0	Wuhan Tianjiyuntu Technology Co., Ltd.	2019SR1332416	12/10/2019
179	掌新PDA作業後台管理系統	V1.0	Wuhan Tianjiyuntu Technology Co., Ltd.	2019SR1314402	12/9/2019
180	收貨分播秤管理系統	V1.0	Wuhan Tianjiyuntu Technology Co., Ltd.	2019SR1298519	12/6/2019
181	全渠道業務中台券管理系統	V1.0	Wuhan Tianjiyuntu Technology Co., Ltd.	2019SR1278113	12/4/2019
182	智能停車場線上平台報表系統	V1.0	Wuhan Tianjiyuntu Technology Co., Ltd.	2019SR1277734	12/4/2019
183	商超食品追溯系統	V1.0	Wuhan Tianjiyuntu Technology Co., Ltd.	2019SR1175646	11/20/2019
184	商超收銀POS軟件 (Android版)	V1.0	Wuhan Tianjiyuntu Technology Co., Ltd.	2019SR1175377	11/20/2019
185	品牌社區商城管理系統	V1.0	Wuhan Tianjiyuntu Technology Co., Ltd.	2019SR0907793	9/2/2019
186	電子儲值卡管理系統	V1.0	Wuhan Tianjiyuntu Technology Co., Ltd.	2019SR0908349	9/2/2019
187	企業人才社區管理系統	V1.0	Wuhan Tianjiyuntu Technology Co., Ltd.	2019SR0897446	8/29/2019

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Copyright	Version	Registered owners	Registration number	Registration date
188	自助收銀POS系統	V1.0	Wuhan Tianjiyuntu Technology Co., Ltd.	2019SR0897979	8/29/2019
189	全渠道業務中台管理系統	V1.0	Wuhan Tianjiyuntu Technology Co., Ltd.	2019SR0082839	1/23/2019
190	智能雲POS系統	V2.0	Wuhan Tianjiyuntu Technology Co., Ltd.	2018SR895335	11/8/2018
191	電子收銀秤POS系統	V2.0	Wuhan Tianjiyuntu Technology Co., Ltd.	2018SR895039	11/8/2018
192	掌新無線手持PDA作業系統	V1.0	Wuhan Tianjiyuntu Technology Co., Ltd.	2018SR890204	11/7/2018
193	雲圖移動支付對賬平台	V3.0	Wuhan Tianjiyuntu Technology Co., Ltd.	2017SR232934	6/5/2017
194	雲圖微信管理系統	V3.0	Wuhan Tianjiyuntu Technology Co., Ltd.	2017SR226450	6/2/2017
195	雲圖移動會員營銷系統	V2.0	Wuhan Tianjiyuntu Technology Co., Ltd.	2017SR226292	6/2/2017
196	雲圖移動POS收銀系統	V2.0	Wuhan Tianjiyuntu Technology Co., Ltd.	2017SR221113	6/1/2017
197	雲圖客服管理系統	V3.0	Wuhan Tianjiyuntu Technology Co., Ltd.	2017SR221084	6/1/2017
198	雲圖運籌移動報表系統	V1.0	Wuhan Tianjiyuntu Technology Co., Ltd.	2017SR221072	6/1/2017
199	雲圖企業號管理系統	V2.0	Wuhan Tianjiyuntu Technology Co., Ltd.	2017SR220809	6/1/2017
200	雲圖購物商城管理系統	V3.0	Wuhan Tianjiyuntu Technology Co., Ltd.	2017SR220458	6/1/2017
201	多點陸吾夜收助手小程序軟件	V2.4	Dmall Zhilian	2023SR0397994	3/27/2023
202	多點陸吾安防APP軟件	V2.0	Dmall Zhilian	2023SR0451764	4/7/2023
203	多點智守便利店小程序軟件	V1.0	Dmall Zhilian	2023SR0451765	4/7/2023
204	多點精衛物聯網平台	V1.0	Dmall Zhilian	2023SR0566450	5/25/2023
205	多點智能秤APP	V1.0	Dmall Zhilian	2023SR0566451	5/25/2023
206	多點微晨任務平台	V1.0	Dmall Zhilian	2023SR0660289	6/14/2023
207	多點智守(門店端)軟件	V1.0	Dmall Zhilian	2023SR0861333	7/20/2023
208	多點智守便利店Web端軟件	V2.0	Dmall Zhilian	2023SR0861334	7/20/2023
209	多點購物車智能鎖系統	V1.0	Dmall Zhilian	2023SR0766676	6/30/2023
210	多點當康智能秤Web端系統	V2.0	Dmall Zhilian	2023SR1122014	9/20/2023
211	多點全程跟蹤與監控系統	V2.0.0	Dmall Zhilian	2023SR1088887	9/18/2023
212	多點現金管理系統	V1.0	Dmall Zhilian	2023SR1097963	9/19/2023
213	多點智能信發系統	V1.2.0	Dmall Zhilian	2023SR1090087	9/18/2023
214	多點貨架監測算法應用系統	V2.8	Dmall Zhilian	2023SR1278376	10/23/2023
215	多點鷹眼補貨任務系統	V1.1.0	Dmall Zhilian	2023SR1367146	11/2/2023
216	多點值守終端控制應用系統	V1.4	Dmall Zhilian	2024SR0123662	1/18/2024
217	多點(DMALL)缺陷管理平台	V1.0.0	Dmall Life Wuhan	2023SR0848023	7/18/2023
218	多點隱私數據管理系統	V1.0	Dmall Life Wuhan	2023SR0848022	7/18/2023
219	多點補貨參數配置軟件	V1.0	Dmall Life Wuhan	2023SR1254640	10/18/2023
220	多點供商協同平台	V1.0	Dmall Life Wuhan	2023SR1245846	10/17/2023
221	多點DSD問題工單管理系統	V1.0	Dingmo Shanghai	2023SR1138709	9/22/2023
222	多點(DMALL)三方對賬平臺系統	V2.0	Dmall (Shenzhen) Digital	2024SR0677930	5/20/2024
223	多點NPS調研系統	V1.0	Dmall (Shenzhen) Digital	2024SR0731169	5/29/2024
224	多點OS網關系統	V1.0	Dmall (Shenzhen) Digital	2024SR0731170	5/29/2024
225	多點陳列圖管理系統	V3.0	Dmall (Shenzhen) Digital	2024SR0677932	5/20/2024
226	多點派樣機系統	V1.0	Dmall (Shenzhen) Digital	2024SR0731163	5/29/2024
227	多點日志平臺	V1.1.0	Dmall (Shenzhen) Digital	2024SR0731146	5/29/2024
228	多點數據庫自助(DBSS)平臺	V1.0	Dmall (Shenzhen) Digital	2024SR0731158	5/29/2024
229	多點問題診斷中心系統	V1.0	Dmall (Shenzhen) Digital	2024SR0731140	5/29/2024
230	多點線上零售系統	V1.0.0	Dmall (Shenzhen) Digital	2024SR0731148	5/29/2024
231	多點移動收銀軟件(RN版)	V1.0	Dmall (Shenzhen) Digital	2024SR0731150	5/29/2024
232	多點移動收銀軟件	V1.0.74	Dmall (Shenzhen) Digital	2024SR0731156	5/29/2024
233	多點預付卡系統	V1.0	Dmall (Shenzhen) Digital	2024SR0731166	5/29/2024
234	多點雲管理平臺(multi-cloud)	V3.0	Dmall (Shenzhen) Digital	2024SR0731161	5/29/2024
235	多點贈品派發平臺	V1.0	Dmall (Shenzhen) Digital	2024SR0731172	5/29/2024
236	多點掌中寶支付系統	V1.0	Dmall (Shenzhen) Digital	2024SR0731167	5/29/2024
237	多點真機雲測試平臺	V1.0	Dmall (Shenzhen) Digital	2024SR0731162	5/29/2024
238	多點支付系統	V1.0	Dmall (Shenzhen) Digital	2024SR0731164	5/29/2024
239	多點智慧收銀系統	V1.1.1.0	Dmall (Shenzhen) Digital	2024SR0731160	5/29/2024
240	掌中寶APP(安卓版)	V1.0.14	Dmall (Shenzhen) Digital	2024SR0731174	5/29/2024

Design

No.	Copyright	Registered owners	Registration number	Registration date
1.	多點數字零售操作系統 (DMALLOS) 品牌標識	Dmall Life Network	國作登字-2021-F-00096985	4/30/2021
2.	多點小D表情包	Dmall Life Network	國作登字-2021-F-00036294	2/10/2021
3.	多點吉祥物—小D	Dmall Life Network	國作登字-2020-F-01068938	7/28/2020
4.	多點logo與口號結合標準字	Dmall Life Network	國作登字-2020-F-00926009	3/24/2020
5.	多點廣告語：逛超市用多點標準字	Dmall Life Network	國作登字-2020-F-00926008	3/24/2020
6.	多點logo標準組合形式	Dmall Life Network	國作登字-2020-F-00926007	3/24/2020
7.	多點logo標準圖形	Dmall Life Network	國作登字-2020-F-00926004	3/24/2020
8.	多點標準字	Dmall Life Network	國作登字-2020-F-00926005	3/24/2020
9.	dmall標準字	Dmall Life Network	國作登字-2020-F-00926006	3/24/2020
10.	多點吉祥物生鮮家族形象	Dmall Life Network	國作登字-2019-F-00841017	11/14/2019
11.	多點吉祥物	Dmall Life Network	國作登字-2017-F-00481300	7/13/2017
12.	多點生活 (中國) 網絡科技有限公司標誌	Dmall Life Network	國作登字-2017-F-00479357	7/5/2017

Patents

As of the Latest Practicable Date, we had registered the following invention related patents which we consider to be or may be material to our business:

