Dmall Inc.

多点数智有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 2586)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2024

The board (the "**Board**") of directors (the "**Director(s)**") of Dmall Inc. (the "**Company**") hereby announces the audited annual results of the Company and its subsidiaries (collectively referred to as the "**Group**") under IFRS Accounting Standards for the year ended December 31, 2024 (the "**Reporting Year**"), together with the comparative figures for the year ended December 31, 2023. These annual results have been reviewed by the audit committee of the Board (the "**Audit Committee**") and discussed with our management.

FINANCIAL HIGHLIGHTS

	Year ended December 31,		
	2024	2023	Change (%)
	(RMB in thousands, except percentages)		
Revenue	**1,859,002**	1,585,357	17.3%
Cost of revenue	**(1,112,626)**	(1,030,656)	8.0%
Gross profit	**746,376**	554,701	34.6%
Loss for the year	**(2,220,276)**	(655,439)	238.7%
Non-IFRS measure:			
Adjusted profit/(loss) from continuing operations for the year	**29,795**	(276,704)	N/A

GENERAL NOTES

In this announcement: (i) "we", "us", and "our" refer to the Company and where the context otherwise requires, the Group; (ii) numbers may be subject to rounding and approximations to one or two decimal places; (iii) unless otherwise stated, the exchange rates used are Renminbi ("**RMB**") 1 to Hong Kong Dollars ("**HK$**") 1.08; and (iv) except as otherwise indicated, "revenue" and "customer" refer to our revenue and customer from continuing operations, excluding the revenue and customer from discontinued operations, respectively.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended December 31, 2024
(Expressed in Renminbi)

	Note	**2024** **RMB'000**	2023 RMB'000
Continuing operations			
Revenue	*3*	**1,859,002**	1,585,357
Cost of revenue		**(1,112,626)**	(1,030,656)
Gross profit		**746,376**	554,701
Other net (loss)/income		**(102,555)**	115,502
Research and development expenses		**(412,751)**	(520,887)
Selling and marketing expenses		**(92,439)**	(150,923)
General and administration expenses		**(307,969)**	(259,413)
Impairment loss on trade and other receivables		**(4,660)**	(1,784)
Loss from operations		**(173,998)**	(262,804)
Net finance costs		**(4,474)**	(13,344)
Share of losses of associates		**(215)**	–
Fair value change of convertible redeemable preferred shares		**(2,275,701)**	(476,160)
Loss before taxation from continuing operations		**(2,454,388)**	(752,308)
Income tax benefit	*4*	**978**	3,321
Loss for the year from continuing operations		**(2,453,410)**	(748,987)
Discontinued operations			
Profit for the year from discontinued operations		**233,134**	93,548
Loss for the year		**(2,220,276)**	(655,439)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended December 31, 2024 (continued)
(Expressed in Renminbi)

	Note	**2024**	2023
		RMB'000	*RMB'000*
Attributable to:			
Equity shareholders of the Company		**(2,195,277)**	(592,361)
– Continuing operations		**(2,428,411)**	(685,909)
– Discontinued operations		**233,134**	93,548
Non-controlling interests		**(24,999)**	(63,078)
– Continuing operations		**(24,999)**	(63,078)
Loss for the year		**(2,220,276)**	(655,439)
Loss per share (expressed in RMB per share)	*5*		
Basic and diluted		**(3.97)**	(1.13)
Loss per share – Continuing operations (expressed in RMB per share)	*5*		
Basic and diluted		**(4.39)**	(1.31)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2024
(Expressed in Renminbi)

	2024	2023
	RMB'000	*RMB'000*
Loss for the year	**(2,220,276)**	(655,439)
Other comprehensive income for the year (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
Exchange difference on translation of financial statements of the Company	**(124,499)**	(111,135)
Item that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of financial statements of subsidiaries with functional currencies other than RMB	**(428)**	3,482
Other comprehensive income for the year	**(124,927)**	(107,653)
Total comprehensive income for the year	**(2,345,203)**	(763,092)
Attributable to:		
Equity shareholders of the Company	**(2,320,218)**	(699,327)
– Continuing operations	**(2,553,352)**	(792,875)
– Discontinued operations	**233,134**	93,548
Non-controlling interests	**(24,985)**	(63,765)
– Continuing operations	**(24,985)**	(63,765)
Total comprehensive income for the year	**(2,345,203)**	(763,092)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at December 31, 2024

(Expressed in Renminbi)

	Note	**2024**	2023
		RMB'000	*RMB'000*
Non-current assets			
Property and equipment		**69,811**	76,799
Intangible assets		**144,070**	83,681
Interest in associates		**585**	200
Goodwill		**151,993**	151,993
Prepayments, deposits and other receivables		**4,933**	20,082
Other financial assets		**–**	196,574
Deferred tax assets		**4,260**	4,260
		375,652	533,589
Current assets			
Other financial assets		**87,095**	34,935
Inventories and other contract costs		**4,657**	11,269
Contract assets		**2,508**	3,237
Trade receivables	*6*	**248,242**	165,142
Prepayments, deposits and other receivables		**83,388**	75,496
Restricted bank deposits		**56,598**	20,933
Cash and cash equivalents		**801,046**	533,171
		1,283,534	844,183
Current liabilities			
Trade payables	*7*	**98,533**	86,563
Accrued expenses and other payables		**261,975**	422,749
Bank loans and other borrowings		**445,296**	202,076
Contract liabilities		**88,679**	91,288
Lease liabilities		**23,582**	25,428
Convertible redeemable preferred shares		**–**	6,965,493
Current taxation		**200**	4
		918,265	7,793,601
Net current assets/(liabilities)		**365,269**	(6,949,418)
Total assets less current liabilities		**740,921**	(6,415,829)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at December 31, 2024 (continued)

(Expressed in Renminbi)

	Note	**2024**	2023
		RMB'000	*RMB'000*
Non-current liabilities			
Bank loans and other borrowings		**84,350**	112,100
Lease liabilities		**3,865**	15,156
Deferred tax liabilities		**10,821**	12,503
Convertible bond		**–**	208,577
Other non-current liabilities		**856**	959
		99,892	349,295
NET ASSETS/(LIABILITIES)		**641,029**	(6,765,124)
CAPITAL AND RESERVES			
Share capital	*9*	**592**	323
Reserves		**565,083**	(6,865,150)
Total equity/(deficit) attributable to equity shareholders of the Company		**565,675**	(6,864,827)
Non-controlling interests		**75,354**	99,703
TOTAL EQUITY/(DEFICIT)		**641,029**	(6,765,124)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL 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's shares were listed on the Main Board on The Stock Exchange of Hong Kong Limited on December 6, 2024. The gross proceeds from the listing amounted to approximately HKD778.6 million (equivalent to approximately RMB718.8 million).

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "**Group**") are principally engaged in providing retail digitalization solutions to retailers in the local retail industry. The Group's principal operations and geographic markets are in the People's Republic of China ("**PRC**").

2 Material Accounting Policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board (the "**IASB**"). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2024 comprise the Company and its subsidiaries and the Group's interest in associates.

The functional currency of the Company is United States Dollar ("**USD**"). The consolidated financial statements are presented in RMB as the majority of the Group's operations are conducted by the Company's subsidiaries established in the mainland China and the functional currency of which is RMB.

2 Material Accounting Policies (continued)

The measurement basis used in the preparation of the financial statements 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;
- other financial assets;
- derivative financial instruments; and
- convertible redeemable preferred shares.

The preparation of the financial statements 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.

(c) Changes in accounting policies

The Group has applied the following new and amended IFRS Accounting Standards issued by the IASB to the consolidated financial statements for the current accounting period:

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

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

3 Revenue and Segment Reporting

(a) Revenue

The principal activities of the Group are the provision of retail core service cloud, e-commerce service cloud and other services 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:

	2024	2023
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
– Retail core service cloud	**1,809,508**	1,298,730
– E-commerce service cloud	**4,279**	300,006
– Others	**45,215**	(13,379)
	1,859,002	1,585,357

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is as follows:

	2024	2023
	RMB'000	*RMB'000*
Disaggregated by timing of revenue recognition		
– Point in time	**208,198**	469,203
– Over time	**1,650,804**	1,116,154
	1,859,002	1,585,357

The Group's revenue from customers individually contributing over 10% of the total revenue of the Group during the reporting year is as below.

	2024	2023
	RMB'000	*RMB'000*
Customer A*	**1,335,816**	1,139,183

* Customer A is considered as a group of entities known to be under common control.

3 Revenue and Segment Reporting (continued)

(ii) Revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date

As at December 31, 2024, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB1,245,444,000 (2023: RMB247,238,000). 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.

(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 property and equipment, intangible assets, goodwill, investments in associates, 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.

	Revenues from external customers	
	2024	2023
	RMB'000	*RMB'000*
The Chinese Mainland	**1,701,376**	1,462,096
Overseas	**157,626**	123,261
	1,859,002	1,585,357

	Specified non-current assets	
	2024	2023
	RMB'000	*RMB'000*
The Chinese Mainland	**368,433**	328,128
Overseas	**2,959**	4,627
	371,392	332,755

3 Revenue and Segment Reporting (continued)

(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 services include offline advertising service, marketing resource collaboration service, offline marketing 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.

The measure used for reporting segment profit is gross profit. No inter-segment sales have occurred during the reporting year. The Group's other net (loss)/income and expense items, such as other net (loss)/income, 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 reporting year is set out below.