No.	Patent	Patentee	Place of registration	Publication number	Registration date
1.	購物車智能鎖數據傳輸加密方法	Dmall (Shenzhen) Digital	PRC	CN111260829B	12/28/2021
2.	考勤信息生成方法裝置、計算機設備和可讀存儲介質	Dmall (Shenzhen) Digital	PRC	CN112734962B	12/2/2022
3.	開關門控制方法、裝置、終端設備和計算機介質	Dmall (Shenzhen) Digital	PRC	CN113216790B	12/2/2022
4.	手機的多點金收取展示動態圖形用戶界面	Dmall (Shenzhen) Digital	PRC	CN306907552S	10/29/2021
5.	用於手機的購物卡贈送彈窗展示圖形用戶界面	Dmall (Shenzhen) Digital	PRC	CN306907524S	10/29/2021
6.	顯示屏幕面板的雙首頁切換圖形用戶界面	Dmall (Shenzhen) Digital	PRC	CN306893525S	10/22/2021
7.	顯示屏幕面板的榜單快捷入口圖形用戶界面	Dmall (Shenzhen) Digital	PRC	CN307019191S	12/21/2021
8.	一種具有重力感應導物機構的派樣機	Dmall (Shenzhen) Digital	PRC	CN214540901U	10/29/2021
9.	帶有結算功能圖形用戶界面的手機	Dmall (Shenzhen) Digital	PRC	CN306722043S	7/30/2021
10.	帶有掃碼購物的圖形用戶界面的手機	Dmall (Shenzhen) Digital	PRC	CN306550752S	5/18/2021
11.	帶自助結帳圖形用戶界面的手機	Dmall (Shenzhen) Digital	PRC	CN306579565S	6/1/2021
12.	帶有掃碼圖形用戶界面的顯示屏幕面板	Dmall (Shenzhen) Digital	PRC	CN306550882S	5/18/2021
13.	帶購物流程圖形用戶界面的收銀機 (MiNi 購)	Dmall (Shenzhen) Digital	PRC	CN306512389S	5/4/2021
14.	自助購物機的購物流程圖形用戶界面	Dmall (Shenzhen) Digital	PRC	CN306551769S	5/18/2021
15.	帶個人中心版本更新展示圖形用戶界面的手機	Dmall (Shenzhen) Digital	PRC	CN306550731S	5/18/2021
16.	基於物聯網的購物車智能鎖系統	Dmall (Shenzhen) Digital	PRC	CN111223213B	7/9/2021
17.	一種脫離服務器可二次編程的可視化業務搭建系統	Dmall (Shenzhen) Digital	PRC	CN113126979B	3/25/2022
18.	一種購物車智能鎖控制電路結構	Dmall (Shenzhen) Digital	PRC	CN211454678U	9/8/2020
19.	智能鎖	Dmall (Shenzhen) Digital	PRC	CN305731921S	4/24/2020
20.	打孔夾具	Dmall (Shenzhen) Digital	PRC	CN305857639S	6/19/2020
21.	一種手推車打孔夾具	Dmall (Shenzhen) Digital	PRC	CN211758717U	10/27/2020
22.	一種智能鎖用解鎖機構	Dmall (Shenzhen) Digital	PRC	CN211691890U	10/16/2020
23.	收銀系統和無人超市	Dmall (Shenzhen) Digital	PRC	CN210804651U	6/19/2020
24.	一種智能鎖	Dmall (Shenzhen) Digital	PRC	CN211448146U	9/8/2020
25.	一種具有秤盤清潔裝置的 AI 電子秤	Dmall (Shenzhen) Digital	PRC	CN216524320U	5/13/2022
26.	一種攝像角度可調節的電子秤	Dmall (Shenzhen) Digital	PRC	CN216524335U	5/13/2022
27.	一種用於派樣機取貨倉的防夾設備	Dmall (Shenzhen) Digital	PRC	CN215416806U	1/4/2022
28.	一種具有固定結構的AI電子秤	Dmall (Shenzhen) Digital	PRC	CN215573304U	1/8/2022
29.	一種方便更換秤盤的防水型AI電子秤	Dmall (Shenzhen) Digital	PRC	CN215811203U	2/11/2022
30.	桌面支架 (TPS700P)	Dmall (Shenzhen) Digital	PRC	CN307338409S	5/13/2022
31.	帶智能稱重圖形用戶界面的顯示屏幕面板	Dmall (Shenzhen) Digital	PRC	CN307448499S	7/12/2022
32.	自助收銀機 (稱重收銀自助一體機)	Dmall (Shenzhen) Digital	PRC	CN307544484S	9/13/2022
33.	收銀台 (通道式)	Dmall (Shenzhen) Digital	PRC	CN307952814S	4/7/2023
34.	帶有水滴動態圖形用戶界面的手機	Dmall (Shenzhen) Digital	PRC	CN307978864S	4/14/2023
35.	一種HTML5頁面實時監測的方法	Dmall (Shenzhen) Digital	PRC	CN113076234B	7/12/2022
36.	設備性能測試方法、裝置、終端設備	Dmall (Shenzhen) Digital	PRC	CN113282471B	9/27/2022
37.	一種文本分詞方法、裝置、儲存介質及電子設備	Dmall (Shenzhen) Digital	PRC	CN113177410B	4/25/2023
38.	信息查詢方法、裝置、設備和計算機可讀介質	Dmall (Shenzhen) Digital	PRC	CN112949326B	5/5/2023
39.	一種基於實體預付卡的防盜刷方法	Dmall (Shenzhen) Digital	PRC	CN113205642B	4/14/2023
40.	一種帶自助商品稱重的自助結算機	Dmall (Shenzhen) Digital	PRC	CN217586029U	10/14/2022
41.	具有發票查找功能的掃描儀	Dmall (Shenzhen) Digital	PRC	CN219046508U	5/19/2023
42.	一種具有彈性觸發裝置的自助收銀機	Dmall (Shenzhen) Digital	PRC	CN218866571U	4/14/2023
43.	一種可人工服務與自助服務相互切換的通道式收銀裝置	Dmall (Shenzhen) Digital	PRC	CN218866565U	4/14/2023
44.	一種生成並上傳SVG雪碧圖的方法	Dmall (Shenzhen) Digital	PRC	CN112989242B	6/13/2023
45.	一種通過超市中局域網下載應用包的方法	Dmall (Shenzhen) Digital	PRC	CN111988750B	6/13/2023
46.	一種短鏈接生成方法、裝置、服務器和計算機可讀介質	Dmall (Shenzhen) Digital	PRC	CN113254813B	7/18/2023
47.	一種基於無監督學習的實體卡異常綁卡報警的方法	Dmall (Shenzhen) Digital	PRC	CN112070225B	10/10/2023
48.	帶有連續掃碼錄入商品用戶界面的手機	Dmall (Shenzhen) Digital	PRC	CN308250583S	9/29/2023
49.	帶有商品圖縮小至頂導航圖形用戶界面的手機	Dmall (Shenzhen) Digital	PRC	CN308256377S	10/3/2023
50.	信息顯示方法、終端設備	Dmall (Shenzhen) Digital	PRC	CN111950863B	9/12/2023
51.	風險群體的預測方法、裝置、計算機設備及存儲介質	Dmall (Shenzhen) Digital	PRC	CN111401959B	9/29/2023

No.	Patent	Patentee	Place of registration	Publication number	Registration date
52.	一種具有商品稱重的自助結算機	Dmall (Shenzhen) Digital	PRC	CN220252662U	12/26/2023
53.	一種可人工服務與自助服務互換式收銀系統及其實現方法	Dmall (Shenzhen) Digital	PRC	CN115471935B	12/26/2023
54.	顯示屏幕面板的庫存結構分析圖形用戶界面	Dmall (Shenzhen) Digital	PRC	CN308369720S	12/12/2023
55.	貨架陳列反饋方法和裝置	Dmall (Shenzhen) Digital	PRC	CN111860462B	2/20/2024
56.	用於檢索樹形數據的方法、裝置、服務器和介質	Dmall (Shenzhen) Digital	PRC	CN112000667B	4/12/2024
57.	排班信息生成方法、裝置、電子設備和計算機可讀介質	Dmall (Shenzhen) Digital	PRC	CN113743807B	3/5/2024
58.	置物台 (自助結算機)	Dmall (Shenzhen) Digital	PRC	CN308516056S	3/19/2024
59.	一種二維碼防盜用方法、裝置、設備和介質	Dmall Zhilian	PRC	CN113792565B	2/18/2022
60.	一種基於氣壓檢測的防拆結構及其控制方法	Zhilian Wuhan	PRC	CN113250931B	10/15/2021
61.	通道監測方法、裝置、電子設備及介質	Zhilian Wuhan	PRC	CN112633262B	5/11/2021
62.	防損燈桿 (L5守衛者)	Zhilian Wuhan	PRC	CN306361008S	3/2/2021
63.	自助收銀機 (W6大白鯊)	Zhilian Wuhan	PRC	CN306156183S	11/6/2020
64.	自助收銀機	Zhilian Wuhan	PRC	CN305655795S	3/24/2020
65.	一種多功能自主收銀防損裝置	Zhilian Wuhan	PRC	CN210961290U	7/10/2020
66.	一種智能自主購一體機	Zhilian Wuhan	PRC	CN210600905U	5/22/2020
67.	智能警報燈	Zhilian Wuhan	PRC	CN304929500S	12/4/2018
68.	自助收銀機	Zhilian Wuhan	PRC	CN305119972S	4/19/2019
69.	一種加密數據存儲器、一種防拆檢測結構、方法及設備	Zhilian Wuhan	PRC	CN116226944B	8/4/2023
70.	一種基於O2O模式的配送調度方法及調度系統	Dmall Life Network	PRC	CN105260873B	2/26/2021
71.	顯示屏支架	Dmall Life Network	PRC	CN308232692S	9/19/2023
72.	智能感知貨架	Dmall Life Network	PRC	CN308233195S	9/19/2023
73.	顯示器支架	Dmall Life Network	PRC	CN308220726S	9/12/2023
74.	燈桿	Dmall Life Network	PRC	CN308384067S	12/19/2023
75.	用於商品營銷自動化配置的圖形用戶界面	Dmall Life Chengdu	PRC	CN308464883S	2/9/2024
76.	證書驗證方法、裝置及系統	Dmall Life Chengdu	PRC	CN109379371B	11/23/2021
77.	服務調用方法、服務調用裝置及中心服務器	Dmall Life Chengdu	PRC	CN109324914B	6/22/2021
78.	中間號管控方法和中間號管控裝置	Dmall Life Chengdu	PRC	CN109005301B	10/13/2020
79.	服務熔斷控制方法、服務熔斷控制裝置和服務器集群	Dmall Life Chengdu	PRC	CN109766210B	4/22/2022
80.	數據展示方法及裝置	Dmall Life Chengdu	PRC	CN109688134B	4/1/2022
81.	接入工作流的優化方法、裝置、電子設備和可讀存儲介質	Dmall Life Chengdu	PRC	CN113435669B	10/28/2022
82.	灰度升級的方法、裝置、電子設備和可讀存儲介質	Dmall Life Chengdu	PRC	CN113282326B	5/16/2023
83.	車輛啟動控制方法和裝置	Dmall Life Chengdu	PRC	CN113438280B	2/17/2023
84.	藍牙網關	Dmall Life Chengdu	PRC	CN307082959S	1/25/2022
85.	帶有自助掃碼結算的圖形用戶界面的手機	Dmall Life Chengdu	PRC	CN307192133S	3/22/2022
86.	用於智能秤屏幕的功能運行動態圖形用戶界面	Dmall Life Chengdu	PRC	CN307191789S	3/22/2022
87.	帶霧氣動態圖形用戶界面的手機	Dmall Life Chengdu	PRC	CN307543778S	9/13/2022
88.	用於顯示屏幕面板的軟件編譯部署的圖形用戶界面	Dmall Life Chengdu	PRC	CN307978967S	4/14/2023
89.	藍牙網關設備及系統	Dmall Life Chengdu	PRC	CN218734344U	3/24/2023
90.	一種大數據平台SQL任務執行引擎智能自動切換的方法	Dmall Life Chengdu	PRC	CN113641487B	6/13/2023
91.	一種基於SQL的海量數據計算開發的調試方法	Dmall Life Chengdu	PRC	CN113641572B	6/13/2023
92.	一種通用的支付渠道對接方法	Dmall Life Chengdu	PRC	CN113837739B	6/13/2023
93.	信息發送方法、裝置、電子設備和計算機可讀介質	Dmall Life Chengdu	PRC	CN114928574B	6/13/2023
94.	實時流數據存儲方法、裝置、終端設備	Dmall Life Chengdu	PRC	CN113568936B	6/13/2023
95.	物品品牌方的確定方法、裝置及服務器	Dmall Life Chengdu	PRC	CN113836916B	6/20/2023
96.	數據處理方法和裝置、服務端設備及存儲介質	Dmall Life Chengdu	PRC	CN113342785B	6/27/2023
97.	物品陳列方法、裝置、電子設備和可讀介質	Dmall Life Chengdu	PRC	CN113837694B	6/30/2023
98.	一種門店終端離線通用實現方法	Dmall Life Chengdu	PRC	CN113641392B	8/15/2023
99.	一種基於零代碼的多接口鑒權訪問方法	Dmall Life Chengdu	PRC	CN114760127B	10/3/2023
100.	一種網關動態限流方法及其構成的實時限流方法	Dmall Life Chengdu	PRC	CN114745328B	12/26/2024
101.	配送車輛啟動控制方法、裝置、終端設備和計算機介質	Dmall Life Chengdu	PRC	CN113657968B	2/27/2024
102.	一種數據處理方法、裝置、電子設備及存儲介質	Dmall Life Chengdu	PRC	CN113836579B	4/9/2024
103.	錄製調用動態Mock的錄製回放增強方法和裝置	Dmall Life Chengdu	PRC	CN114553929B	4/12/2024
104.	帶商品大數據體驗圖形用戶界面的顯示屏幕麵包	Dmall Life Chengdu	PRC	CN308546863S	3/29/2024
105.	帶物流信息圖形用戶界面的顯示屏幕面板	Dmall Life Wuhan	PRC	CN307569971S	9/27/2022
106.	顯示屏幕面板的用戶簽到動態圖形用戶界面	Dmall Life Wuhan	PRC	CN307819746S	1/31/2023
107.	內外系統的信息配置方法、裝置、電子設備和可讀存儲介質	Dmall Life Wuhan	PRC	CN114116067B	2/27/2024
108.	一種生鮮的供需管理方法、裝置、電子設備及存儲介質	Shenzhen Enjoy	PRC	CN115311005B	4/7/2023
109.	一種智慧果疏倉庫管理方法、裝置及電子設備	Shenzhen Enjoy	PRC	CN115271602B	6/20/2023

Domain names

As of the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner	Expiry Date
1	xmdmall.com	Beijing Xianmei Technology Service Co., Ltd.	3/24/2025*
2	easydcloud.cn	Dmall (Shenzhen) Digital	8/16/2025
3	easydcloud.com	Dmall (Shenzhen) Digital	8/16/2025
4	dmall.com	Dmall (Shenzhen) Digital	4/15/2030
5	dmall.com.hk	DMALL HONG KONG LIMITED	8/14/2025
6	wesine.com.cn	Zhilian Wuhan	5/7/2025*
7	enjoydmp.com	Shenzhen Enjoy Data	2/22/2025*
8	pos99.com	Shenzhen Enjoy	8/9/2025
9	enjoyit.com.cn	Shenzhen Enjoy	9/10/2025
10	enjoyitcloud.com	Shenzhen Enjoy	9/11/2025

Note:

* The Company intends to renew such domain name in due time when it expires.