	2024			
	Reportable segments			
	Retail core service cloud *RMB'000*	**E-commerce service cloud** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Segment revenue	**1,809,508**	**4,279**	**45,215**	**1,859,002**
Segment gross profit	**728,879**	**1,708**	**15,789**	**746,376**

3 Revenue and Segment Reporting (continued)

	2023			
	Reportable segments			
	Retail core service cloud *RMB'000*	E-commerce service cloud *RMB'000*	Others *RMB'000*	Total *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

4 Income Tax in the Consolidated Statement of Profit or Loss

	2024 *RMB'000*	2023 *RMB'000*
Current tax		
Provision for the year	**704**	534
Deferred tax		
Origination and reversal of temporary differences	**(1,682)**	(3,855)
	(978)	(3,321)

5 Loss Per Share

(a) Basic loss per share

The following table sets forth the basic loss per share computation and the numerator and denominator for the years presented:

	2024	2023
Net (loss)/profit attributable to equity shareholders of the Company *(RMB'000)*		
– Continuing operations	**(2,428,411)**	(685,909)
– Discontinued operations	**233,134**	93,548
	(2,195,277)	(592,361)
Weighted average number of ordinary shares	**552,380,621**	525,150,000
Basic (loss)/earnings per share *(RMB)*		
– Continuing operations	**(4.39)**	(1.31)
– Discontinued operations	**0.42**	0.18
	(3.97)	(1.13)

Basic loss per share is calculated by dividing the net loss attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

(b) Weighted average number of shares

Weighted average number of ordinary shares outstanding:

	2024	2023
Ordinary shares at January 1	**525,150,000**	525,150,000
Conversion of convertible redeemable preferred shares	**24,769,632**	–
Issuance of ordinary shares upon initial public offering	**1,830,940**	–
Issuance of ordinary shares to settle vested restricted share units ("**RSUs**")	**892,781**	–
Repurchase of ordinary shares to satisfy individual income tax requirements upon settlement of vested RSUs	**(262,732)**	–
Weighted average number of ordinary shares outstanding	**552,380,621**	525,150,000

(c) Diluted loss per share

The Company has four categories of potential ordinary shares during the reporting period: preferred shares, RSUs, share options and convertible bond (2023: preferred shares, RSUs, share options and convertible bond). For the years ended December 31, 2024 and 2023, 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, 2024 and 2023 were the same as basic loss per share of the respective years.

6 Trade Receivables

	2024	2023
	RMB'000	*RMB'000*
Trade receivables	**255,089**	168,395
Less: loss allowance	**(6,847)**	(3,253)
	248,242	165,142

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

Aging analysis

As of the end of the reporting year, the aging analysis of trade receivables, based on the invoice date and net of loss allowance, are as follows:

	2024	2023
	RMB'000	*RMB'000*
Within 3 months	**171,477**	148,234
3 to 6 months	**5,224**	4,491
7 to 12 months	**73,430**	5,621
More than 1 year but less than 3 years	**3,643**	9,072
Over 3 years	**1,315**	977
Less: loss allowance	**(6,847)**	(3,253)
	248,242	165,142

7 Trade Payables

	2024	2023
	RMB'000	*RMB'000*
AIoT product and service fee payable	**88,659**	50,140
Customer service fee and other procurement cost payable	**9,874**	8,407
Logistics cost payable	**–**	28,016
	98,533	86,563

7 Trade Payables (continued)

The aging analysis of the trade payables, based on the invoice date, is as follows:

	2024	2023
	RMB'000	*RMB'000*
Within 3 months	**91,472**	77,959
3 to 6 months	**2**	1,775
7 to 12 months	**120**	2,989
Over 1 year	**6,939**	3,840
	98,533	86,563

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

8 Dividends

No dividends have been paid or declared by the Company during each of the years ended December 31, 2024 and 2023. There is no final dividend proposed after the end of the reporting year.

9 Share Capital

Authorised share capital

The Company was incorporated in the British Virgin Islands in 2015 with authorized share capital of USD250,000 divided into 2,500,000,000 ordinary shares with par value of USD0.0001 each.

Issued share capital

	Note	*No. of shares*	*Share capital*
			RMB'000
Ordinary shares, issued and fully paid:			
At January 1, 2023, December 31, 2023 and January 1, 2024		525,150,000	323
Conversion of convertible redeemable preferred shares		335,766,124	241
Issuance of ordinary shares upon initial public offering	*(i)*	25,774,000	19
Issuance of ordinary shares to settle vested RSUs		12,567,609	9
At December 31, 2024		899,257,733	592

Notes:

(i) Issuance of ordinary shares upon initial public offering

On December 6, 2024, the Company issued 25,774,000 shares with par value of US$0.0001, at a price of HK$30.21 per share by initial public offering. Net proceeds from such issue amounted to RMB691,187,000, out of which USD2,577 (equivalent to RMB19,000) and RMB691,168,000 were recorded in share capital and share premium respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Review

Highlights for 2024

In 2024, the global economy maintained steady progress in a complex and volatile environment. As a key driver of economic growth, the retail consumption industry continued to develop powered by twin drivers: quality retailing and digital transformation. The surging technological transformation, especially the emergence of generative artificial intelligence (GenAI), has revolutionized the operational efficiency and business model of a wide range of industries with unprecedented speed and depth. The past year has marked GenAI's shift from experimental pilots to scaled production deployments globally, with retail's AI-driven digital transformation mirroring this trend.

As a leading provider of AI-driven retail digitalization solutions, the Group restructured its business in 2024, further anchoring its focus on retail core service cloud solutions which concentrates on two core business segments: Dmall OS system and AIoT solutions. Through strengthening its commitment to innovation, the Group successfully launched Dmall Solution 3.0, which incorporated AI technology to introduce cutting-edge applications. The Group positioned GenAI at the core of its strategic priorities. With continuous efforts in technology and independent innovation, the Group has deeply explored the application potential of GenAI and collaboration with robots in retail scenarios from multiple dimensions, and launched a series of AI Agent products tailored for diverse retail applications, promoting the AI upgrade of retail businesses. As of 2024, the Group has served 591 customers. The number of customers has been continuously increasing. The Group's dollar-based net retention rate[Note] reached 114%, kept on achieving higher than 100%. The Group advanced its dual-engine strategy driven by both Chinese and international markets and both existing customers and new customers. The Group has been achieving breakthroughs via strategic partnerships with leading Chinese retail enterprises and global retail giants. Xuchang Pangdonglai Commerce & Trade Co., Ltd.* (許昌市胖東來商貿集團有限公司) ("**Pangdonglai**") is an innovator and leader in China's retail industry. From 2022 to 2024, from the initial trial of the e-commerce module to the comprehensive cooperation, Pangdonglai and the Group have been joining hands to co-create a scientific and advanced digital and intelligent solution that is suitable for the retail industry and will jointly move towards the era of quality retailing for a better life and a better society. In the international market, the Group established a strong foundation for international expansion through business collaborations with

Note: revenues generated in the given year by recurring customers (excluding consumers) with the prior period divided by revenues generated by all customers (excluding consumers) in the prior year.

renowned international retail customers, such as DFI Retail Group Holdings Limited and its subsidiaries ("**DFI Retail Group**"), SM Investments Corporation and its subsidiaries ("**SM Group**") and Metro AG and its subsidiaries ("**Metro Group**"). Guided by its mission to lead technological innovation and redefine retail globally, the Group actively expands its worldwide footprint, deepens its international presence to enhance its brand visibility and influence and advances AI-driven digital transformation in retail globally.

	2024	2023
Number of customers[(1)]		
Retail core service cloud	**557**	527
– *Operating system*	**370**	324
– *AIoT solutions*	**260**	281
E-commerce service cloud	*	29
Others	**41**	4
Total number of customers	**591**	533

Notes:

* The e-commerce service cloud solutions has been immaterial in 2024. By the end of 2023, all our customers had transitioned to in-house online-to-offline ("**O2O**") operation, where they manage their own day-to-day O2O operations. The remaining services provided by the Group under the e-commerce service cloud solutions did not generate material revenue in 2024. In April 2024, the Group completed the restructuring (the "**Restructuring**") to divest all of its equity interests in Dmall Fresh (Beijing) E-commerce Co., Ltd.* (多點新鮮(北京)電子商務有限公司) ("**Dmall Fresh (Beijing)**"), its former consolidated affiliated entity, which led to the divestment of the Dmall APP. After the Restructuring, we do not operate any business under the e-commerce service cloud.

(1) Number of customers that have contributed revenue to us in a given year. The number of customers does not include those from our tax invoice management system services, which was launched in 2023 and generated immaterial revenue. However, the number of customers from tax invoice management system services exceeded 1,000 in 2024.

Benefiting from the above strategic layout and business progress, the business operation of the Group maintained a steady and high-quality growth. In 2024, the Group's total revenue reached RMB1,859.0 million, representing a year-on-year growth of 17.3%, among which the revenue for retail core service cloud grew by 39.3% from RMB1,298.7 million in 2023 to RMB1,809.5 million in 2024. Our adjusted profit from continuing operations for the year (non-IFRS measure) reached RMB29.8 million. The cash flow has been continuously improving, and the financial position remains strong. The net assets turned to positive as of December 31, 2024.

Progress for 2024

Continuous system iteration, Dmall Solution 3.0 successful deployment of AI products and collaboration with robots, leading the industry innovation

The Group's retail core service cloud solution provides rich service modules covering supply chain management, warehouse and transportation management, store operations, e-commerce and membership management. It helps retailers achieve full-process digitalization and provides retailers with comprehensive data insights to help them achieve efficient transformation in the digitalization wave and seize market opportunities. Retailers can flexibly select, set, and integrate different modules according to their needs to meet their operational demands.

In 2024, the Group made significant strides in product iteration with Dmall OS system and AIoT solutions distinguishing themselves through comprehensive coverage and integration of cutting-edge retail practices. These innovations enabled retailers to streamline operations, boost revenue, reduce costs, and elevate efficiency. The retail core service cloud solution, through continuous upgrades, entered the 3.0 stage in 2024.

– ***AI agent products***

A number of AI agent products, such as AI Clearance, AI Customer Service, AI Service Quality Inspection, AI Patrol Inspection, AI Shopping Guide and AI Replenishment have been launched. Among them, AI Replenishment System won the Annual AI Scenario Application Innovation Award at the 7th DingGe Award Ceremony in 2024. From 2022, the Group started to explore the application of GenAI in retail scenarios. Up to now, the Group's AI products have been connected to DeepSeek and completed localized deployment, accelerating the widespread promotion and application of AI in the retail sector. With access to DeepSeek, AI products will be further enhanced in terms of intelligence and decision-making capabilities. Especially on the cost side, with the reduction of computing power and inference costs, the cost of using the products is expected to be significantly reduced.