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors' service contracts and appointment letters

Executive Director

Our executive Director entered into a service contract with our Company on November 26, 2024. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of our Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

Non-executive Directors

Each of our non-executive Directors entered into an appointment letter with our Company either on October 24, 2023 or November 26, 2024. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of our Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

Independent non-executive Directors

Each of our independent non-executive Directors entered into an appointment letter with our Company on November 26, 2024. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of our Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

2. Remuneration of Directors

- (a) Save as disclosed above, none of our Directors has or is proposed to have a service contract with any member of our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).
- (b) The aggregate amount of emoluments granted to our Directors by our Group in 2023 was RMB4.1 million.
- (c) Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors by any member of our Group in respect of the year ending December 31, 2024 is approximately RMB4.9 million.

3. Disclosure of interests

Interests and short positions of our Directors in the shares of our Company or our associated corporations following completion of the Global Offering

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no Shares are issued under the Share

Incentive Schemes), the interests or short positions of our Directors and chief executives in the Shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

(i) Interest in Shares

Name of director	Nature of interest	Number of Shares	Approximate percentage of interest in our Company immediately after the Global Offering ⁽¹⁾
Mr. ZHANG Feng	Beneficial owner	6,900,000 (L) ⁽²⁾	0.78%
	Beneficiary of a trust	5,000,000 (L) ⁽³⁾	0.56%
Mr. CHEN Zhiyu	Beneficiary of a trust	3,698,734 (L) ⁽³⁾	0.42%

Notes:

- (1) Assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no Shares are issued under the Share Incentive Plans.
- (2) Represents Mr. Zhang's entitlement to receive up to 5,900,000 Shares pursuant to the exercise of options granted to him under the 2016 Share Incentive Plan and up to 1,000,000 Shares pursuant to the vesting of the RSUs granted to him under the 2016 Share Incentive Plan, subject to the conditions (including vesting conditions) of those options and RSUs.
- (3) Represents the Shares held by Vigorous Link Group Limited for Mr. Zhang and Mr. Chen, respectively. Vigorous Link Group Limited is a limited liability company incorporated under the laws of the BVI and is wholly-owned by a trust which holds Shares for the benefit of certain Directors, senior management and employees of our Group. Pursuant to the relevant trust arrangement, the exercise of the voting rights attached to all the Shares held by Vigorous Link Group Limited is ultimately directed and controlled by the Board.

Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO

For information, so far as is known to our Directors or chief executive, of each person, other than our Director or chief executive, who immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no Shares are issued under the Share Incentive Plans) will have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, is, directly or indirectly, interested in 10% or more of the issued voting shares of any class of shares of any other member of our Group, see "Substantial Shareholders."

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Global Offering and taking no account of any Shares which may be issued pursuant to the exercise of the options granted under the Share Incentive Plans, be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital or shares carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital.

D. SHARE INCENTIVE PLANS

1. 2016 Share Incentive Plan

The following is a summary of the principal terms of the 2016 Share Incentive Plan. After the Listing, the 2016 Share Incentive Plan will not involve the grant of any Awards (defined below) after Listing and will not be subject to Chapter 17 of the Listing Rules.

Purpose

The purpose of the 2016 Share Incentive Plan is to promote the success and enhance the value of our Company by linking the personal interests of the directors, senior management and employees to those of the Company's shareholders and by providing these individuals with incentives for outstanding performance.

Eligible participants

Those eligible to participate in the 2016 Share Incentive Plan include technology personnel, business personnel, members of middle-level management or senior management and any persons agreed on by the Board (the "**Participants**").

Types of awards

The 2016 Share Incentive Plan permits the awards of options ("**Options**") and restricted share units ("**RSUs**") (the "**Award**").

Scheme Limit

The overall limit on the number of Shares which may be issued pursuant to all Awards under the 2016 Plan (the "**Equity Incentive Pool**") is a maximum of 99,850,000 Shares, of which Options shall consist of 50,000,000 Shares and RSUs shall consist of 49,850,000 Shares.

Administration

The 2016 Share Incentive Plan shall be administered by Shareholders' meetings, or upon authorization by Shareholders' resolution, by the Board or other units of the Company so authorized. (the "**Administrator**"). Subject to the provisions thereunder, the Administrator shall have the authority in its sole discretion to, among others:

- (i) determine the list of Participants to whom Awards may be granted;
- (ii) determine the type of Award;
- (iii) determine the number of Shares to be covered by each Award;
- (iv) determine the vesting period, exercise period, and exercise price of each Award;
- (v) determine to cancel or rescind Awards which have been granted but not vested;
- (vi) determine the modification, suspension or termination of the 2016 Share Incentive Plan;
and
- (vii) any other matters related to the implementation of the 2016 Share Incentive Plan.

Grant of awards

Awards granted will be evidenced by an agreement (the "**Award Agreement**") between the Company and the Participant. The Award Agreement shall set forth the terms, conditions and limitations for each Award.

Terms and conditions of RSUs

(i) Grant of RSUs

The Administrator may, at any time and from time to time, grant RSUs to Participants as the Administrator, in its or his sole discretion, shall determine. The Administrator, in its or his sole discretion, shall determine the number of RSUs to be granted to each Participant.

(ii) Vesting period

The vesting period shall commence a year after the grant date. Provided that the grantee shall continue to be a full-time employee of the Company, 25% of the RSUs granted in the Award shall vest in the grantee upon the second anniversary of the grant date and every anniversary of the same thereafter.

(iii) Acceleration

If there occurs an event of (i) change of control of the company (including any merger or acquisition of the Company, or other transactions with other entities (including but not limited to reorganization, mergers and acquisitions, equity transfers) resulting in the total voting rights of the original shareholders of the Company being lower than 50% of the voting rights of the Company after the transaction); (ii) the Company sells substantially all or most of its core assets; or (iii) the Company is legally dissolved, (each an “**Exit Event**”) the Administrator, in its or his sole discretion, shall determine whether the vesting date of any RSUs will be accelerated within five business days of the event.

Where an Exit Event occurs, a grantee shall, in respect of RSUs which have not been exercised, issue a notice to the Company for the exercise of the said RSUs (“**Exercise Notice**”) within 10 business days of the Exit Event. If a grantee fails to give such a notice, any such RSUs shall automatically lapse, and the grantee shall cease to have any rights in such RSUs.

So far as applicable laws are complied with, where an Exit Event occurs, a grantee who has exercised RSUs has the right to: (i) acquire the corresponding Shares, or (ii) deal with or dispose of RSUs which have vested in the grantee for benefit in accordance with the Company’s Articles of Association or any such stipulations as resolved in Shareholders’ meetings.

(iv) Exercise of RSUs

An RSU may be exercised in accordance with the terms of the 2016 Share Incentive Plan at any time during a period to be determined by each grantee, which period may commence on the vesting date or the Listing Date, whichever is later but shall end in any event not later than 10 years from the vesting date. The exercise of RSUs is subject to the completion of the Listing of the Company.

A grantee does not enjoy any rights as a Shareholder in respect of RSUs which have not been exercised.

Unless provisions for acceleration apply, the Board shall, within 20 business days from the date when a grantee issues a valid Exercise Notice to the Company in accordance with the provisions of the 2016 Share Incentive Plan, the Award Agreement and any applicable laws, enter the name of the grantee into the Company’s register of members, upon which the grantee becomes a Shareholder holding the corresponding number of Shares and enjoys relevant rights as a Shareholder.

Terms and conditions of Options

(i) Grant of option

The Administrator may, at any time and from time to time, grant Options to Participants as the Administrator, in its or his sole discretion, shall determine. The Administrator, in its or his sole discretion, shall determine the number of Options to be granted to each Participant.

(ii) Vesting period

The vesting period shall commence a year after the grant date. Provided that the grantee shall continue to be a full-time employee of the Company, 25% of the Option Shares granted in the Award shall vest in the grantee upon the second anniversary of the grant date and every anniversary of the same thereafter.

(iii) Exercise of option

An Option may be exercised in accordance with the terms of the 2016 Share Incentive Plan at any time during a period to be determined by each grantee, which period may commence on the vesting date but shall end in any event not later than 10 years from the vesting date. The exercise of Options is subject to the completion of the Listing of the Company. Any Option which is not exercised within the exercise period shall lapse and re-enter the Company's Equity Incentive Pool. The grantee shall cease to have any right in Options which have lapsed.

The Administrator, in its sole discretion, shall determine the exercise price of the Options.

(iv) Acceleration

If there occurs an event of (i) change of control of the company (including any merger or acquisition of the Company, or other transactions with other entities (including but not limited to reorganization, mergers and acquisitions, equity transfers) resulting in the total voting rights of the original shareholders of the Company being lower than 50% of the voting rights of the Company after the transaction); (ii) the Company sells substantially all or most of its core assets; or (iii) the Company is legally dissolved, (each an "**Exit Event**") the Administrator shall in its sole discretion, shall determine whether the vesting date of any Options will be accelerated within five business days of the event.

Where an Exit Event occurs, a grantee shall, in respect of Options which have not been exercised, issue a notice to the Company for the exercise of the said Options ("**Exercise Notice**") within 10 business days of the Exit Event. If a grantee fails to give such a notice, any such Options shall automatically lapse, and the grantee shall cease to have any rights in such Options.

Cancellation and termination of Awards

If a grantee commits (i) a serious violation of the Company's rules and regulations; (ii) a serious dereliction of duty, malpractice or corruption; (iii) any act of dishonesty, including but not limited to falsification of information during job onboarding, or deceiving internal and external customers, etc.; (iv) breach of confidence; (v) being investigated for criminal liabilities; (vi) violating non-competition, full-time employment and non-solicitation obligations, (vii) fabricating facts so as to damage the Company's reputation; and (viii) any other act that causes substantial losses to the

Company, (each an “**Act of Wrongdoing**”), regardless of whether the Company terminates its employment relationship with the grantee, and unless the Administrator determines otherwise:

- (1) the Company has the right to acquire without consideration or cancel any unvested Options or RSUs or any Options or RSUs which have vested but not yet been exercised;
- (2) the grantee ceases to have any rights in the acquired or canceled Options or RSUs from the date on which the Board resolves to acquire or cancel the Award.

For termination of employment for any reason other than any Act of Wrongdoing, unless the Administrator determines otherwise:

- (1) the Company has the right to acquire without consideration or cancel any unvested Options or RSUs held by the grantee. The grantee shall cease to have any right in the said Options or RSUs;
- (2) the grantee reserves the right to exercise Options/RSUs which have vested but unexercised and to dispose of Options or RSUs which have been exercised.

Any Options or RSUs which the Company acquires without consideration or cancels shall re-enter the Company’s Equity Incentive Pool.

Restrictions on transfer of Awards

Prior to the Listing of the Company and without the Board’s consent, a grantee shall not, by assignment, pledge, trust, or any other means, dispose of part or all of the Options or RSUs held by him/her (whether vested or not) or otherwise attach third-party rights thereto.

After the Listing of the Company, all or part of the unvested Options or RSUs held by a grantee shall still be subject to the limitation above. However, a grantee shall be free to dispose of any Options or RSUs which have vested in him / her.

Duration

The 2016 Share Incentive Plan shall continue in effect for a term of five years from the relevant effective date, and hence has expired in 2021.

Amendment, modification or termination

The Shareholders’ meeting may at any time amend, alter, suspend, or terminate the 2016 Share Incentive Plan.

2. 2020 Share Incentive Plan

The following is a summary of the principal terms of the 2020 Share Incentive Plan of the Company as approved and adopted by our Board and our shareholders in March 2021 and April 2021, respectively. The 2020 Share Incentive Plan does not involve the grant of any Awards (defined below) after Listing and is not subject to the provisions of Chapter 17 of the Listing Rules.

Purpose

The purposes of the 2020 Share Incentive Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to employees, and directors of the Group and to promote the success of the Company's business.

Eligible participants

Those eligible to participate in the 2020 Share Incentive Plan include employees of our Group as well as any persons agreed on by the Board or by any director or representative authorized by the Board (the "**Participants**").

Types of awards

The Administrator (as defined below) may, from time to time, select from among all Participants to whom awards in the form of share options ("**Options**") or a right to purchase restricted share units ("**RSUs**") (collectively, "**Awards**") will be granted, and will determine the nature and amount of each Awards.

Scheme Limit

The overall limit on the number of Shares which may be issued pursuant to all Awards under the 2020 Plan (the "**Equity Incentive Pool**") is the sum of (i) a maximum of 60,000,000 Shares which may be issued in the form of Options or RSUs, and (ii) other Shares as approved by the Board, including such number of Shares equivalent to the unused portion of the scheme limit of the 2016 Share Incentive Plan as at the expiry of such plan.