- In 2024, AI Clearance was gradually deployed across over 200 stores under the brand Wumart (物美) that are operated and owned by Wumei Technology Group, Inc. (物美科技集團有限公司) and its subsidiaries ("**Wumei Group**"), launching a dynamic discount clearance program for meat and leafy vegetable products. Leveraging intelligent analytics, the solution generates real-time and individualized discount recommendations to the individual store and integrates seamlessly with the replenishment system, delivering annual profit growth exceeding RMB1 million for Wumei Group. It will be further rolled out to other short-shelf-life categories.

- AI Customer Service can respond to customer inquiries in a real-time manner and adjust marketing strategies based on customer feedback. After its launch, it not only reduced the labor cost of our customer, but also maintained a high level of user satisfaction, with an online resolution rate of 80%. When encountering complex problems, the model automatically transfers the call to human customer service representative to ensure service quality.

- AI Service Quality Inspection has expanded from the initial quality inspection of customer service to the quality inspection of voice content during the communication with consumers in the delivery scenario. AI has achieved full-volume inspection, replacing the original manual sampling inspection rate of 2% to 5%, and the accuracy rate of sampling inspection exceeds 99%, greatly improving the efficiency and accuracy of quality inspection.

- AI Patrol Inspection is a deep integration of AI models with the store security monitoring equipment, enables intelligent visual monitoring of key areas of the store. Combined with AI capabilities, intelligent applications such as out-of-stock shelves, unoccupied service counters, queues in the cashier area, occupied fire exit, and staff on duty in the monitoring room leaving or falling asleep are identified. Once identified, the alarm mechanism is triggered and the issues are handed over to manual processing to ensure that problems are responded to and rectified quickly. In some scenarios, the cost of manual inspection is reduced by 70%, and the task rectification rate exceeds 98%, which improves customer satisfaction and the shopping experience, reduces potential risks and safety hazards in the store.

- AI Shopping Guide provides real-time natural language Q&A support within consumer APP to recommend products and guide users to add items to their carts, effectively enhancing the user's shopping experience.

- AI Replenishment allows retailers to automatically place orders with suppliers as it can realize accurate prediction of commodity sales trends based on AI data algorithms. It significantly improves the replenishment accuracy and the efficiency for the entire supply chain.

– *Robotic Solutions*

- Warehouse robotic solution. The Group cooperated with a leading robotics company in the logistics industry to jointly create a warehouse management solution. Through seamless backend integration, the Group's warehouse management system controlling panel sends task instructions to robots, which autonomously execute operations such as inbound logistics, high-rise storage, order picking, and outbound deliveries, achieving full automation. The application in the warehouse greatly improved work efficiency while saving space and costs.

- Intelligent robotic cleaning solution. The Group has independently developed the Dmall Cleaning System (the "**DCS system**"), which controls robots to play their maximum role in intelligent cleaning tasks. The DCS system, as a human-robot collaborative intelligent cleaning management system, schedules, monitors, and optimizes the cleaning tasks in the sales area in real-time at the backend. Compared to standalone robotic solutions, DCS system' human-robot collaborative framework offers unparalleled flexibility in dynamic demand response and robust capability in managing complex retail cleaning scenarios. Currently, the major customers of the intelligent robotic cleaning solution include Dalian Wanda Commercial Management Group Co., Ltd. (大連萬達商業管理集團股份有限公司) and its subsidiaries, Longfor Group Holdings Limited (龍湖集團控股有限公司) (stock code: 960. HK) and its subsidiaries, RT-Mart, etc., among which the first RT-Mart store enjoyed the service in November 2024, achieving a cost reduction of 5% for the customer.

– *Dmall OS system updates under Dmall Solution 3.0*

- Light Catering Platform is a new fast-food store model, focusing on on-site production of fresh food. The system highly integrates the whole process seamlessly, optimizes the process, and improves operation efficiency. It provides consumers with a more convenient and efficient dining experience, fully explores the spatial value of stores, effectively improves store revenue per square meter, and opens up a new growth path for the physical retail industry.

- Public Domain Linkage deeply connects with public domain platforms such as Douyin and Kuaishou, solving problems such as coupon management, verification, and reconciliation, helping merchants accurately grasp the traffic conversion path, efficiently use public domain traffic, and improve sales performance.

- Integrated Business-Finance Hub, Dmall Solution 3.0 launched an integrated business and finance platform covering contract management, expense management, accounts receivable and payable management, and accounting electronic file management, promoting the transformation of finance to a shared model.

- Human Resources Management Upgrade, Dmall Solution 3.0 adopts a piece-rate management method, relying on the system's powerful data collection and analysis capabilities to accurately calculate employee wages based on actual work results and performance, stimulating employee enthusiasm and creativity. At the same time, the intelligent equipment management system is used to optimize and analyze the utilization rate of equipment such as cash registers, increase the number of orders processed and reduce unnecessary equipment and manpower investment through reasonable allocation of equipment resources. In addition, Dmall Solution 3.0 also includes a Job Management Dashboard, where all tasks to be executed and daily operations are displayed on the dashboard. Employees can decide whether to perform a task based on the tasks shown on the dashboard and their actual workload. This approach not only enables "more work, more reward" but also helps enterprises achieve quantitative management.

– ***AIoT Solutions under Dmall Solution 3.0***

Another core business of the Group is AIoT solutions that integrate AI technologies with the Internet of Things infrastructure to address practical and immediate application scenarios for retailers, thereby comprehensively improving in-store management efficiency and creating personalized shopping experiences for consumers. The Group offers AIoT solutions mainly for "People, Goods, and Site". They include intelligent efficiency improvement solutions to optimize labor structure, such as intelligent cashier, intelligent merchandise replenishment solutions, intelligent package sorting solutions, and intelligent delivery; intelligent security solutions to ensure safe production, such as intelligent loss prevention, intelligent security, intelligent inspection, self-service night collection, and remote monitoring; and intelligent energy efficiency and equipment solutions to promote energy conservation and emission reduction, such as intelligent energy efficiency, intelligent cleaning, and intelligent equipment, etc.

As a business area that the Group has been vigorously exploring in recent years, AIoT solutions have achieved phased results. This business is characterized by flexible cooperation models and convenient implementation, making it easy to establish cooperative relationships with customers. In 2024, the Group signed new contracts with several AIoT customers, including Laolinju Convenience Store* (老鄰居便利店) owned and operated by Sichuan Laolinju Commercial and Trade Chain Co., Ltd.* (四川省老鄰居商貿連鎖有限公司), Shoukang Yongle Commercial Group* (壽康永樂商貿集團) ("**Shoukang Yongle**"), Sichuan Hongyuan Shangcheng Supermarket Co., Ltd.* (四川宏遠上鋮超市有限公司) ("**Sichuan Hongyuan**"), Jialeyuan Group (家樂園集團) and Lawson (China) Investment Co., Ltd. (羅森(中國)投資有限公司) ("**Lawson**"), etc.

Intelligent Loss Prevention Solutions: It consists of AI anti-theft and loss prevention, intelligent security, and remote monitoring. Among them, the AI anti-theft and loss prevention system utilizes advanced identification and analysis technologies to accurately screen abnormal behaviors, and then issues real-time warnings to cut the loss in a timely manner, so as to reduce the loss of retail goods, and achieve closed-loop management of the commodity loss control business. Leveraging on modules such as remote monitoring, intelligent inspection, and self-service night collection, the intelligent security system relies on Internet of Things technology to drive the transformation of retail security towards intellectualization, improving the security efficiency and reducing operating costs. The remote monitoring system realizes the remote management of 24/7 unattended retail through the cloud monitoring system, self-service cashier, intelligent access control and remote monitoring, helping merchants increase sales revenue and reduce operating costs. In 2024, the Group cooperated with a large commercial group. Leveraging on digital intelligent monitoring technology, the Group helped it to strengthen safety management, achieving real-time AI warnings with high level of precision around the clock, and ensuring a rapid response to emergency security situations. Meanwhile, the Group signed a strategic contract with Laolinju Convenience Store. Through the application of remote monitoring technology, the Group optimized its chain management system and improved its operational efficiency, thus helping customers to control costs effectively and enhance their corporate competitiveness.

Intelligent Merchandise Replenishment Solutions: Through employing advanced AI data algorithms and integrating sales data, product display information and inventory data, it can automatically trigger out-of-stock alerts and precisely instruct workers to replenish and sort out goods in the form of tasks, effectively avoiding delays and errors caused by manual operations. The system also supports product location management, ensuring the efficient circulation and traceability of products in the store. In the application scenarios of stores, the system facilitates the AI-driven digital transformation of the replenishment operation. Through standardizing the staff's operation processes and ensuring timeliness, the project upgrades the traditional offline management model to a digital and quantitative management model. With the piecework system, employees are paid according to their work, significantly enhancing their work enthusiasm and efficiency. In addition, by leveraging the digital intelligent data of in-store replenishment, the solution can conduct a reverse verification of the efficiency of product logistics and the accuracy of goods distribution, greatly improving the overall operational efficiency of supermarkets.

Intelligent Cashier Solutions: This solution deeply integrates cashier modules by connecting the back ends of hardware devices such as point of sale (POS), self-checkout machines and AI scales, and links them with users to analyze the usage data for piecework purpose, effectively enhancing the work efficiency of employees. This solution has successfully helped merchants such as Wumei Group, Metro Group, Shoukang Yongle, and Sichuan Hongyuan to achieve visual monitoring of the efficiency of their cashiers. Through piecework management, employees' work enthusiasm was fully motivated, and their work efficiency and service awareness were enhanced, thus optimizing the overall performance of the cashier process.

Intelligent Distribution Solutions: By integrating market distribution service providers, this solution helps retailers to reduce the cost of system integration and offers highly flexible capacity allocation plans that are suitable for different business scenarios. In terms of distribution capacity, it has changed the previous fluctuations. Whether in the peak or low seasons of orders, it can ensure a stable supply of capacity. For the weak bargaining power of retailers as compared to distribution service providers due to low order volumes, the solution significantly enhanced the bargaining power of retailers through resource integration and centralized allocation. Moreover, it effectively solved a dilemma of having idle full-time staff during low order periods and the urgent need to allocate store staff during peak order periods. This achieved efficient utilization of human resources and comprehensively improves the efficiency and quality of order fulfillment. The Group's integrated distribution has an average daily order volume of over 150,000, covering more than 400 cities across the country. The number of riders dispatched daily is over 10,000. The business includes personalized solutions for distances of 1–3 kilometers, 3–5 kilometers, and 5–15 kilometers. In the project of helping Metro Group achieve city-wide distribution and direct delivery for fresh food, the project of direct delivery for fresh food and city-wide distribution accounted for 18.39% of the total C-end online orders by the end of 2024, due to market cultivation and a good distribution experience. The Group helped merchants to reduce distribution costs year by year through annual nationwide centralized bidding. Taking Chongbai Supermarket* (重百超市) as an example, based on order calculation for 2024, the Group can help the merchant to reduce annual costs by more than RMB500,000.

Intelligent Package Sorting Solutions: Leveraging on advanced big data algorithms and modeling technologies, this solution identifies and locates products based on order priorities and inventory status. It abandons the traditional paper-based operation mode, uses electronic devices to sort goods, and streamlines the workflow from product identification to final packaging to optimize the route of sorters from the shelves to the packaging station, thus improving the overall efficiency of product sorting. This solution enables retailers to meet the needs of online sales while enhancing operational efficiency and operational accuracy, which helps retailers to achieve the digitalization and productization of picking operations and management, thereby improving the picking efficiency of omnichannel orders, and gradually reducing picking costs.

Intelligent Energy Efficiency Solutions: It integrates functions such as photovoltaic management, energy consumption management, intelligent control of equipment, AI analysis, and carbon emission management. By applying intelligent sensing, Internet of Things, big data, and AI technologies, this solution builds a comprehensive digital energy management platform for enterprises. Through real-time monitoring, intelligent analysis, and optimized control, the Intelligent Energy & Efficiency System (the "**IES**") product can effectively help enterprises reduce energy costs and improve management efficiency, thus assisting enterprises in practicing environmental, social and governance.

Dual-engine customer exploration strategy driven by both Chinese and international markets and both existing customers and new customers.

Jointly Spread the goodness with Pangdonglai

Pangdonglai is renowned as an innovator and leader in China's retail industry, and it is also a practitioner of advanced cultural concepts and quality retailing, representing the future of the retail industry. Pangdonglai adheres to rigorous supplier selection criteria, and the Group's digital solutions have earned its highest praise. From 2022 to 2024, starting from the initial trial of the e-commerce module to the current comprehensive cooperation, it not only reflects Pangdonglai's recognition of the Group but also demonstrates its determination to embrace digitalization and intellectualization. The launch of the Dmall digital and intelligent system has helped Pangdonglai achieve comprehensive digitalization and intellectualization, covering aspects such as membership, products, supply chain, store operations, and headquarters management. It has also assisted Pangdonglai in establishing an online business system, enabling consumers across the country to purchase products of Pangdonglai more easily. Consumers can also purchase them online and pick them up offline, making the shopping process more orderly.

In December 2024, the "DMALL Annual Clients Conference" was successfully held in Xuchang. Mr. Yu Donglai, the founder of Pangdonglai, personally attended the conference and shared his insights. He affirmed the co-creation of digitalization and intellectualization between the Group and Pangdonglai, making retail management more scientific. The Group joined hands with Pangdonglai to co-create a scientific and advanced digital and intelligent solution that is truly suitable for the retail industry. By combining digital and intelligent technologies with the best practices of retail business, it inherits Pangdonglai's cultural concepts, and summarizes and refines its scientific management methodology for product quality and service quality. With the assistance of the Group's digitalization solution, retail enterprises that hope to learn from Pangdonglai can improve its work efficiency, making employees' work easier, and enhance its product and service quality, providing consumers with a better experience. The Group and Pangdonglai will help the retail industry transform and upgrade, and jointly move towards the era of quality retailing for a better life and a better society!

International business continues to gain momentum and becomes an important growth pillar

The Group firmly pursues a coordinated development strategy for both its Chinese and international markets. Its business covers 10 countries and regions, including the Chinese Mainland, Hong Kong, Macau, Cambodia, Singapore, Malaysia, Indonesia, the Philippines, Brunei, and Poland. In 2024, the international business grew significantly, serving as an critical growth pillar for the Group's development. In 2024, the revenue from international business accounted for 8.5% of the total revenue, representing a year-on-year growth of 27.9%. In the process of expanding into the international market, the Group established a strong foundation for international expansion through business collaborations with renowned international retail customers, such as DFI Retail Group, SM Group and Metro Group. DFI Retail Group, a leading pan-Asian retailer, manages renowned brands including Wellcome, Mannings, Giant, and Guardian, while holding 7-Eleven franchises in selected Asian markets. The Group is in collaboration with DFI Retail Group across multiple business lines, assisting them in achieving successful digitalization in Asia market and inject a strong impetus to its sustainable development in this region. In 2024, the Group successfully deployed comprehensive cashier solutions systems, store management, and warehouse management systems for 7-Eleven and Mannings in Hong Kong, providing it with efficient and stable retail management solutions and further deepening the Group's business layout in the Hong Kong market. Simultaneously, the Group expanded into emerging Southeast Asian markets, leveraging its technical expertise and service excellence to establish operations in Indonesia, Brunei, and Malaysia, providing comprehensive system support for the Guardian brand, which is one of the market leading health and beauty retailers in the Southeast Asia. This cooperation has effectively improved the operational efficiency of Guardian, optimized the customer shopping experience, and helped it further enhance its significant position in the Southeast Asian retail markets.

In 2024, the Group also yielded significant outcomes from its collaboration with SM Group in the Philippines. Since the partnership commenced in 2023, the business scope of its cooperation with SM Group has covered several well-known Southeast Asian retail brands, including SM Hypermarket, SM Supermarket, and Savemore. By the end of 2024, SM Group successfully launched its cashier solutions system and store management systems. The excellent implementation results won high praise and recognition from customers, and both parties reached a consensus to continue deepening cooperation in more fields.

Through continuous engagement with global retail customers, the Group has absorbed industry best practices, honed its technical expertise, and strengthened its leadership position among global provider of AI-driven retail digitalization solutions. This has enabled us to spearhead industry-wide digitalization transformation.

Deeply cultivate existing customers, expand the customer base and broaden the spectrum of customer types

With a proactive attitude and steady steps, the Group deepened cooperation with existing customers, spared no effort to broaden the spectrum of customer types, fully immersed itself into diverse retail sectors, and continuously won the recognition of star benchmark customers in the retail industry.

The Group always firmly adheres to the strategic concept of "strengthening relationship and cooperation with existing customers", and create more considerable value for customers through continuous optimization of services and expansion of cooperation fields, realizing win-win cooperation and common development. Based on the initial cooperation, it continuously expanded from different dimensions such as adding modules, increasing services, adding brands, and increasing the number of stores, achieving remarkable results. As of 2024, the Group's dollar-based net retention rate reached 114%, calculated by regular customer revenue divided by total customer revenue (excluding consumers) over the same period. This figure demonstrates the Group's outstanding ability in customer retention and repeat purchases, and fully demonstrates the high recognition and deep loyalty of existing customers towards the Group, as well as their willingness to continuously place orders for the Group's products. At the same time, the Group actively explored and established in-depth cooperative relationships with various retail enterprises of multiple types to fully expand its customer base.

In 2024, the Group achieved

- Strategic upgrade of cooperation with Pangdonglai, an innovative benchmark in China's physical retail industry advocating harmonious retail: Pangdonglai, continues to maintain its leading position in the regional market with its unique business philosophy and refined operation system, and its business model provides a referential innovation paradigm for the retail industry. Through the integration of digitalization capabilities and business philosophy, the organic integration of "technology with human value" and "retail with humanistic elements" is realized. Pangdonglai successfully launched the Dmall OS system in October 2024.

- Strategic cooperation with Better Life Commercial Chain Share Co., Ltd. (步步高商業連鎖股份有限公司) (002251.SZ) ("**Better Life Group**"), a leading retail enterprise: In the face of the digitalization transformation trend of the retail industry and the continuous upgrading of consumer demand, Better Life Group actively promotes the strategic transformation of "new retail". The Group and Better Life Group have joined hands to jointly promote the general digitalization upgrade of China's listed retail leader. This cooperation marks an important step for Better Life Group's strategic transformation from self-research to open cooperation. The Group will provide Better Life Group with comprehensive digitalization solutions to help it reconstruct its digitalization system and platform, optimize business processes, and jointly create a new benchmark for digitalization transformation in the retail industry.

- Continued deepening the cooperation with Pangdonglai, entered into a comprehensive strategic cooperation on Dmall OS system with Lishui Wanjiahui* (麗水萬家惠), a trainee company of Pangdonglai, injecting strong impetus into Lishui Wanjiahui's path of digital and intelligent transformation. In the future, the Group will explore cooperation with more trainee enterprises of Pangdonglai and co-create a better life with Pangdonglai with advanced concepts and methods;

- Pioneering the new business format of “light catering” with Guangdong Sai Yi Convenience Stores* (廣東賽壹便利店), the operating entity of 7-Eleven (one of the largest convenience store chains in the world) in South China, to innovate and fully create the new fast-food store model based on the good cooperation relationship between us. To further improve the experience, the connection function between the Group and Douyin also takes advantage of third-party platforms to move from passive to active promotion.

- Strategic cooperation with Henan Shuanghui Investment and Development Co., Ltd. (河南雙匯投資發展股份有限公司) (000895.SZ) (“**Shuanghui Development**”), a leading enterprise in global food industry: Shuanghui Development, as a benchmark enterprise in China’s meat industry, has built a global food industry group spanning agriculture, husbandry, slaughtering and processing, cold chain logistics, and terminal retail through 30 years of in-depth cultivation of the entire industry chain. The Group and Shuanghui Development have established a strategic alliance for full-scenario retail operating systems to jointly create a “lighthouse project for digitalization transformation of global food industry” for intelligent supply chain upgrades and agile organizational restructuring.