Administration

The 2020 Share Incentive Plan shall be administered by the Board (the "**Administrator**").

In relation to the 2020 Share Incentive Plan, subject to the provisions thereunder, the Administrator shall have the authority in its sole discretion to, among others:

- (i) determine the list of Participants to whom Awards may be granted;
- (ii) determine the type of Award;
- (iii) determine the number of Shares to be covered by each Award;
- (iv) determine the vesting and removal of restrictions of RSUs (including acceleration), the vesting and exercise of Options (including acceleration), the exercise price of RSUs and Options, and the proportion of RSUs and Options in the Equity Incentive Pool;
- (v) determine to cancel or rescind the granted RSUs and Options that have not vested or due to serious faults;
- (vi) determine the modification, suspension or termination of the 2020 Share Incentive Plan; and
- (vii) any other matters related to the implementation of the 2020 Share Incentive Plan.

Grant of Awards

The Administrator is authorized to grant Awards in the form of Options or RSUs to Participants in accordance with the terms of the 2020 Share Incentive Plan. Awards granted will be evidenced by an option agreement or restricted share unit purchase agreement (“**Award Agreement**”) between the Company and the grantee.

Terms and conditions of RSUs

(i) Grant of RSUs

The Administrator, at any time and from time to time, may grant RSUs to Participants as the Administrator, in its or his sole discretion, shall determine.

(ii) Vesting period

The vesting period shall commence a year after the grant date. Provided that the grantee shall continue to be a full-time employee of the Company, 25% of the RSUs granted in the Award shall vest in the grantee upon the second anniversary of the grant date and every anniversary of the same thereafter.

(iii) Acceleration

If there occurs an event of (i) change of control of the company (including any merger or acquisition of the Company, or other transactions with other entities (including but not limited to reorganization, mergers and acquisitions, equity transfers) resulting in the total voting rights of the original shareholders of the Company being lower than 50% of the voting rights of the Company after the transaction); (ii) the Company sells substantially all or most of its core assets; or (iii) the Company is legally dissolved (each an “**Exit Event**”), the Company shall give written notice (including via e-mail) to each grantee and the Board shall determine whether the vesting of RSUs shall be accelerated within reasonable time.

So far as applicable laws are complied with, where an Exit Event occurs, a grantee has the right to, in respect of RSUs of which restrictions have been removed: (i) acquire the equity interest in the corresponding Shares, or (ii) deal with or dispose of RSUs which have vested in the grantee for benefit in accordance with the Company’s Articles of Association or any such stipulations as resolved in Board meetings.

(iv) Removal of Restrictions on RSUs

The restrictions on RSUs may only be removed after the listing of the Company’s shares on any domestic or international stock exchange (the “**Condition Precedent**”), unless otherwise authorized by the Board.

Unless provisions for acceleration apply, upon the satisfaction of the Condition Precedent, grantees shall have the right to have their name entered into the Company’s register of members or the employee stock ownership platform in accordance with stipulations in the 2020 Stock Incentive Plan and the corresponding Award Agreement.

Terms and conditions of Options

(i) Grant of option

The Administrator, at any time and from time to time, may grant Options to Participants as the Administrator, in its or his sole discretion, shall determine. The Administrator, in its or his sole discretion, shall determine matters including but not limited to the list of grantees, the number of Options to be granted to each grantee, and exercise price.

(ii) Vesting period

The vesting period shall commence a year after the grant date. Provided that the grantee shall continue to be a full-time employee of the Company, 25% of the Option Shares shall vest in the grantee upon the second anniversary of the grant date and every anniversary of the same thereafter.

(iii) Acceleration

If there occurs an event of (i) change of control of the company (including any merger or acquisition of the Company, or other transactions with other entities (including but not limited to reorganization, mergers and acquisitions, equity transfers) resulting in the total voting rights of the original shareholders of the Company being lower than 50% of the voting rights of the Company after the transaction); (ii) the Company sells substantially all or most of its core assets; or (iii) the Company is legally dissolved (each an “**Exit Event**”), the Company shall give written notice (including via e-mail) to each grantee and the Board shall determine whether the vesting of Options shall be accelerated within reasonable time.

Where an Exit Event occurs, a grantee shall, in respect of Options which have not been exercised, issue a notice to the Company for the exercise of the said Options (“**Exercise Notice**”) within 10 business days of the Exit Event. If a grantee fails to give such a notice, any such Options shall automatically lapse, and the grantee shall cease to have any rights in such Options.

(iv) Exercise of option

An Option may be exercised in accordance with the terms of the 2020 Share Incentive Plan at any time during a period to be determined by each grantee, which period may commence on the vesting date but shall end in any event not later than five years from the vesting date, unless otherwise approved by the Board. To exercise an Option, a grantee shall pay an exercise price according to this 2020 Share Incentive Plan as well as any relevant Award Agreement. A grantee shall cease to have any right in an Option which has lapsed, either because the Option is not exercised by the grantee or for which the grantee has not paid the exercise price. Such Option shall re-enter the Company’s Equity Incentive Pool. The exercise of Options is subject to the satisfaction of the Condition Precedent.

Restrictions on transfer of Awards

Prior to the Listing of the Company and without the Board’s consent, a grantee shall not, by assignment, pledge, trust, or any other means, dispose of part or all of the Options or RSUs held by him/her (whether vested or not) or otherwise attach third-party rights thereto.

After the Listing of the Company, all or part of the unvested Options or RSUs held by a grantee shall still be subject to the limitation above.

Cancellation and termination of Awards

If a grantee commits (i) a serious violation of the Company’s rules and regulations; (ii) a serious dereliction of duty, malpractice or corruption; (iii) any act of dishonesty, including but not

limited to falsification of information during job onboarding, or deceiving internal and external customers, etc.; (iv) breach of confidence; (v) being investigated for criminal liabilities; (vi) violating non-competition, full-time employment and non-solicitation obligations, (vii) fabricating facts so as to damage the Company's reputation; and (viii) any other act that causes substantial losses to the Company, (each an "**Act of Wrongdoing**"), regardless of whether the Group terminates its employment relationship with the grantee, the grantee shall agree that all Options or RSUs held by him / her be automatically rescinded by the Company.

A grantee shall be deemed to irrevocably agree to relinquish all Options or RSUs held by him / her (whether vested or not) as soon as the grantee is in breach of his / her non-competition or non-solicitation obligations.

If a grantee's employment is terminated without the grantee having committed any Act of Wrongdoing, the grantee shall be considered to have irrevocably agreed to automatically relinquish all unvested Options or RSUs held by him / her and may only exercise vested Options or RSUs upon satisfaction of the Conditions Precedent and after the lock-up period, unless otherwise stipulated by the resolution of the Board.

Death, Illnesses, and Incapacitation

If a grantee is unable to work or terminates his / her employment due to work-related death or injuries, the Board shall decide whether to accelerate the vesting of the unvested Options or RSUs held by the grantee. The vested Options or RSUs shall be inherited by the person with the right to inherit.

If a grantee is unable to work or terminates his / her employment due to death, illnesses, or incapacitation because of other causes unrelated to his / her employment, unless otherwise approved by the Board, all vested Options or RSUs which have not been exercised or in the case of RSUs the restrictions on which have not been removed shall automatically lapse and deemed as acquired or canceled by the Company. The grantee shall cease to have any rights in such Options or RSUs.

3. Outstanding Awards granted under the 2016 Share Incentive Plan and the 2020 Share Incentive Plan

Overview for the 2016 Share Incentive Plan

As of the Latest Practicable Date, the aggregate number of Shares underlying the outstanding Options granted under the 2016 Share Incentive Plan amounted to 29,755,750 Shares, representing approximately 3.36% of the issued Shares immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no further Shares are issued under the Share Incentive Plans). The outstanding Options are held by 478 grantees, including a Director, senior management and current and former employees and a consultant of the Group. The exercise price of the outstanding Option ranges between US\$0.50 and US\$1.50 per Share. No consideration was payable by the grantees for the grant of Options under the 2016 Share Incentive Plan. As of the Latest Practicable Date, none of the outstanding Option has been exercised. Assuming full issuance of Shares pursuant to all the outstanding Options granted under the 2016 Share Incentive Plan, the shareholding of our Shareholders immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no further Shares are issued under the Share Incentive Plans) will be diluted by approximately 3.25% and the dilutive effect on our earnings per Share would be approximately 3.25%.

As of the Latest Practicable Date, the aggregate number of Shares underlying the outstanding RSUs granted under the 2016 Share Incentive Plan amounted to 11,605,109 Shares, representing approximately 1.31% of the issued Shares immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no further Shares are issued under the Share Incentive Plans). The outstanding RSUs are held by 115 grantees, including a Director, senior management and current employees of the Group. As of the Latest Practicable Date, 11,605,109 of the outstanding RSUs have vested. Assuming full issuance of Shares pursuant to all the outstanding RSUs granted under the 2016 Share Incentive Plan, the shareholding of our Shareholders immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no further Shares are issued under the Share Incentive Plans) will be diluted by approximately 1.29% and the dilutive effect on our earnings per Share would be approximately 1.29%.

The Company will not grant further Options or RSUs under the 2016 Share Incentive Plan after the Listing.

Overview for the 2020 Share Incentive Plan

As of the Latest Practicable Date, the aggregate number of Shares underlying the outstanding Options granted under the 2020 Share Incentive Plan amounted to 31,186,250 Shares, representing approximately 3.52% of the issued Shares immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no further Shares are issued under the Share Incentive Plans). The outstanding Options are held by 868 grantees, including a member of the senior management of the Company and employees or former employees of the Group (and not Directors or other connected persons of the Company). The exercise price of the outstanding Option ranges between US\$1.50 and US\$2.716 per Share. No consideration was payable by the grantees for the grant of Options under the 2020 Share Incentive Plan. As of the Latest Practicable Date, none of the outstanding Option has been exercised. Assuming full issuance of Shares pursuant to all the outstanding Options granted under the 2020 Share Incentive Plan, the shareholding of our Shareholders immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no further Shares are issued under the Share Incentive Plans) will be diluted by approximately 3.40% and the dilutive effect on our earnings per Share would be approximately 3.40%.

As of the Latest Practicable Date, the aggregate number of Shares underlying the outstanding RSUs granted under the 2020 Share Incentive Plan amounted to 6,460,200 Shares, representing approximately 0.73% of the issued Shares immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no further Shares are issued under the Share Incentive Plans). The outstanding RSUs are held by 100 grantees including a member of the senior management of the Company and employees or former employees of the Group (and not Directors or other connected persons of the Company). As of the Latest Practicable Date, 1,587,500 of the outstanding RSUs have vested and the rest remain unvested. Assuming full issuance of Shares pursuant to all the outstanding RSUs granted under the 2020 Share Incentive Plan, the shareholding of our Shareholders immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no further Shares are issued under the Share Incentive Plans) will be diluted by approximately 0.72% and the dilutive effect on our earnings per Share would be approximately 0.72%.

The Company will not grant further Options or RSUs under the 2020 Share Incentive Plan after the Listing.