- Strategic cooperation with Harbin Churin Leaderfoods Co., Ltd. (哈爾濱秋林裡道斯食品有限責任公司) (“**Harbin Churin Leaderfoods**”), a centennial food industry group of intangible cultural heritage: Harbin Churin Leaderfoods, founded in 1900, as one of the first batch of enterprises selected as “China Time-honored Brand” for the inheritance of intangible cultural heritage skills, continues to lead the standard innovation of China’s traditional meat products industry. Through such cooperation, it will jointly build a “demonstration project for direct-to-consumer digitalization transformation of traditional food industry” with the Group to promote the innovative development and brand upgrade of the traditional food industry.

- Expanding cooperation scope with Sichuan Hongyuan, a regional leading enterprise in Meishan City, Sichuan Province: On the basis of the stable original cooperation, the Group and Sichuan Hongyuan started cooperation on the transportation management system. This system integrates advanced functions such as waybill management, proper delivery behavior control, and timely delivery assessment, and is equipped with convenient and efficient line arrangement tools to improve the efficiency of logistics resource allocation. Drivers receive transportation tasks and scan codes to load vehicles through the APP, with transportation tasks received more timely and loading efficiency increased by 10%. The APP itinerary provides fast navigation functions, effectively improving the delivery rate and timeliness. Drivers can automatically obtain tasks and complete check-in and entry when they are within the scope of the electronic fence, fully supporting paperless operations, and the handover efficiency is increased by 10%.

- Adding cooperation modules with Shoukang Yongle, a leading enterprise in Shiyan City, Hubei Province: Shoukang Yongle has added the application of Dmall store dashboard product, which allows the direct and efficient information transmission for business goals set by the headquarters and quick access to key information by managers of each store. The performance dashboard clearly presents core indicators such as online and offline sales, transaction times, average transaction value, member sales ratio, the number of transaction members, gross profit, and top 8 abnormalities for commodity status, allowing managers to quickly understand operating data, accurately locate problems, and adjust strategies in a timely manner to efficiently implement the headquarters' operating policies. Store operation is fully migrated to the mobile terminal workbench. Functions such as commodity inquiry, price tag, picking, and price adjustment can be quickly operated through the mobile terminal, the data inquiry portal is centralized, and core indicators can be followed in real time, providing timely and accurate data support for business decision-making, and strongly supporting supermarket sales and management work. Those stores that have launched this product have achieved significant results, with a cumulative annual saving of RMB439,000 in store manager working hours and effective reduction of human resource costs.

- Provide a comprehensive retail digitalization solution in line with industry development for the campus chain supermarkets and the e-commerce business of Huazhong University of Science and Technology (HUST). As one of the state key comprehensive universities directly under the Ministry of Education located in Wuhan, HUST was established on May 26, 2000, through the merger of the former Huazhong University of Technology, Tongji Medical University, and Wuhan Urban Construction Institute. It is a prestigious university under the "211 Project" and the "985 Project". It is also among the first batch of universities selected for the "Double First-Class" initiative. This collaboration lays a solid foundation for the Group's future expansion into the campus retail market.

E-commerce Service Cloud and Others

The Group once provided e-commerce service cloud solutions and online marketing services. By the end of 2023, as customers transformed their O2O operations into internal operations, they carried out daily online store management on their own to gradually phase out most categories of e-commerce service cloud products. In April 2024, the Group completed the Restructuring to divest all of its equity interests in Dmall Fresh (Beijing), its former consolidated affiliated entity. For details, please refer to the section headed "RECENT DEVELOPMENTS – Product Optimization and Restructuring" of the prospectus of the Company dated November 28, 2024 (the "**Prospectus**"). As a result of the Restructuring, the Group ceased the operation of the Dmall APP and mini-program, which mainly led to the termination of the online advertising services under the previously operated marketing and advertising service cloud and the payment processing services under the retail core service cloud. The financial results of the online marketing services were classified as discontinued operations in the historical financial information. After the Restructuring, the Group focused on providing retail core service cloud solutions. Other services such as offline marketing no longer generate significant revenues.

Business Outlook

It is widely recognized that AI agents will emerge in an explosive manner. In the retail industry, it is expected that a large number of AI-native system services will emerge, evolving from large language models to multimodal services, which will inject strong impetus into the business development of retailers from multiple dimensions, so as to help them achieve all-round business improvement. Looking ahead, the Group will unswervingly focus on the AI retail field, continuously carry out in-depth and extensive innovative practices, fully promote the innovative application of data, AI, robotics and the newly emerging cutting-edge technologies throughout the entire retail process, and explore and train industry models with generalization capabilities to effectively assist retail enterprises in achieving precise operation, cost control and revenue growth.

The Group will concentrate on strengthening the leadership position in the Chinese market and further promoting the globalization strategy. By joining hands with the industry leaders such as Pangdonglai, DFI Retail Group and SM Group, the Group will promote the transformation and upgrading of the retail industry and spread the concept of better retail, better life and better society.

2. Financial Review

Revenue by Operating Segment

During the Reporting Year, we derived our revenue primarily from the provision of our services of retail core service cloud. The Group's revenue increased by 17.3% from RMB1,585.4 million for the year ended December 31, 2023 to RMB1,859.0 million for the Reporting Year. 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.

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 presented:

	Year ended December 31,			
	2024		2023	
	RMB in thousands	*%*	*RMB in thousands*	*%*
Retail core service cloud	**1,809,508**	**97.3**	1,298,730	81.9
– *Operating system*	**786,290**	**42.3**	680,043	42.9
– *AIoT solutions*	**1,023,218**	**55.0**	618,687	39.0
E-commerce service cloud	**4,279**	**0.2**	300,006	18.9
Others	**45,215**	**2.5**	(13,379)	(0.8)
Revenue	**1,859,002**	**100.0**	1,585,357	100.0

Retail core service cloud

During the Reporting Year, we primarily provided Dmall OS system and AIoT solutions under our retail core service cloud business segment. For Dmall OS system, we offer the option to either charge a percentage of the customers' gross merchandise volume (the total value of merchandise sold in a given period, regardless of whether the goods are settled or returned) ("**GMV**") processed by our system or provide a subscription fee tailored to suit customers' individual needs or financial situation. In addition, for customers requiring customization, implementation, software development, and maintenance services, we offer tailored solutions. For AIoT solutions, other than the Scan-and-Go solutions using take rate model, we charge either a one-time payment or a subscription fee. We continuously develop our products, expand our service offerings to existing customers, and acquire new customers. The Group's revenue from retail core service cloud solutions increased by 39.3% from RMB1,298.7 million for the year ended December 31, 2023 to RMB1,809.5 million for the Reporting Year, primarily due to (i) the increase in AIoT revenue from intelligent delivery solutions, intelligent cleaning solutions, intelligent cashier solutions, intelligent package sorting solutions, intelligent merchandise replenishment solutions and intelligent customer services and (ii) the increase in operating system revenue, primarily due to (a) revenue increase from our distributed e-commerce system services, and (b) expansion of our overseas operation.

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,			
	2024		2023	
	RMB in thousands	**%**	*RMB in thousands*	%
Operating system	**786,290**	**43.4**	680,043	52.3
– Take rate	***351,164***	***19.4***	431,769	33.2
Related Entities	225,824	12.5	326,080	*25.1*
Independent Customers	125,340	6.9	105,689	*8.1*
– Subscription[(1)]	***241,805***	***13.3***	89,812	6.9
Related Entities	186,628	10.3	54,730	*4.2*
Independent Customers	55,177	3.0	35,082	*2.7*
– Customization, implementation, software development and maintenance and others[(2)]	***193,321***	***10.6***	158,462	12.2
Related Entities	22,890	1.3	23,280	*1.8*
Independent Customers	170,431	9.3	135,182	*10.4*
AIoT Solutions	**1,023,218**	**56.6**	618,687	47.7
– Take rate[(3)]	***46,320***	***2.6***	66,056	5.1
Related Entities	45,286	2.5	60,392	*4.7*
Independent Customers	1,034	0.1	5,664	*0.4*
– Subscription[(4)]	***964,751***	***53.3***	516,472	39.7
Related Entities	920,751	50.9	512,098	*39.4*
Independent Customers	44,000	2.4	4,374	*0.3*
– Product sales[(5)]	***12,147***	***0.7***	36,159	2.9
Related Entities	1,938	0.1	8,801	*0.7*
Independent Customers	10,209	0.6	27,358	*2.2*
Total revenue for retail core service cloud	**1,809,508**	**100.0**	1,298,730	100.0

Notes:

(1) The increase in subscription fee in 2024, as compared to 2023, was primarily due to the charging model has shifted from take rate to subscription of certain customers, and 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 RMB158.5 million in 2023 to RMB193.3 million in 2024, mainly attributable to new customization revenue from existing customers who demanded additional customized functionalities on our operating system due to respective business needs, and expansion in implementation business we acquired from independent domestic and overseas retail groups, including SM Group, Lawson, etc.

(3) The decrease in our take rate revenue under AIoT solutions from RMB66.1 million in 2023 to RMB46.3 million in 2024, was mainly attributable to the fact that we do not charge payment processing cost due to the divestment of Dmall APP.

(4) The increase in the subscription fees under our AIoT solutions in 2024, as compared to 2023, was mainly attributable to a greater adoption of such solutions by customers as we expanded our AIoT service during the Reporting Year, including intelligent delivery solutions, intelligent cleaning solutions, intelligent cashier solutions, intelligent package sorting solutions, intelligent merchandise replenishment solutions and intelligent customer services.

(5) The decrease in our product sales under AIoT solutions from RMB36.2 million in 2023 to RMB12.1 million in 2024 was mainly due to the majority of our retailer customers' stores having completed their digitalized smart tags adoption by 2023.

E-commerce service cloud

During the Reporting Year, we have historically primarily provided O2O platform service and logistics services under the e-commerce service cloud business segment. The Group's revenue from e-commerce service cloud business segment decreased by 98.6% from RMB300.0 million for the year ended December 31, 2023 to RMB4.3 million for the Reporting Year, as all of our customers shifted to operating their e-commerce business in-house by the end of 2023.