Details of the outstanding Awards

The table below shows the details of the outstanding Awards granted to the Director(s) and member(s) of the senior management of the Company under the 2016 Share Incentive Plan and the 2020 Share Incentive Plan:

Name	Position	Address	Plan	Number of Shares underlying Awards outstanding	Exercise Price (per Share)(US\$)	Date of Grant	Expiry Date	Vesting Period ⁽²⁾⁽³⁾	Approximate percentage of issued Shares immediately after completion of Global Offering ⁽¹⁾
Zhang Feng	Executive Director, President	No. 101, Gate 2, Building 5, Yard 65, Jingyang East Street, Shijingshan District, Beijing, China	2016 Share Incentive Plan	5,900,000 (Options)	1.00	Jan 31, 2018	Jan 31, 2033	4 years	0.67%
			2016 Share Incentive Plan	1,000,000 (RSUs)	N/A	Jul 1, 2015	Jul 1, 2030	4 years	0.11%
Marcus Spurrell	Co-chief executive officer of international business	8/F Haidian Wen Hua Yi Shu Building, Haidian District, Beijing, China	2020 Share Incentive Plan	2,000,000 (Options)	2.716	Aug 14, 2023	5 years after the later of the Listing Date and the vesting date	4 years	0.23%
Wang Yi	Vice president, board secretary, joint company secretary	7-7-703, Wan Quan Zhuang Bei Community, Haidian District, Beijing, China	2020 Share Incentive Plan	300,000 (RSUs)	N/A	Oct 7, 2023	5 years after the later of the Listing Date and the vesting date	4 years	0.03%
Total:	3 grantees			<u>9,200,000</u>					<u>1.04%</u>

Notes:

- (1) Assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no further Shares are issued under the Share Incentive Plans.
- (2) The exercise period of the Options shall commence from the date on which the relevant Options become vested or upon the completion of the Global Offering, whichever is later, and end on the expiry date, subject to the terms of the 2016 Share Incentive Plan and the share option award agreement signed by the grantee.
- (3) The vesting period begins one year after the date of grant.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

The table below shows the details of the outstanding Awards granted to the employees or former employees of the Group (who are not Director(s), member(s) of the senior management or connected persons of the Company) holding one million or more outstanding Awards under the 2016 Share Incentive Plan and/or the 2020 Share Incentive Plan:

Name	Position	Address	Plan	Number of Shares underlying Awards outstanding	Exercise Price (per Share)(US\$)	Date of Grant	Expiry Date	Vesting Period ⁽²⁾⁽³⁾	Approximate percentage of issued Shares immediately after completion of Global Offering ⁽¹⁾
Xie Dong . . .	Vice President	Room 201, Gate 5, No. 12 Wan Shou Lu Xi Street, Haidian District, Beijing, China	2016 Share Incentive Plan	1,500,000 (Options)	1.50	Mar 30, 2020	Mar 30, 2035	4 years	0.17%
			2016 Share Incentive Plan	500,000 (Options)	1.00	Jan 1, 2018	Jan 1, 2033	4 years	0.06%
			2020 Share Incentive Plan	1,500,000 (RSUs)	N/A	Mar 30, 2020	5 years after the later of the Listing Date and the vesting date	4 years	0.17%
			2020 Share Incentive Plan	3,000 (Options)	2.716	Feb 1, 2023	5 years after the later of the Listing Date and the vesting date	4 years	0.00%
Liu Jiangfeng . . .	Former director	Unit A, 30/F, Building 19, Double Cove Starview, 8 Wu Kai Sha Road, Ma On Shan, New Territories, Hong Kong	2016 Share Incentive Plan	2,000,000 (RSUs)	N/A	Jan 1, 2018	Jan 1, 2028	Immediate vesting	0.23%
Peng Yi Jung . . .	Director of insignificant subsidiary	1301 Gate 2 Building 2 Guo Ji Apartments, No. 89 Shuangqing Road, Haidian District, Beijing, China	2016 Share Incentive Plan	1,325,000 (RSUs)	N/A	Jun 17, 2015 to Apr 1, 2018	Jun 17, 2030 to Apr 1, 2033	4 years	0.15%
			2020 Share Incentive Plan	75,000 (RSUs)	N/A	Feb 1, 2020	5 years after the later of the Listing Date and the vesting date	4 years	0.01%
Xu Ying . . .	Director of insignificant subsidiary	#57-10, 2 Marina Blvd, Singapore 018987	2016 Share Incentive Plan	1,100,000 (Options)	1.00	Jan 1, 2018	Jan 1, 2028	Immediate vesting	0.12%
Total: 4 grantees				8,003,000					0.90%

Notes:

- (1) Assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no further Shares are issued under the Share Incentive Plans.
- (2) The exercise period of the Options shall commence from the date on which the relevant Options become vested or upon the completion of the Global Offering, whichever is later, and end on the expiry date, subject to the terms of the 2016 Share Incentive Plan and the share option award agreement signed by the grantee.
- (3) The vesting period begins one year after the date of grant.

The table below shows the details of the outstanding Awards granted to consultant(s) of the Group under the 2016 Share Incentive Plan and the 2020 Share Incentive Plan:

Name	Position	Address	Plan	Number of Shares underlying Awards outstanding	Exercise Price (per Share)(US\$)	Date of Grant	Expiry Date	Vesting Period ⁽²⁾⁽³⁾	Approximate percentage of issued Shares immediately after completion of Global Offering ⁽¹⁾
Hou Jin	External Consultant	No. 32, Building 7, Cement Plant Building, Shijingshan District, Beijing	2016 Share Incentive Plan	10,000 (Options)	1.00	Jan 19, 2018	Jan 19, 2034	4 years	0.00%
Total:	1 grantee			10,000					0.00%

Notes:

- (1) Assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no further Shares are issued under the Share Incentive Plans.
- (2) The exercise period of the Options shall commence from the date on which the relevant Options become vested or upon the completion of the Global Offering, whichever is later, and end on the expiry date, subject to the terms of the 2016 Share Incentive Plan and the share option award agreement signed by the grantee.
- (3) The vesting period begins two years after the date of grant.

The table below shows the details of the outstanding Options granted to the remaining grantees under the 2016 Share Incentive Plan, who are employees or former employees of the Group (and not Directors, members of the senior management or other connected persons of the Company or consultants of the Group) holding less than one million outstanding Awards under the 2016 Share Incentive Plan and/or the 2020 Share Incentive Plan:

Category by number of underlying Shares	Number of grantees	Number of Shares underlying Options outstanding	Exercise Price (per Share)(US\$)	Date of Grant	Expiry Date	Vesting Period ⁽²⁾⁽³⁾	Approximate percentage of issued Shares immediately after completion of Global Offering ⁽¹⁾
More than 400,000	0	—	—	—	—	—	—
200,001 to 400,000	10	2,640,000	0.60 to 1.50	Jul 28, 2015 to Mar 9, 2020	Jul 28, 2030 to Mar 9, 2035	4 years	0.30%
1 to 200,000	464	18,105,750	0.50 to 1.50	May 1, 2015 to Dec 9, 2019	May 1, 2030 to Dec 9, 2034	4 years	2.04%
Total:	474 grantees	20,745,750					2.34%

Notes:

- (1) Assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no further Shares are issued under the Share Incentive Plans.

- (2) The exercise period of the Options shall commence from the date on which the relevant Options become vested or upon the completion of the Global Offering, whichever is later, and end on the expiry date, subject to the terms of the 2016 Share Incentive Plan and the share option award agreement signed by the grantee.
- (3) The vesting period begins one year after the date of grant.

The table below shows the details of the outstanding RSUs granted to the grantees under the 2016 Share Incentive Plan, who are employees or former employees of the Group (and not Directors, members of the senior management or other connected persons of the Company or consultants of the Group) holding less than one million outstanding Awards under the 2016 Share Incentive Plan and/or the 2020 Share Incentive Plan:

Category by number of underlying Shares	Number of grantees	Number of Shares underlying RSUs outstanding	Date of Grant	Expiry Date	Vesting Period ⁽²⁾	Approximate percentage of issued Shares immediately after completion of Global Offering ⁽¹⁾
More than 400,000	1	525,000	Apr 23, 2015	Apr 23, 2030	4 years	0.06%
200,001 to 400,000	5	1,407,500	Jul 28, 2015 to Sep 1, 2018	Sep 1, 2028 to Jul 12, 2032	Immediate vesting to 4 years	0.16%
1 to 200,000	106	5,347,609	Mar 18, 2015 to Mar 9, 2020	Mar 18, 2030 to Mar 9, 2035	4 years	0.60%
Total:	112 grantees	7,280,109				0.82%

Notes:

- (1) Assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no further Shares are issued under the Share Incentive Plans.
- (2) The vesting period begins one year after the date of grant.

The table below shows the details of the outstanding Options granted to the remaining grantees under the 2020 Share Incentive Plan, who are employees or former employees of the Group (and not Directors, members of the senior management or other connected persons of the Company or consultants of the Group) holding less than one million outstanding Awards under the 2016 Share Incentive Plan and/or the 2020 Share Incentive Plan:

Category by number of underlying Shares	Number of grantees	Number of Shares underlying Options outstanding	Exercise Price (per Share)(US\$)	Date of Grant	Expiry Date	Vesting Period ⁽²⁾⁽³⁾	Approximate percentage of issued Shares immediately after completion of Global Offering ⁽¹⁾
More than 400,000	5	2,813,375	1.50 to 2.716	Feb 1, 2020 to Sep 11, 2023	5 years after the later of the Listing Date and the vesting date	4 years	0.32%
200,001 to 400,000	12	3,217,500	1.50 to 2.716	Dec 2, 2019 to Feb 1, 2024	5 years after the later of the Listing Date and the vesting date	3 to 4 years	0.36%
1 to 200,000	849	23,152,375	1.50 to 2.716	Nov 1, 2019 to Apr 1, 2024	5 years after the later of the Listing Date and the vesting date	3 to 4 years	2.61%
Total:	866 grantees	29,183,250					3.29%

Notes:

- (1) Assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no further Shares are issued under the Share Incentive Plans.
- (2) The exercise period of the Options shall commence from the date on which the relevant Options become vested or upon the completion of the Global Offering, whichever is later, and end on the expiry date, subject to the terms of the 2020 Share Incentive Plan and the share option award agreement signed by the grantee.
- (3) The vesting period begins one year after the date of grant.

The table below shows the details of the outstanding RSUs granted to the remaining grantee(s) under the 2020 Share Incentive Plan, who are employee(s) of the Group (and not Directors, members of the senior management or other connected persons of the Company or consultants of the Group) holding less than one million outstanding Awards under the 2016 Share Incentive Plan and/or the 2020 Share Incentive Plan:

<u>Category by number of underlying Shares</u>	<u>Number of grantees</u>	<u>Number of Shares underlying RSUs outstanding</u>	<u>Date of Grant</u>	<u>Expiry Date</u>	<u>Vesting Period⁽²⁾</u>	<u>Approximate percentage of issued Shares immediately after completion of Global Offering⁽¹⁾</u>
More than 400,000	0	—	—	—	—	—
200,001 to 400,000	6	2,002,700	Sep 13, 2021 to Nov 1, 2024	5 years after the later of the Listing Date and the vesting date	3 to 4 years	0.23%
1 to 200,000	91	2,582,500	Jun 29, 2020 to Nov 1, 2024	5 years after the later of the Listing Date and the vesting date	3 to 4 years	0.29%
Total:	<u>97 grantees</u>	<u>4,585,200</u>				<u>0.52%</u>

Notes:

- (1) Assuming the Over-allotment Option is not exercised, the Convertible Bond is not converted and no further Shares are issued under the Share Incentive Plans.
- (2) The vesting period begins one year after the date of grant.

4. The 2024 First Share Incentive Plan

The following is a summary of the principal terms of the 2024 First Share Incentive Plan conditionally adopted by our Shareholders by way of a written resolution passed on November 27, 2024 and which shall take effect from the Listing Date. The terms of the 2024 First Share Incentive Plan will be governed by Chapter 17 of the Listing Rules. For the purpose of the 2024 First Share Incentive Plan, references to Shares include treasury shares, and references to the issue of or subscription for Shares include the transfer of treasury shares.

(a) Purpose of the 2024 First Share Incentive Plan

The purpose of the 2024 First Share Incentive Plan is to provide the Company with a flexible means of remunerating, incentivizing, retaining, rewarding, compensating and/or providing benefits to eligible participants; to align the interests of eligible participants with those of the Company and Shareholders by providing such eligible participants with the opportunity to acquire shareholding interests in the Company; and to encourage eligible participants to contribute to the long-term growth and profitability of the Company and to enhance the value of the Company and its Shares for the benefit of the Company and Shareholders as a whole.

(b) Eligible participants

Eligible participants include (A) any person who is an employee (whether full-time or part-time), director or officer of any member of the Group (“**Employee Participant**”), (B) any person who is an employee (whether full-time or part-time), director or officer of (i) a holding company of the Company, (ii) subsidiaries of the holding company other than members of the Group, or (iii) any company which is an associate of the Company, including those directly or indirectly controlling or controlled by the Company or directly or indirectly under common control with the Company (“**Related Entity Participant**”), and (C) persons providing services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group as determined by the Scheme Administrator pursuant to the criteria set out in the Scheme (“**Service Provider Participant**”).

Service Provider Participants shall include the following categories: (a) supplier of services, including suppliers, advisors, consultants, agents or other professional firms with expertise in (i) research and development, production or marketing of technologies, technical services, hardware and other related services, including in connection with the retail industry, (ii) business expansion and development strategy, advisory or execution, including in connection with the local retail industry, and (iii) corporate governance strategy, advisory or execution; and (b) business partners that collaborate with the Group in connection with, among others, research and development, marketing or sales of the systems, solutions, products or services provided by our Group, whose work or expertise has contributed or will contribute significantly to the growth of the Group’s financial or business performance. However, placing agents or financial advisors providing advisory services for fundraising, mergers or acquisitions, or professional service providers such as auditors or valuers who provide assurance or are required to perform their services with impartiality and objectivity may not be Service Provider Participants for the purposes of the Scheme.