Others

During the Reporting Year, the services we provided under our other business segment primarily included offline marketing services and offline marketing products. The Group's revenue from other business segment increased from negative RMB13.4 million for the year ended December 31, 2023 to RMB45.2 million for the Reporting Year, primarily due to the surplus value of marketing resources we gathered to Chongqing Department Store Co., Ltd. (重慶百貨大樓股份有限公司) pursuant to a marketing resource collaboration agreement and new revenue stream pertaining to offline marketing products and services.

Revenue by Geographic Location

Apart from the Chinese mainland, the Group has successfully expanded its businesses into markets outside the Chinese Mainland, namely Hong Kong, Cambodia, Singapore, Malaysia, Poland, Macau, Indonesia, the Philippines and Brunei. The Group is 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 presented:

The Chinese Mainland

In 2023 and 2024, revenue generated from the Chinese mainland were RMB1,462.1 million and RMB1,701.4 million, respectively, representing 92.2% and 91.5% of our revenue in the same year. Our revenue growth in the Chinese mainland from 2023 to 2024 was mainly attributable to a greater adoption of such solutions by customers as we expanded our AIoT solutions, including intelligent delivery solutions, intelligent cleaning solutions, intelligent cashier solutions, intelligent package sorting solutions, intelligent merchandise replenishment solutions and intelligent customer services, as well as business expansion of operating system we offered to more independent retailer customers. In addition, with the expansion of new customers and the overseas expansion of the Dmall OS system, its revenue has continued to increase.

Overseas

In 2023 and 2024, revenue generated from overseas markets were RMB123.3 million and RMB157.6 million, respectively, representing 7.8% and 8.5% of our revenue from continued operations in the same year. Our revenue growth in overseas markets was primarily due to an increase in the adoption of our Dmall OS system in Hong Kong, Singapore, the Philippines, Malaysia, Poland, Indonesia, Macau and Brunei. As we enter into long-term cooperation agreements with leading overseas enterprise retailers, more modules of the Dmall OS system are gradually being launched, and the increase in GMV processed through our operating system from overseas retailer customers which is attributed to the growing number of stores that have gone live.

	Year ended December 31,			
	2024		2023	
	RMB in thousands	**%**	*RMB in thousands*	%
The Chinese Mainland	**1,701,376**	**91.5**	1,462,096	92.2
Overseas	**157,626**	**8.5**	123,261	7.8
– Asia (excluding the Chinese mainland)	***154,845***	***8.4***	122,594	7.7
– Europe	***2,781***	***0.1***	667	*
Total	**1,859,002**	**100.0**	1,585,357	100.0

Note:

* Less than 0.1%.

Cost of revenue

During the Reporting Year, the three largest components of our cost of revenue were outsourcing and other labor costs, employee benefit expenses and text messaging cost.

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 presented:

	Year ended December 31,			
	2024		2023	
	RMB in thousands	**%**	*RMB in thousands*	%
Outsourcing and other labor costs	**856,477**	**46.1**	465,496	29.4
Employee benefit expenses	**95,978**	**5.2**	132,288	8.3
Text messaging cost	**41,409**	**2.2**	33,333	2.1
Cloud service, bandwidth and server custody fees	**29,455**	**1.6**	40,355	2.5
Cost of inventories sold	**24,389**	**1.3**	31,725	2.0
Payment processing costs	**12,322**	**0.7**	41,709	2.6
Customer service fees	**13**	*	11,696	0.7
Logistics costs	–	–	233,454	14.7
Others	**52,583**	**2.8**	40,600	2.7
Total	**1,112,626**	**59.9**	1,030,656	65.0

Note:

* Less than 0.1%.

The Group's cost of revenue increased by 8.0% from RMB1,030.7 million for the year ended December 31, 2023 to RMB1,112.6 million for the Reporting Year. This increase in our cost of revenue was primarily driven by an increase in our outsourcing and other labor costs from RMB465.5 million for the year ended December 31, 2023 to RMB856.5 million in the Reporting Year, primarily due to the expansion of our AIoT solutions, including intelligent delivery solutions, intelligent cleaning solutions, intelligent cashier solutions, intelligent package sorting solutions, intelligent merchandise replenishment solutions and intelligent customer services. This was partially offset by (i) a decrease in logistics costs from RMB233.5 million for the year ended December 31, 2023 to nil in the Reporting Year, primarily due to the cessation of the e-commerce service cloud solutions due to product optimization, and (ii) a decrease in employee benefit expenses along with our structure optimization progress which enabled us to strengthen cross-functional synergy. Moreover, the Group positioned GenAI at the core of its strategic priorities and utilized AI tools to enhance employees' work efficiency and reduce labor costs.

Gross Profit and Gross Margin

As a result of the foregoing, the Group's gross profit increased by 34.6% from RMB554.7 million for the year ended December 31, 2023 to RMB746.4 million for the Reporting Year, and the gross profit margin increased from 35.0% for the year ended December 31, 2023 to 40.1% for the Reporting Year.

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

	Year ended December 31,			
	2024		2023	
	Gross Profit/ (Loss)	**Gross Margin**	Gross Profit/ (Loss)	Gross Margin
	RMB in thousands	*%*	*RMB in thousands*	*%*
Retail core service cloud	**728,879**	**40.3**	541,721	41.7
– Operating system	***608,601***	***77.4***	478,330	70.3
– AIoT solutions	***120,278***	***11.8***	63,391	10.2
E-commerce service cloud	**1,708**	**39.9**	30,858	10.3
Others	**15,789**	**34.9**	(17,878)	–
Total	**746,376**	**40.1**	554,701	35.0

The retail core service cloud solutions segment had a gross profit margin of 41.7% and 40.3% for the year ended December 31, 2023 and the Reporting Year, respectively. Both the operating system and AIoT solutions under this segment saw an increase in gross profit margin in 2024 as compared to 2023, reflecting the Company's continuous improvement in business operations. However, despite the increase in gross profit margins for both business lines, the overall gross profit margin under the retail core service cloud declined. The decrease was primarily 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, the need for outsourcing decreases, leading to a gradual reduction in costs until they stabilize at a lower level.

The e-commerce service cloud solutions segment had a gross profit margin of 10.3% and 39.9% for the year ended December 31, 2023 and the Reporting Year, 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.

Others had a gross loss of RMB17.9 million and a gross profit of RMB15.8 million for the year ended December 31, 2023 and the Reporting Year, respectively.

Other Net (Loss)/Income

The Group's other net (loss)/income primarily consists of, (i) fair value change in financial assets measured at fair value through profit or loss ("**FVPL**"), (ii) government grants and tax preference relating to financial assistance from local authorities in China and additional deductible input value-added tax, (iii) dividends income, (iv) investment income from wealth management products, and (v) others. There were no unfulfilled conditions or contingencies relating to the government grants income recorded during the Reporting Year. The Group recorded other net income of RMB115.5 million for the year ended December 31, 2023 and other net loss of RMB102.6 million for the Reporting Year. The decrease was primarily due to the decrease in fair value change in financial assets measured at FVPL from RMB43.8 million for the year ended December 31, 2023 to negative RMB143.9 million for the Reporting Year, as a result of the decreased valuation of Guoquan Food (Shanghai) Co., Ltd. (鍋圈食品(上海)有限公司) (stock code: 2517.HK) ("**Guoquan**").

Selling and Marketing Expenses

The Group's selling and marketing expenses primarily consist of (i) employee benefit expenses for our selling and marketing personnel, (ii) promotion and marketing expenses, which primarily represent marketing incentives and advertising expenses we incur when marketing our cloud solutions, and (iii) others, which primarily represent travel and entertainment expenses and depreciation and amortization. The Group's selling and marketing expenses decreased by 38.8% from RMB150.9 million for the year ended December 31, 2023 to RMB92.4 million for the Reporting Year. The decrease was primarily due to a decrease in expenses of promotion and marketing activities from RMB48.0 million for the year ended December 31, 2023 to RMB13.0 million for the Reporting Year, 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 RMB80.9 million for the year ended December 31, 2023 to RMB55.5 million for the Reporting Year as a result of our efforts to control costs and optimize our operational efficiency.

General and Administration Expenses

The Group's general and administration 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) outsourcing and other labor costs, (iv) depreciation and amortization, (v) 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 (vi) others, which primarily represent travel and entertainment expenses as well as general office expenses. The Group's general and administration expenses increased by 18.7% from RMB259.4 million for the year ended December 31, 2023 to RMB308.0 million for the Reporting Year. The increase was primarily due to increases in outsourcing and other labor costs driven by the addition of outsourced personnel for management of intelligent package sorting solutions, intelligent cashier solutions and intelligent cleaning solutions, and an increase in professional service fees pertaining to our initial public offering.

Research and Development Expenses

The Group's 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 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. The Group's research and development expenses decreased by 20.8% from RMB520.9 million for the year ended December 31, 2023 to RMB412.8 million for the Reporting Year. The decrease was primarily due to (i) a decrease in employee benefit expenses from RMB473.0 million for the year ended December 31, 2023 to RMB375.8 million for the Reporting Year driven by our cost control measures, the use of AI tools to enhance employees' work efficiency and reduce labor costs, and the accumulation of technological capabilities, which enabled us to replicate and upgrade our product offerings without significant further investments and (ii) a decrease in cloud service costs as a result of cooperating with more cost-competitive cloud server product vendors.

Net Finance Costs

The Group's 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 gain and (vii) gains on derecognition of convertible bond. The Group's net finance costs decreased by 66.5% from RMB13.3 million for the year ended December 31, 2023 to RMB4.5 million for the Reporting Year, primarily due to (i) the decrease in changes in fair value on the derivative components of convertible bond of RMB4.0 million, and (ii) a gain recognized on derecognition of convertible bond of RMB12.7 million, partially offset by (i) the increase in interest on bank loans and other borrowings of RMB5.1 million, and (ii) the decrease in foreign currency exchange gains of RMB2.7 million.

Fair Value Change of Convertible Redeemable Preferred Shares

The Group's fair value changes of convertible redeemable preferred shares represent changes in fair value of the preferred shares issued by us. The Group 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 administration expense. Subsequent to initial recognition, the preferred shares are carried at fair value with changes in fair value recognized through profit or loss. The Group's fair value changes of convertible redeemable preferred shares was negative RMB2,275.7 million in the Reporting Year, as compared to negative RMB476.2 million for the year ended December 31, 2023, as a result of changes in the valuation of the Company. Upon the completion of the initial public offering, all of such redeemable convertible preferred shares have been automatically converted to our ordinary shares, and we will no longer recognize change in fair value liabilities.

Loss for the Year from Continuing Operations

As a result of foregoing, the Group recorded loss for the year from continuing operations in the Reporting Year of RMB2,453.4 million, as compared to loss for the year from continuing operations of RMB749.0 million in the year ended December 31, 2023.

Profit for the Year from Discontinued Operations

In April 2024, we conducted a series of restructuring transactions to divest all of our equity interests in Dmall Fresh (Beijing), our former consolidated affiliated entity, 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. For details, please refer to the section headed "RECENT DEVELOPMENTS – Product Optimization and Restructuring" of the Prospectus. Revenue from such payment processing services was RMB36.1 million and RMB14.7 million in the year ended December 31, 2023 and the Reporting Year, respectively. Gross profit from such payment processing services was negative RMB4.7 million and RMB2.9 million in the year ended December 31, 2023 and the Reporting Year, 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.

	Year ended December 31,	
	2024	2023
	RMB in thousands	*RMB in thousands*
Revenue	**41,781**	164,334
Cost of revenue	**(2,510)**	(6,552)
Gross profit	**39,271**	157,782
Profit for the year from discontinued operations	**233,134**	93,548

Income Tax Benefit

The Group's income tax benefit is comprised primarily of deferred tax benefit and current tax expense attributable to withholding income tax pertaining to our income generated from overseas. We recorded tax benefits of RMB3.3 million and RMB1.0 million in the year ended December 31, 2023 and the Reporting Year, respectively. In the year ended December 31, 2023 and the Reporting Year, 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 Information Technology Co., Ltd. (深圳市昂捷信息技術股份有限公司).

Loss for the Year

As a result of the foregoing, the Group's loss for the year increased by 238.7% from RMB655.4 million for the year ended December 31, 2023 to RMB2,220.3 million for the Reporting Year.

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.

The Group believes adjusted loss from continuing operations (non-IFRS measure) and adjusted net margin from continuing operations (non-IFRS measure) provide 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.

The Group defines adjusted loss from continuing operations (non-IFRS measure) as loss for the year from continuing operations adjusted by adding back equity-settled share-based payment expenses, fair value change of convertible redeemable preferred shares, fair value change of an equity investment and listing expenses. The Group excludes 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 the Group and relate to the changes in the valuation of the Group. Fair value change of an equity investment represents fair value changes of our investment in Guoquan. The Group has gradually reduced its investment in Guoquan since January 2025.

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

	Year ended December 31,	
	2024	2023
	RMB in thousands	*RMB in thousands*
Loss from continuing operations for the year	**(2,453,410)**	(748,987)
Add:		
Equity-settled share-based payment expenses	**19,257**	13,620
Fair value change of convertible redeemable preferred shares	**2,275,701**	476,160
Fair value change of an equity investment	**143,915**	(43,356)
Listing expenses	**44,332**	25,859
Adjusted profit/(loss) from continuing operations (non-IFRS measure) for the year	**29,795**	(276,704)

Principal Risks and Uncertainties

Details of the main risks and uncertainties of the Group as of the end of the Reporting Year will be set out in the "Report of the Board of Directors" in the annual report of the Group for the Reporting Year.

Foreign Exchange Risk

The functional currency of the Company is United States Dollars ("**USD**" or "**US$**"). The consolidated financial statements are presented in 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. Fluctuations in exchange rates between other currencies in which the Group conducts its business may affect the Group's financial position and operation results and the Group's foreign currency risk is mainly due to exchange rate fluctuations between USD and RMB. As at the date of this announcement, the Group has not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. However, the Group's management will manage foreign currency exchange risk through regular reviews and consider to enter into hedging transactions in the future.

Capital Structure

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 of the Company (the "**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 Shareholders' 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. There was no significant change in the capital management objectives, policies or procedures in 2024 and 2023.

The Group monitors its capital structure on the basis of adjusted liability-to-asset ratio. For this purpose, adjusted liabilities are defined as total liabilities less convertible redeemable preferred shares and convertible bond. The adjusted liability-to-asset ratio of the Group as of December 31, 2024 was approximately 61.4% (as of December 31, 2023: approximately 70.3%).

Liquidity and Financial Resources

The Group maintains an excellent financial position and sufficient liquidity for the Reporting Year. The Group's current assets amounted to RMB1,283.5 million as of December 31, 2024 (as of December 31, 2023: RMB844.2 million), representing an increase of approximately 52.0% as compared to the previous year, primarily due to (i) an increase of RMB267.8 million in cash and cash equivalents, (ii) an increase of RMB83.1 million in trade receivables, (iii) an increase of RMB52.2 million in other financial assets, and (iv) an increase of RMB35.7 million in restricted bank deposits. As of December 31, 2024, the Group had cash and cash equivalents of RMB801.0 million (as of December 31, 2023: RMB533.2 million), representing an increase of approximately 50.2% as compared to previous year, primarily due to proceeds from issuance of ordinary shares relating to the Group's initial public offering and proceeds from bank loans, partially offset by repayment of bank loans, repayment of convertible bond and cash paid for acquisition of non-controlling interests. Cash and cash equivalents were denominated in USD, HK$, Singapore Dollars, RMB, Hungarian Forints and Philippine Pesos. The Group had a gearing ratio of 61.4% as of December 31, 2024 (as of December 31, 2023: 70.3%). The gearing ratio is equal to total liabilities minus convertible redeemable preferred shares and convertible bond, divided by total assets.

Convertible Bonds

On May 27, 2022, Dmall Life (China) Network Technology Co., Ltd.* (多點生活(中國)網絡科技有限公司) ("**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, the Company, Beijing Heyin and Dmall Life Network entered into a convertible bond investment tripartite agreement (together, the "**Convertible Bond Investment Agreements**"), pursuant to which the Company agreed to issue, and Beijing Heyin agreed to subscribe for a convertible bond in the principal amount of RMB190 million (the "**Convertible Bond**").

The Company issued such Convertible Bond to Beijing Heyin on June 15, 2022. On March 22, 2024, the Company, Beijing Heyin and Dmall Life Network entered into a tripartite amendment to the Convertible Bond Investment Agreements, pursuant to which the Company 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.

The interest rate is 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. The maturity date is June 14, 2027 and the initial conversion price upon issuance of the Convertible Bond shall be US$3.93 per share, subject to anti-dilution adjustments. For details, please refer to the section headed "History, Reorganization and Corporate Structure – Issuance of Convertible Bond" of the Prospectus.

As disclosed in the announcement of the Company dated December 31, 2024, on December 31, 2024, the Group has repaid RMB140 million of the principal amount of the Convertible Bond and the relevant interests accrued, following which the Convertible Bond has been repaid in full and no balance of the Convertible Bond remains outstanding.

As such, no shares of the Company (the "**Shares**") remained issuable to the Convertible Bond Investor under the Convertible Bond as at December 31, 2024.

Capital Expenditures

The Group's capital expenditures during the Reporting Year are primarily incurred for purchase of property and equipment and intangible assets. For the Reporting Year, the Group's capital expenditures amounted to RMB8.8 million (for the year ended December 31, 2023: RMB6.5 million), including the payment for the purchase of property and equipment which amounted to RMB8.3 million (for the year ended December 31, 2023: RMB3.6 million) and the payment for the purchase of intangible assets which amounted to RMB0.5 million (for the year ended December 31, 2023: RMB3.0 million).

The Group intends to fund future capital expenditures with the existing cash balance, cash generated from the operating activities and proceeds from the global offering. The Group may reallocate the fund to be utilized on capital expenditure and long-term investments based on the ongoing business needs.

Bank Loans and Other Borrowings

The Group's total outstanding bank loans and other borrowings increased from RMB314.2 million as at December 31, 2023 to RMB529.6 million as at December 31, 2024, primarily due to reserving sufficient cash flow to meet operating and capital expenditure requirements at the prevailing cost-competitive market interest rates. The bank loans and other borrowings were mainly denominated in USD and RMB.

As of December 31, 2024, the Group had interest-bearing borrowings of RMB529.6 million, with effective interest rates ranging from 3.0% to 5.45% per annum, RMB445.3 million of bank loans and other borrowings are repayable within one year or on demand; RMB63.4 million of bank loans and other borrowings are repayable after 1 year but within 2 years; RMB21.0 million of bank loans and other borrowings are repayable after 2 year but within 5 years; and no bank loans and other borrowings are repayable after 5 years. The Group's bank borrowing agreements contain standard terms, conditions and covenants that are customary for commercial bank loans.

Contingent Liabilities and Guarantees

As of December 31, 2024, the Group had no material contingent liabilities or guarantees.

The Group 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 December 31, 2024.

Pledge of Assets

As of December 31, 2024, the Group pledged term deposits of RMB56.6 million for the issuance of letters of guarantee.

Save as disclosed above, as of December 31, 2024, none of the Group's assets were pledged.

Capital Commitments

As of December 31, 2024, the Group did not have any material capital commitments.

Significant Investments

As of December 31, 2024, the Group did not hold any significant investments.

Future Plans for Material Investments or Capital Assets

The Group had no other plans for material investments or capital assets as at December 31, 2024.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

During the Reporting Year, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Property and Equipment

The Group's property and equipment during the Reporting Year 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 Group's property and equipment decreased from RMB76.8 million as of December 31, 2023 to RMB69.8 million as of December 31, 2024, primarily due to (i) the overall depreciation provided for property and equipment, and (ii) a decrease in the right-of-use assets resulting from the early termination of the contracts for advertising resource slots and the office building. The decrease was partially offset by (i) the transfer of buildings held by Shandong Orange Bay Information Technology Co., Ltd. (山東橙灣信息科技有限公司) ("**Shandong Orange Bay**") from prepayments, deposits and other receivables to property and equipment for the Reporting Year, and (ii) the addition of new right-of-use assets.