The Board, including the independent non-executive Directors, is of the view that the above types of eligible participants are in line with the Company’s business needs and have the potential to contribute to the long-term growth and profitability of the Company and hence are in line with the purpose of the plan.

(c) Administration

The Board shall be responsible and have full authority for administering the plan in accordance with the rules of the plan. The authority to administer the Scheme may be delegated by the Board to a committee of the Board or to any other persons deemed appropriate at the sole discretion of the Board, including its powers to offer or grant Awards and to determine the terms and conditions of such Awards. The Company may establish trust(s) and appoint trustee(s) to hold Shares and other trust property under the trust(s) for the purposes of implementing and administering the plan. Unless otherwise agreed between the Company and any trustee(s), the scheme administrator shall act on behalf of the Company to give instructions to and direct the trustee(s).

(d) Grant of Awards

The Board or scheme administrator may, from time to time, in their absolute discretion select any eligible participant to be a grantee and, subject to the rules of the plan, grant an award under the plan (“**Award**”) to such grantee during the scheme period. The nature, amount, terms and conditions of any such Award so granted shall be determined by the Board or scheme administrator in their sole and absolute discretion.

An Award may take the form of: (i) an award which vests in the form of the right to subscribe for and/or be issued such number of Shares as the scheme administrator may determine at the issue price in accordance with the terms of the plan (“**Share Award**”); or (ii) an award which vests in the form of the right to subscribe for such number of Shares as the scheme administrator may determine during the exercise period at the exercise price in accordance with the terms of the plan (“**Share Option**”).

No Award shall be granted to any eligible participant in certain specified circumstances, including but not limited to:

- (i) in circumstances prohibited by the Listing Rules or at a time when the relevant eligible participant would be prohibited from dealing in the Shares by the Listing Rules or by any applicable rules, regulations or law;
- (ii) where the Company is in possession of any unpublished inside information in relation to the Company, until (and including) the trading day after such inside information has been announced;
- (iii) during the periods commencing one month immediately before the earlier of the date of the board meeting for approving the Company’s results for any year, half-year, quarterly or any other interim period and the deadline for the Company to announce such results, and ending on the date of the results announcement, provided that such period will also cover any period of delay in the publication of any results announcement;
- (iv) in circumstances which would result in a breach of the Scheme Limit, provided that to the extent permissible in accordance with applicable laws, rules and regulations an Award may be made conditional upon the Scheme Limit being refreshed or approval of Shareholders being otherwise obtained;
- (v) where such Award requires the specific approval of Shareholders, until such approval of Shareholders is obtained, provided that to the extent permissible in accordance with applicable laws, rules and regulations an Award may be made conditional upon such specific shareholder approval being obtained,

and any such grant so made shall be null and void to the extent that it falls within the circumstances described above.

(e) Maximum number of Shares

The total number of Award Shares which may be issued pursuant to all Awards to be granted under the 2024 First Share Incentive Plan together with the number of Shares which may be issued pursuant to any awards to be granted under any other share schemes of the Company is 44,334,506 Shares, being approximately 5% of the Shares (excluding any treasury shares) in issue on the Listing Date (the “**Scheme Mandate Limit**”). For the avoidance of doubt, Shares issued or to be issued pursuant to awards made under the 2016 Share Incentive Plan and the 2020 Share Incentive Plan shall not be subject to the Scheme Mandate Limit. Shares which would have been issued pursuant to Awards which have lapsed in accordance with the terms of the plan (or the terms of any other share schemes of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit.

The total number of Award Shares which may be issued pursuant to Awards granted to Service Provider Participants under the 2024 First Share Incentive Plan is 8,866,901 Shares, being approximately 1% of the Shares in issue (excluding any treasury shares) on the date the Shares commence trading on the Stock Exchange (the “**Service Provider Sublimit**”).

The Company may refresh either of the Scheme Mandate Limit and/or the Service Provider Sublimit: (i) from the later of three years after the adoption date of the plan or three years after the date of the previous shareholder approval for refreshment of the Scheme Mandate Limit or Service Provider Sublimit (as the case may be) pursuant to the rules of the plan, with the prior approval of Shareholders in general meeting by way of ordinary resolution; or (ii) at any time, with the prior approval of the Shareholders in general meeting and subject to compliance with any additional requirements set out in the Listing Rules. The total number of Award Shares which may be issued in respect of all Awards to granted under the 2024 First Share Incentive Plan and all other schemes of the Company under the Scheme Mandate Limit as refreshed shall not exceed 10% of the Shares in issue (excluding any treasury shares) as at the date of the approval to refresh the Scheme Mandate Limit by the Shareholders in general meeting. Awards already granted under the 2024 First Share Incentive Plan and any other share schemes of the Company (including those exercised, outstanding, cancelled or lapsed in accordance with its terms) shall not be counted for the purpose of calculating the number of Award Shares that may be issued under the Scheme Mandate Limit as refreshed.

The Company may seek separate approval of the Shareholders in general meeting to grant Awards beyond the Scheme Mandate Limit to eligible participants specifically identified by the Company, subject to compliance with the requirements set out in the Listing Rules.

(f) *Maximum entitlement of a grantee*

Unless approved by the Shareholders in the manner set out in the plan, the total number of Shares issued and to be issued upon exercise of Awards granted and to be granted under the 2024 First Share Incentive Plan and any other share schemes of the Company to each eligible participant (including both exercised and outstanding Share Options) in any 12 month period shall not exceed 1% of the total number of Shares in issue (excluding any treasury shares). Any further grant of Awards to an eligible participant which would exceed this limit shall be subject to separate approval of the Shareholders in general meeting with the relevant eligible participant and their associates abstaining from voting.

Any grant of Awards to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the remuneration committee of the Board (excluding any proposed recipient of the grant) and the independent non-executive Directors (excluding any proposed recipient of the grant). Where any grant of Share Awards (but not any grant of Share Options) to any Director (other than an independent non-executive Director) or chief executive of the Company or any of their associates would result in the Shares issued and to be issued in respect of all Awards granted under the 2024 First Share Incentive Plan together with awards granted under any other share schemes of the Company (excluding any awards lapsed in accordance with the terms of the relevant scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue (excluding any treasury share) at the date of such grant, or where any grant of Awards to an independent non-executive director or substantial shareholder of the Company (or any of their respective associates) would result in the number of Shares issued and to be issued upon exercise of all

Awards already granted under the 2024 First Share Incentive Plan together with awards granted under any other share schemes of the Company (excluding any awards lapsed in accordance with the terms of the relevant scheme) to such person in the 12 month period up to and including the date of such grant representing in aggregate over 0.1% of Shares in issue (excluding any treasury shares) at the date of such grant, such further grant of Awards must be approved by shareholders of the Company in general meeting in the manner required, and subject to the requirements set out, in the Listing Rules.

(g) Award Letter and terms of an Award

The Company shall, in respect of each Award, issue a letter to each grantee setting out the terms and conditions of the Award (an “**Award Letter**”), which may include the number of Shares in respect of which the Award relates, the issue price or exercise price (as applicable), the vesting criteria and conditions, the vesting date, any minimum performance targets that must be achieved and any such other details as the scheme administrator may consider necessary, and requiring the grantee to undertake to hold the Award on the terms of the Award Letter and be bound by the provisions of the rules of the plan. To the extent that Awards shall be satisfied by way of issue and allotment of new Shares, the grant of such Awards shall be conditional upon the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, such Shares and the satisfaction of any other conditions as may be considered necessary or appropriate by the scheme administrator.

Amount payable on application or acceptance of an Award: The scheme administrator may determine the amount (if any) payable on application or acceptance of an Award and the period within which any such payments must be made, which amounts (if any) and periods shall be set out in the Award Letter.

Exercise price and exercise period of Share Options: The exercise price for Share Options shall be no less than the higher of: (i) the closing price of the Shares on the Stock Exchange on the grant date; and (ii) the average closing price of the Shares on the Stock Exchange for the five business days immediately preceding the grant date. The exercise period for Share Options shall be not longer than 10 years from the grant date. A Share Option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the expiry of the tenth anniversary from the grant date. The foregoing provisions relating to exercise price are in line with the requirements of the Stock Exchange and the purpose of the plan.

Issue price of Share Awards: The issue price for Share Awards shall be such price determined by the scheme administrator and notified to the grantee in the Award Letter. For the avoidance of doubt, the scheme administrator may determine the issue price to be nil. The foregoing provisions relating to exercise price are in line with the requirements of the Stock Exchange and the purpose of the plan.

Vesting period: The vesting date in respect of any Award shall be not less than 12 months from the grant date, provided that for Employee Participants the vesting date may be less than 12 months from the grant date (including on the grant date) in the following circumstances: (a) grants of “make whole” awards to new Employee Participants to replace share awards they forfeited when leaving their previous employers; (b) grants to an Employee Participant whose employment is terminated due to death or disability or occurrence of any out of control event; (c) grants of Awards which are subject to the fulfilment of performance targets; (d) grants of Awards that are made in batches during a year for

administrative and/or compliance requirements, in which case the vesting date may be adjusted to take account of the time from which the Award would have been granted if not for such administrative or compliance requirements; (e) grants of Awards with a mixed or accelerated vesting schedule such that the Awards vest evenly over a period of 12 months; or (f) grants of Awards with a total vesting and holding period of more than 12 months.

Performance target: The scheme administrator may in respect of each Award and subject to all applicable laws, rules and regulations determine such performance targets or other criteria or conditions for vesting of Awards in its sole and absolute discretion. Where performance targets, criteria or conditions are to be specified in the relevant Award Letter, the scheme administrator may determine such targets, criteria or conditions based on, among other considerations: (i) for directors and members of senior management, business or financial milestones, milestones based on the Company's market capitalization, transaction milestones, or the Grantee's anticipated future contribution to the Group (including with respect to their experience, expertise, insight, participation in specific projects, or achievement of specific work targets etc.), (ii) for Employee Participants (other than directors and members of senior management), business or financial milestones, transaction milestones, performance appraisal within a specified period reaching a desirable level, or the Grantee's anticipated future contribution to the Group (including with respect to their experience, expertise, insight, participation in specific projects, or achievement of specific work targets etc.), (iii) for Related Entity Participants, the grantee's anticipated future contribution to the long-term development of the Group (including with respect to their experience, expertise, insight, participation in specific projects, or achievement of specific work targets or business collaboration targets etc.), and (iv) for Service Provider Participants, the grantee's anticipated future contribution to the long-term development of the Group (including with respect to their experience, expertise, insight, participation in specific projects, or achievement of specific work targets or business collaboration targets etc.). The scheme administrator shall specify in the Award Letter the person(s) of the Company that will assess how and whether such targets, criteria or conditions are satisfied.

The Board and the remuneration committee of the Board believe that it is in the best interests of the Company to retain the flexibility to impose appropriate conditions in light of the particular circumstances of each grant, which would then be a more meaningful reward for each eligible participant's contribution or potential contribution. It is considered that by having the flexibility of having a shorter vesting period than 12 months in appropriate circumstances, the Group will be in a better position to attract and retain suitable eligible participants to continue serving the Group whilst at the same time providing them with incentive in achieving the goals of the Group, and thereby to achieve the purpose of the 2024 First Share Incentive Plan. Further, by allowing the Company to require the eligible participant to achieve such performance targets as may be stipulated in the Award Letter on a case by case basis, the Company may be in a better position to incentivize suitable eligible participants to deliver high quality work or to complete specified projects or goals important to the Group, which is in line with the purpose of the 2024 First Share Incentive Plan. Where Awards are granted to directors or senior management of the Company with a vesting period shorter than 12 months, the views of the remuneration committee on why a shorter vesting period is appropriate, and where such Awards are without performance targets, the views of the remuneration committee on why performance targets are not necessary and how the grants align with the purpose of the plan, will be included in the announcement to be issued after any grant of Awards as required by the Listing Rules.

(h) Exercise or Vesting of Awards*Exercise/vesting of an Award*

After the applicable vesting date for any Award:

- (i) Share Option may be exercised in whole or in part by the grantee giving notice in writing to the Company together with a remittance for the required exercise price. Within 10 business days after receipt of the notice and related remittance in full, the Company shall allot and issue to the grantee the relevant Award Shares; and
- (ii) for a Share Award, within 10 business days following the vesting date, subject to receipt in full of the aggregate issue price payable (if any), the Company shall allot and issue to the Grantee the relevant number of Award Shares.

Award Shares

The Award Shares to be allotted and issued under the plan shall be identical to all existing issued Shares and shall be allotted and issued subject to all the provisions of the articles of association of the Company for the time being in force and will rank *pari passu* with the other fully paid Shares in issue on the date the name of the grantee is registered on the register of members of the Company.

At the discretion of the scheme administrator, any obligation to allot and issue Award Shares to a grantee may be satisfied by transferring the equivalent number of treasury shares to the grantee.

The scheme administrator shall determine the methods by which the exercise price or the purchase price may be paid. For the purposes of satisfying the issuance of Shares following the exercise/vesting of an Award, to the extent that, at the determination of the scheme administrator, it is not practicable for the grantee to receive Award Shares due to applicable legal or regulatory restrictions, the scheme administrator may sell on-market at prevailing market prices the number of Shares to be so issued and pay to the grantee the actual selling price of such Shares.

(i) Cancellation and lapse of Awards

Any Awards granted but not exercised may be cancelled by the scheme administrator at any time with the prior consent of the grantee. Issuance of new Awards to the same grantee whose Awards have been cancelled may only be made if there are unissued Awards available under the Scheme Mandate (excluding the Awards of the relevant grantee so cancelled) and in compliance with the terms of the plan.

Without prejudice to the authority of the scheme administrator to provide additional situations when an Award shall lapse in the Award Letter, an Award shall lapse automatically (to the extent not already vested and, where relevant, exercised) on the earliest: (a) the expiry of any applicable exercise period; (b) the date on which the Board makes a determination under the clawback clause of the plan; and (c) the expiry of any of the periods for exercising a Share Option due to ceasing to be an eligible participant; (d) the date on which the grantee commits a breach of transferability. The scheme administrator shall have the power to decide whether an Award shall lapse and its decision shall be binding and conclusive.

(j) Rights are personal to grantee

Awards shall be personal to the grantee to whom they are made and shall not be assignable or transferable, except in circumstances where the written consent of the Company has been obtained and

a waiver has been granted by the Stock Exchange for such transfer in compliance with the requirements of the Listing Rules and provided that any such transferee agrees to be bound by rules of the plan as if the transferee were the grantee.

(k) Voting and dividend rights

Awards do not carry any right to vote at general meetings of the Company, nor any right to dividends, transfer or other rights. No grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of an Award unless and until the Award Shares are issued or transferred to the grantee pursuant to the vesting/exercise of such Awards. Where Award Shares are held on trust for the Grantee by the plan's trustee(s), a grantee may give instructions to the trustee(s) to exercise the voting rights in respect of those Award Shares pursuant to, and to the extent permitted by, the trust deed(s).

(l) Effects of alterations in the capital structure of the Company

In the event of any alteration in the capital structure of the Company by way of capitalization of profits or reserves, rights issue, open offer, subdivision or consolidation of Shares or reduction of the share capital of the Company (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party) after the adoption date, the scheme administrator shall make such corresponding adjustments, if any, as it in its discretion may deem appropriate to reflect such change with respect to: (i) the number of Shares constituting the Scheme Mandate Limit or Service Provider Sublimit, (ii) the number of Shares in each Award to the extent any Award has not been exercised, (iii) the exercise price of any Share Option or Issue Price of any Share Award, or any combination thereof, as the auditors or financial advisor have certified satisfy the relevant requirements of the Listing Rules and are, in their opinion, fair and reasonable either generally or as regards any particular grantee, provided always that (i) any such adjustments should give each grantee the same proportion of the equity capital of the Company, rounded to the nearest whole Share, as that to which that grantee was previously entitled prior to such adjustments, and (ii) no such adjustments shall be made which would result in a Share being issued at less than its nominal value.

(m) Ceasing to be an eligible participant

Clawback: In the event that (a) a grantee ceases to be an eligible participant by reason of the termination of his/her employment or contractual engagement with the Group or related entity for cause or without notice or with payment in lieu of notice; (b) a grantee has been convicted of a criminal offence involving his/her integrity or honesty; or (c) in the reasonable opinion of the Board, a grantee has engaged in serious misconduct or breaches the terms of the plan in any material respect, then the Board may make a determination at its absolute discretion that: (A) any Awards issued to that Grantee but not yet exercised shall immediately lapse, regardless of whether such Awards have vested or not, (B) with respect to any Award Shares issued or transferred to that grantee, the grantee shall be required to transfer back to the Company or its nominee the equivalent number of Shares, or an amount in cash equal to the market value of such Shares, or a combination thereof, and/or (C) with respect to any Award Shares held by the trustee(s) of the plan for the benefit of the grantee, those Award Shares shall no longer be held on trust for nor inure to the benefit of the grantee.

Retirement: If a grantee ceases to be an eligible participant by reason of his/her retirement: (i) any outstanding Awards not yet vested shall continue to vest in accordance with the vesting dates set

out in the Award Letter, or such other period as the scheme administrator may determine at their sole discretion, and (ii) any vested Share Option may be exercised within the exercise period, failing which the Share Option shall lapse.

Death or permanent incapacity: If a grantee ceases to be an eligible participant by reason of death of the grantee, or the termination of his/her employment or contractual engagement with any member of the Group or related entity by reason of his/her permanent physical or mental disablement: (a) in the case of Share Options: any vested Share Option may be exercised within the exercise period by the personal representatives of the grantee. In the case where a grantee no longer has any legal capacity to exercise the Share Option, the vested Share Option may be exercised within that period by the persons charged with the duty of representing the Grantee under applicable laws. If the vested Share Option is not exercised within the time mentioned above, the Share Option shall lapse; and (b) in the case of Share Awards: any outstanding Share Awards not yet vested shall immediately vest, and the Company shall issue such number of Award Shares or pay the actual selling price pursuant to the vested Share Award to the legal personal representatives of the grantee or the persons charged with the duty of representing the grantee under applicable laws as soon as practicable following the death or incapacity of the grantee or, if the said issuance or payment would otherwise become bona vacantia, it shall be forfeited and shall lapse.

Bankruptcy: If a grantee is declared bankrupt or becomes insolvent or makes any arrangements or composition with his/her creditors generally, they shall cease to be an eligible participant under the plan and any Awards not yet vested and any outstanding Share Options not yet exercised shall immediately be forfeited and shall lapse, unless the scheme administrator determines otherwise at their absolute discretion.

Other reasons: If a grantee ceases to be an eligible participant for reasons other than those set out in the preceding provisions, (a) subject to the provisions of the clawback clause, a grantee may exercise any vested Share Options within 20 business days of such cessation or within the exercise period, whichever is the shorter, or such other period as the scheme administrator may decide in their sole discretion. If a Share Option is not exercised within the stipulated time, the Share Option shall be forfeited and shall lapse; and (b) any outstanding Awards not yet vested shall immediately be forfeited and shall lapse, unless the scheme administrator determines otherwise at their absolute discretion.

(n) Alteration of the rules of the plan or any Award

Subject to the below, the Board may amend any of the provisions of the plan or any Awards granted under the plan at any time and in any respect, provided that the terms of the plan or Awards so altered must comply with the relevant requirements of Chapter 17 of the Listing Rules.

The approval of the Shareholders in general meeting is required for any amendment or alteration to the terms of the plan which are of a material nature or to those provisions which relate to the matters set out in Rule 17.03 of the Listing Rules to the extent that such alteration or amendment operates to the advantage of eligible participants. Any change to the authority of the Board or the scheme administrator to alter the terms of the plan shall be subject to the approval of the Shareholders in general meeting.

Any amendment or alteration to the terms of any Award the grant of which was subject to the approval of a particular body shall be subject to approval by that same body, provided that this

requirement does not apply where the relevant alteration takes effect automatically under existing terms of the plan. Without limiting the generality of the foregoing, any change in the terms of Awards granted to any grantee who is a director, chief executive or substantial shareholder of the Company, or any of their respective associates, must be approved by the Shareholders in general meeting in the manner required in the Listing Rules if the initial grant of the Awards requires such approval (except where the changes take effect automatically under the rules of the plan).

(o) Termination

The 2024 First Share Incentive Plan shall terminate on the earlier of: (a) the expiry of the scheme period, being the period of 10 years commencing on the adoption date and ending on the 10th anniversary of the adoption date of the plan ; and (b) such date of early termination as determined by the Board, following which no further Awards will be offered or granted under the plan, provided that notwithstanding such termination, the plan and the rules thereof shall continue to be valid and effective to the extent necessary to give effect to the vesting and exercise of any Awards granted prior to the termination and such termination shall not affect any subsisting rights already granted to any grantee.

5. The 2024 Second Share Incentive Plan

The following is a summary of the principal terms of the 2024 Second Share Incentive Plan conditionally adopted by the Board by way of a written resolution passed on November 26, 2024 and which shall take effect from the Listing Date. The 2024 Second Share Incentive Plan is a share scheme funded by existing Shares that is subject to, and complies with, the applicable requirements in Chapter 17 of the Listing Rules.

(a) Purpose of the 2024 Second Share Incentive Plan

The purpose of the 2024 Second Share Incentive Plan is to provide the Company with a flexible means of remunerating, incentivizing, retaining, rewarding, compensating and/or providing benefits to eligible participants; to align the interests of eligible participants with those of the Company and Shareholders by providing such eligible participants with the opportunity to acquire shareholding interests in the Company; and to encourage eligible participants to contribute to the long-term growth and profitability of the Company and to enhance the value of the Company and its Shares for the benefit of the Company and Shareholders as a whole.

(b) Eligible participants

Eligible participants include (A) any person who is an employee (whether full-time or parttime), director or officer of any member of the Group; (B) any person who is an employee (whether full-time or part-time), director or officer of (i) a holding company of the Company, (ii) subsidiaries of the holding company other than members of the Group, or (iii) any company which is an associate of the Company, including those directly or indirectly controlling or controlled by the Company or directly or indirectly under common control with the Company, and (C) any consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of the Group or any related entity of the Company, who as determined by the scheme administrator in its sole discretion has contributed or will contribute to the growth of the Group.

(c) Administration

The Board shall be responsible and have full authority for administering the plan in accordance with the rules of the plan. The authority to administer the Scheme may be delegated by the Board to a

committee of the Board or to any other persons deemed appropriate at the sole discretion of the Board, including its powers to offer or grant Awards and to determine the terms and conditions of such Awards. The Company may establish trust(s) and appoint trustee(s) to hold Shares and other trust property under the trust(s) for the purposes of implementing and administering the plan. Unless otherwise agreed between the Company and any trustee(s), the scheme administrator shall act on behalf of the Company to give instructions to and direct the trustee(s).

(d) Grant of Awards

The Board or scheme administrator may, from time to time, in their absolute discretion select any eligible participant to be a grantee and, subject to the rules of the plan, grant an award under the plan (“**Award**”) to such grantee during the scheme period. The nature, amount, terms and conditions of any such Award so granted shall be determined by the Board or scheme administrator in their sole and absolute discretion.

An Award may be take the form of: (i) an award which vests in the form of the right to purchase such number of Shares as the scheme administrator may determine at the purchase price in accordance with the terms of the plan (“**Share Award**”); or (ii) an award which vests in the form of the right to purchase such number of Shares as the scheme administrator may determine during the exercise period at the exercise price in accordance with the terms of the plan (“**Share Option**”).

No Award shall be granted to any eligible participant in certain specified circumstances, including but not limited to:

- (i) in circumstances prohibited by the Listing Rules or at a time when the relevant eligible participant would be prohibited from dealing in the Shares by the Listing Rules or by any applicable rules, regulations or law;
- (ii) where the Company is in possession of any unpublished inside information in relation to the Company, until (and including) the trading day after such inside information has been announced;
- (iii) during the periods commencing one month immediately before the earlier of the date of the board meeting for approving the Company’s results for any year, half-year, quarterly or any other interim period and the deadline for the Company to announce such results, and ending on the date of the results announcement, provided that such period will also cover any period of delay in the publication of any results announcement;
- (iv) in circumstances which would result in a breach of the Scheme Limit, provided that to the extent permissible in accordance with applicable laws, rules and regulations an Award may be made conditional upon the Scheme Limit being refreshed,

and any such grant so made shall be null and void to the extent that it falls within the circumstances described above.

(e) Maximum number of Shares

The total number of Award Shares which may be granted under the 2024 Second Share Incentive Plan is 46,789,006 Shares, which shall consist of existing Shares only. For the avoidance of doubt, no new Shares shall be issued by the Company (including transfer of treasury shares) pursuant to the 2024 Second Share Incentive Plan.

The Company may refresh the Scheme Mandate Limit at any time, with the prior approval of the Board and subject to compliance with any additional requirements set out in the Listing Rules.

(f) Award Letter and terms of an Award

The Company shall, in respect of each Award, issue a letter to each grantee setting out the terms and conditions of the Award (an “Award Letter”), which may include the number of Shares in respect of which the Award relates, the purchase price or exercise price (as applicable), the vesting criteria and conditions, the vesting date, any minimum performance targets that must be achieved and any such other details as the scheme administrator may consider necessary, and requiring the grantee to undertake to hold the Award on the terms of the Award Letter and be bound by the provisions of the rules of the plan.