Inventories and Other Contract Costs

The Group's inventories and other contract costs during the Reporting Year 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 Group's inventories and other contract costs decreased from RMB11.3 million as of December 31, 2023 to RMB4.7 million as of December 31, 2024, primarily due to the labor costs associated with our research and development efforts for Dmall OS system in connection with our overseas business recognized in profit or loss.

Trade Receivables

The Group's trade receivables during the Reporting Year 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. The Group recognizes a loss allowance for expected credit losses on trade receivables measured at amortized cost. The Group's trade receivables increased from RMB165.1 million as of December 31, 2023 to RMB248.2 million as of December 31, 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.

Prepayments, Deposits and Other receivables

The Group's prepayments, deposits and other receivables during the Reporting Year 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. The Group's prepayments, deposits and other receivables are partially offset by a loss allowance. The Group's prepayments, deposits and other receivables decreased from RMB95.6 million as of December 31, 2023 to RMB88.3 million as of December 31, 2024, primarily due to (i) derecognition of receivables from third-party payment platform due to disposal of Dmall Fresh (Beijing), (ii) buildings held by Shandong Orange Bay were transferred from prepayments, deposits and other receivables to property and equipment in the current year, (iii) decrease in deductible input tax due to the utilization of the preferential policy on input tax credit in the current year, partially offset by increase in receivables from Dmall Fresh (Beijing) for the purchase of software copyrights from us.

Trade Payables

The Group's trade payables during the Reporting Year primarily consist of AIoT product and service fees, third-party customer service fees, logistics cost and other procurement cost. The Group's trade payables increased from RMB86.6 million as of December 31, 2023 to RMB98.5 million as of December 31, 2024, primarily due to the increase in AIoT product and additional outsourcing for the intelligent cleaning solutions.

EMPLOYEES

As of December 31, 2024, the Group had a total of 1,453 employees, most of them are located in China. The following table sets forth the number of the Group's employees categorized by function as of December 31, 2024:

	Number of Employees	Percentage
Function		
Sales and marketing	81	5.5%
Research and development	800	55.1%
Operation	362	24.9%
General and administrative	210	14.5%
Total	**1,453**	**100%**

The Group's staff costs decreased from RMB871.6 million in the year ended December 31, 2023 to RMB729.6 million in the Reporting year. The remuneration packages of our employees mainly include salaries, allowances, retirement scheme contributions and share-based payment expense, the amount of which is generally determined by their qualifications, industry experience, position and performance. The Group believes it offers its employees competitive remuneration packages and an environment that encourages self-development and creativity. The Group provides training programs for its employees in order to enhance their professional and technical skills and understanding of the industry. The Group designs and offers different training programs for employees at different positions and departments based on their differing needs. As a result, the Group has generally been able to attract and retain qualified personnel. The employees are not currently represented by any labor union. The Group believes that it maintains a good working relationship with its employees, and the Group has not experienced any work stoppages due to labor disputes in the past.

As required by regulations in China, the Group participates in various employee social insurance plans that are organized by applicable municipal and provincial governments for its PRC-based employees, including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing insurance. The Group is required under PRC law to make contributions from time to time to employee benefit plans for its 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. The Group has granted, and plans to continue to grant, share-based incentive awards to its employees in the future to incentivize their contributions to the Group's growth and development. Moreover, the Group also provides insurance coverage for its international employees in compliance with local statutory requirements in overseas jurisdictions.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

From December 6, 2024 (the "**Listing Date**") to December 31, 2024, neither the Company nor any of its subsidiaries has purchased, sold and redeemed any listed securities of the Company (including sale of treasury shares (as defined in the Listing Rules)). The Company did not hold any treasury shares as of December 31, 2024.

USE OF PROCEEDS

Use of proceeds from the Global Offering

The Shares were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on December 6, 2024. The net proceeds raised from the global offering, after deduction of the underwriting fees and other related listing expenses paid or payable by the Group in connection with the global offering, amounted to approximately HK$630.4 million (the "**Net Proceeds**").

As of the date of this announcement, there was no change in the intended use of the Net Proceeds and the expected timeline as previously disclosed in the section headed "Future Plans and Use of Proceeds – Use of Proceeds" in the Prospectus. The following table illustrates the planned use and utilisation of the Net Proceeds:

		Net Proceeds (HK$ million)			
Planned use of the Net Proceeds	**Percentage to total Net Proceeds**	**Net Proceeds incurred from the global offering**	**Actual amount of Net Proceeds utilized during the period from the Listing Date to December 31, 2024**	**Unutilized amount as of December 31, 2024**	**Expected timeline for full utilization of the remaining Net Proceeds**
1. To develop new applications and new service modules	42.1%	265.5	6.3	259.2	December 31, 2027
2. For talent acquisition associated with the expansion of our operations	30.0%	189.1	0.1	189.0	December 31, 2027
3. 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	10.0%	63.0	0	63.0	December 31, 2027
4. To expand our sales network and further strengthen our brand reputation	7.9%	49.8	0	49.8	December 31, 2027
5. For working capital and general corporate purposes	10.0%	63.0	18.0	45.0	December 31, 2027
Total	**100.0%**	**630.4**	**24.4**	**606.0**	

As of December 31, 2024, we had not utilised approximately HK$606.0 million of the Net Proceeds, all of which are currently held as short-term bank deposits. The Company expects to utilise the remaining Net Proceeds in the next 36 months.

Use of proceeds from the Convertible Bond

The Company issued the Convertible Bond in the principal amount of RMB190 million to Beijing Heyin on June 15, 2022, and on December 31, 2024, the Group has repaid all the remaining balance of the principal amount of the Convertible Bond and the relevant interests accrued, following which the Convertible Bond has been repaid in full and no balance of the Convertible Bond remains outstanding.

For details of the Convertible Bond, please refer to the section headed "Management Discussion and Analysis – Convertible Bond" in this announcement and the section headed "History, Reorganization and Corporate Structure – Issuance of Convertible Bond" of the Prospectus.

As of the date of this announcement, there was no change in the intended use of net proceeds as previously disclosed in the section headed "History, Reorganization and Corporate Structure – Issuance of Convertible Bond" of the Prospectus, and the announcement of the Company dated December 31, 2024.

The use of net proceeds from the Convertible Bond as of December 31, 2024 was as follows:

Intended use of net proceeds	**Approximate percentage to total net proceeds**	**Approximate distribution of net proceeds**	**Approximate amount of unutilized net proceeds as at the Listing Date**	**Approximate utilization of net proceeds from the Listing Date to December 31, 2024**	**Approximate amount of unutilized net proceeds as at December 31, 2024**
		(HK$ million)	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*
Asset purchases	0.7%	1.44	–	–	–
For general working capital purposes	99.3%	203.74	54.87	54.87	–

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING YEAR

Subsequent to December 31, 2024 and up to the date of this announcement, so far as the Directors are aware, there have been no significant events that have materially affected the Group.

ROUNDING

Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the provisions of the Corporate Governance Code (the "**CG Code**") as set out in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own corporate governance code. During the period from the Listing Date to December 31, 2024, the Group has complied with all applicable provisions of the CG Code.

More information on the Group's corporate governance practices will be included in the Corporate Governance Report of the Group's annual report for the Reporting Year.

The Group will continue to review and monitor its corporate governance practices on a regular basis to ensure compliance with the CG Code and to maintain the Group's high standard of corporate governance practices.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding the Directors' dealings in the securities of the Company. Specific enquiries have been made of all the Directors, and they have confirmed that they have complied with the Model Code during the period from the Listing Date to December 31, 2024.

The Company has also adopted written guidelines on terms no less exacting than the Model Code for those relevant employees (including employees of the Company or directors or employees of its subsidiaries who, because of such office or employment, is likely to be in possession of inside information in relation to the Company or its securities) in respect of their dealings in the securities of the Company.

ESTABLISHMENT OF ESG COMMITTEE

The Board is pleased to announce that the Board has resolved to establish the environmental, social and governance ("**ESG**") committee (the "**ESG Committee**") for the purposes of, among others, reviewing and monitoring the Company's ESG policies and practices to ensure compliance with the relevant legal and regulatory requirements, monitoring and responding to emerging ESG issues and making recommendations to the Board where appropriate to improve the ESG performance of the Group, with effect from March 18, 2025.

Mr. Curtis Alan Ferguson, a non-executive Director and the chairman of the Board, has been appointed as a member and the chairperson of the ESG Committee; Mr. Zhang Feng, an executive Director and the president of the Company, and Ms. Cai Lin, an independent non-executive Director, have been appointed as members of the ESG Committee, with effect from March 18, 2025.

The terms of reference of the ESG Committee will be published on the Company's website (https://ir-tc.dmall.com) and the website of the Stock Exchange (www.hkexnews.hk).

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the Reporting Year and discussed with the management of the Group and the Group's auditor, KPMG, Certified Public Accountants, the accounting principles and practices adopted by the Group, risk management and internal controls and financial reporting.

The Audit Committee considered that the audited financial statements of the Group for the Reporting Year are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

SCOPE OF WORK OF KPMG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

FINAL DIVIDEND

The Board does not recommend the payment of the final dividend for the Reporting Year.

ANNUAL GENERAL MEETING

The notice of the forthcoming annual general meeting of the Company (the "**2024 AGM**"), which contains the date, time and place of the 2024 AGM, as well as details of the period during which the register of members and the registration of share transfers is closed, will be published and dispatched to the Shareholders who requested for a printed copy in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement has been published on the Company's website (https://ir-tc.dmall.com) and the website of the Stock Exchange (www.hkexnews.hk). The annual report of the Group for the Reporting Year, which contains all the information required under the Listing Rules, will be dispatched to the Shareholders who requested for a printed copy and published on the above websites in due course.

By Order of the Board
Dmall Inc.
Mr. Curtis Alan Ferguson
Chairman

Hong Kong, March 18, 2025

As at the date of this announcement, the Board comprises (i) Mr. ZHANG Feng as executive Director; (ii) Mr. Curtis Alan FERGUSON, Mr. CHEN Zhiyu and Mr. WANG Zhenghao as non-executive Directors; and (iii) Dr. HOU Yang, Ms. CAI Lin, Dr. MAO Jiye and Mr. LI Wei as independent non-executive Directors.

* *For identification purposes only*