The scheme administrator may determine the amount (if any) payable on application or acceptance of an Award and the period within which any such payments must be made, which amounts (if any) and periods shall be set out in the Award Letter.

(g) Exercise or Vesting of Awards

Exercise/vesting of an Award

After the applicable vesting date for any Award:

- (i) Share Option may be exercised in whole or in part by the grantee giving notice in writing to the scheme administrator together with a remittance for the required exercise price. Within 10 business days after receipt of the notice and related remittance in full, the scheme administrator shall transfer to the grantee the relevant Award Shares; and
- (ii) for a Share Award, within 10 business days following the vesting date, subject to receipt in full of the aggregate purchase price payable (if any), the scheme administrator shall transfer to the Grantee the relevant number of Award Shares.

The scheme administrator shall determine the methods by which the exercise price or the purchase price may be paid.

For the purposes of transferring Shares following the exercise/vesting of an Award, to the extent that, at the determination of the scheme administrator, it is not practicable for the grantee to receive Award Shares due to applicable legal or regulatory restrictions, the scheme administrator may sell on-market at prevailing market prices the number of Shares the grantee is entitled to and pay to the grantee the actual selling price of such Shares.

(h) Cancellation and lapse of Awards

Any Awards granted but not exercised may be cancelled by the scheme administrator at any time with the prior consent of the grantee.

Without prejudice to the authority of the scheme administrator to provide additional situations when an Award shall lapse in the Award Letter, an Award shall lapse automatically (to the extent not already vested and, where relevant, exercised) on the earliest: (a) the expiry of any applicable exercise period; (b) the date on which the Board makes a determination under the clawback clause of the plan; and (c) the expiry of any of the periods for exercising a Share Option due to ceasing to be an eligible

participant; (d) the date on which the grantee commits a breach of transferability. The scheme administrator shall have the power to decide whether an Award shall lapse and its decision shall be binding and conclusive.

(i) *Rights are personal to grantee*

Awards shall be personal to the grantee to whom they are made and shall not be assignable or transferable, except in circumstances where the written consent of the Company has been obtained and a waiver has been granted by the Stock Exchange for such transfer in compliance with the requirements of the Listing Rules and provided that any such transferee agrees to be bound by rules of the plan as if the transferee were the grantee.

(j) *Voting and dividend rights*

Awards do not carry any right to vote at general meetings of the Company, nor any right to dividends, transfer or other rights. No grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of an Award unless and until the Award Shares are transferred to the grantee pursuant to the vesting/exercise of such Awards. Where Award Shares are held on trust for the Grantee by the plan's trustee(s), a grantee may give instructions to the trustee(s) to exercise the voting rights in respect of those Award Shares pursuant to, and to the extent permitted by, the trust deed(s).

(k) *Effects of alterations in the capital structure of the company*

In the event of any alteration in the capital structure of the Company by way of capitalization of profits or reserves, rights issue, subdivision or consolidation of Shares or reduction of the share capital of the Company (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party) after the adoption date, the scheme administrator shall make such corresponding adjustments, if any, as it in its discretion may deem appropriate to reflect such change with respect to: (i) the number of Shares constituting the Scheme Mandate Limit, (ii) the number of Shares in each Award to the extent any Award has not been exercised, (iii) the exercise price of any Share Option or purchase price of any Share Award, or any combination thereof, as the auditors or financial advisor have certified satisfy the relevant requirements of the Listing Rules and are, in their opinion, fair and reasonable either generally or as regards any particular grantee, provided always that (i) any such adjustments should give each grantee the same proportion of the equity capital of the Company, rounded to the nearest whole Share, as that to which that grantee was previously entitled prior to such adjustments, and (ii) no such adjustments shall be made which would result in a Share being purchased or transferred at less than its nominal value.

(l) *Ceasing to be an eligible participant*

Clawback: In the event that (a) a grantee ceases to be an eligible participant by reason of the termination of his/her employment or contractual engagement with the Group or related entity for cause or without notice or with payment in lieu of notice; (b) a grantee has been convicted of a criminal offence involving his/her integrity or honesty; or (c) in the reasonable opinion of the Board, a grantee has engaged in serious misconduct or breaches the terms of the plan in any material respect, then the Board may make a determination at its absolute discretion that: (A) any Awards issued to that Grantee but not yet exercised shall immediately lapse, regardless of whether such Awards have vested or not, (B) with respect to any Award Shares transferred to that grantee, the grantee shall be required to transfer back to the Company or its nominee the equivalent number of Shares, or an amount in cash

equal to the market value of such Shares, or a combination thereof, and/or (C) with respect to any Award Shares held by the trustee(s) of the plan for the benefit of the grantee, those Award Shares shall no longer be held on trust for nor inure to the benefit of the grantee.

Retirement: If a grantee ceases to be an eligible participant by reason of his/her retirement: (i) any outstanding Awards not yet vested shall continue to vest in accordance with the vesting dates set out in the Award Letter, or such other period as the scheme administrator may determine at their sole discretion, and (ii) any vested Share Option may be exercised within the exercise period, failing which the Share Option shall lapse.

Death or permanent incapacity: If a grantee ceases to be an eligible participant by reason of death of the grantee, or the termination of his/her employment or contractual engagement with any member of the Group or related entity by reason of his/her permanent physical or mental disablement: (a) in the case of Share Options: any vested Share Option may be exercised within the exercise period by the personal representatives of the grantee. In the case where a grantee no longer has any legal capacity to exercise the Share Option, the vested Share Option may be exercised within that period by the persons charged with the duty of representing the Grantee under applicable laws. If the vested Share Option is not exercised within the time mentioned above, the Share Option shall lapse; and (b) in the case of Share Awards: any outstanding Share Awards not yet vested shall immediately vest, and the Company shall issue such number of Award Shares or pay the actual selling price pursuant to the vested Share Award to the legal personal representatives of the grantee or the persons charged with the duty of representing the grantee under applicable laws as soon as practicable following the death or incapacity of the grantee or, if the said issuance or payment would otherwise become bona vacantia, it shall be forfeited and shall lapse.

Bankruptcy: If a grantee is declared bankrupt or becomes insolvent or makes any arrangements or composition with his/her creditors generally, they shall cease to be an eligible participant under the plan and any Awards not yet vested and any outstanding Share Options not yet exercised shall immediately be forfeited and shall lapse, unless the scheme administrator determines otherwise at their absolute discretion.

Other reasons: If a grantee ceases to be an eligible participant for reasons other than those set out in the preceding provisions, (a) subject to the provisions of the clawback clause, a grantee may exercise any vested Share Options within 20 business days of such cessation or within the exercise period, whichever is the shorter, or such other period as the scheme administrator may decide in their sole discretion. If a Share Option is not exercised within the stipulated time, the Share Option shall be forfeited and shall lapse; and (b) any outstanding Awards not yet vested shall immediately be forfeited and shall lapse, unless the scheme administrator determines otherwise at their absolute discretion.

(m) *Alteration of the rules of the plan or any Award*

Subject to the below, the Board may amend any of the provisions of the plan or any Awards granted under the plan at any time and in any respect. Any amendment or alteration to the terms of any Award the grant of which was subject to the approval of a particular body shall be subject to approval by that same body, provided that this requirement does not apply where the relevant alteration takes effect automatically under existing terms of the plan.

(n) Termination

The 2024 Second Share Incentive Plan shall terminate on the earlier of: (a) the expiry of the scheme period, being the period of 10 years commencing on the adoption date and ending on the 10th anniversary of the adoption date of the plan ; and (b) such date of early termination as determined by the Board, following which no further Awards will be offered or granted under the plan, provided that notwithstanding such termination, the plan and the rules thereof shall continue to be valid and effective to the extent necessary to give effect to the vesting and exercise of any Awards granted prior to the termination and such termination shall not affect any subsisting rights already granted to any grantee.

E. Other Information**1. Estate duty**

Our Directors have been advised that no material liability for estate duty is likely to fall upon any member of our Group.

2. Litigation

As of the Latest Practicable Date, we are not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

3. Joint Sponsors

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors will receive an aggregate of US\$1.1 million for acting as the Company's sponsor for the Listing.

4. Consent of Experts

This document contains statements made by the following experts:

<u>Name</u>	<u>Qualification</u>
UBS Securities Hong Kong limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of the regulated activities as defined under the SFO
CMB International Capital Limited	A licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
China Merchants Securities (HK) Co., Limited	A licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Haiwen & Partners	Qualified PRC lawyers
Harney Westwood & Riegels	British Virgin Islands attorneys-at-law
KPMG	Certified Public Accountants, and Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

<u>Name</u>	<u>Qualification</u>
Frost & Sullivan International Limited	Independent industry consultant
Grandall Law Firm (Beijing)	Qualified PRC lawyers
Dr. Zhang's PRC Litigation Legal Counsel	Qualified PRC lawyer

As of the Latest Practicable Date, save as disclosed in “Underwriting” in this document, none of the experts named above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Each of the experts named above have given and have not withdrawn their respective written consent to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

5. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

6. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Preliminary Expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

8. Disclaimers

Save as disclosed in this document, within the two years immediately preceding the date of this document:

- (i) there are no commissions (but not including commission to sub-underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company; and
- (ii) there are no commissions, discounts, brokerages or other special terms granted in connection with the issue or sale of any capital of any member of our Group, and no Directors, promoters or experts named in the part headed “—Other Information—Consent of Experts” received any such payment or benefit.

Save as disclosed in this document:

- (i) there are no founder, management or deferred shares in our Company or any member of our Group;

- (ii) we do not have any promoter and no cash, securities or other benefit has been paid, allotted or given within the two years immediately preceding the date of this document, or are proposed to be paid, allotted or given to any promoters;
- (iii) none of the Directors or the experts named in the part headed “—Other Information—Consent of Experts” above has any interest, direct or indirect, in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group; and
- (iv) there are no bank overdrafts or other similar indebtedness by our Company or any member of our Group;
- (v) there are no hire purchase commitments, guarantees or other material contingent liabilities of our Company or any member of our Group;
- (vi) there are no outstanding debentures of our Company or any member of our Group;
- (vii) there are no other stock exchange on which any part of the equity or debt securities of our Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought;
- (viii) no capital of any member of our Group is under option, or is agreed conditionally or unconditionally to be put under option; and
- (ix) there are no contracts or arrangements subsisting at the date of this document in which a Director is materially interested or which is significant in relation to the business of our Group.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) the written consents referred to in “Statutory and general information—E. Other information—4. Consent of experts” in Appendix IV; and
- (b) copies of the material contracts referred to in “Statutory and general information—B. Further information about our business—1. Summary of material contracts” in Appendix IV.

DOCUMENTS ON DISPLAY

Copies of the following documents will be available for viewing on the website of the Stock Exchange at www.hkexnews.hk and our Company’s website at <https://www.dmall.com/> up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum and the Articles;
- (b) the material contracts referred to in “Statutory and general information—B. Further information about our business—1. Summary of material contracts” in Appendix IV;
- (c) the service contracts and the letters of appointment with our Directors referred to in “Statutory and general information—C. Further information about our Directors—1. Particulars of Directors’ service contracts and appointment letters” in Appendix IV;
- (d) the report issued by Frost & Sullivan, a summary of which is set forth in “Industry Overview”;
- (e) the PRC legal opinion issued by Haiwen & Partners, our PRC Legal Adviser on PRC law, in respect of certain general corporate matters and property interests in the PRC of our Group;
- (f) the PRC legal opinion issued by Grandall Law Firm (Beijing), our PRC Legal Adviser in respect of PRC data compliance law;
- (g) the letter of advice issued by Dr. Zhang’s PRC Legal Counsel in respect of Dr. Zhang’s case;
- (h) the Accountants’ Report and the report on the unaudited pro forma financial information of our Group prepared by KPMG, the texts of which are set out in Appendices I and II, respectively;
- (i) the audited consolidated financial statements of our Group for the three financial years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024;
- (j) the letter of advice prepared by Harney Westwood & Riegels, our legal adviser on BVI law, summarizing certain aspects of BVI company law referred to in Appendix III;
- (k) the BVI Business Companies Act;
- (l) the written consents referred to in “Statutory and general information—E. Other information—4. Consent of experts” in Appendix IV; and
- (m) the terms of the Share Incentive Plans.

DOCUMENT AVAILABLE FOR INSPECTION

A list of grantees under the 2016 Share Incentive Plan and the 2020 Share Incentive Plan will be available for inspection at the office of Skadden, Arps, Slate, Meagher & Flom at 42/F, Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus.

多点DMALL