

CONNECTED TRANSACTIONS

Upon Listing, transactions between us and our connected persons will constitute our connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

We have entered into certain transactions with the following connected persons, which will constitute our continuing connected transactions upon Listing:

JD.com and its associates:

Connected Relationship	Name
Controlling Shareholder	JD.com and its subsidiaries and consolidated affiliated entities
JD.com's associates	Including, but not limited to JD Technology, Dada Group and AiHuiShou International Co., Ltd. (" AiHuiShou Group ")

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Continuing Connected Transactions with JD Group and its associates:

Continuing connected transactions	Proposed annual cap for the year ending December 31, <i>(in thousands of RMB)</i>
Exempt Continuing Connected Transaction	
1. IP Licensing Framework Agreement	
Royalties to be paid by us to JD Group	N/A
Non-Exempt and Partially Exempt Continuing Connected Transaction	
2. Supply Chain Solutions and Logistics Services Framework Agreement	
Transaction amount to be paid by JD Group and its associates to us	2021: 52,200,000 2022: 66,900,000 2023: 84,100,000
3. Advertising and Promotional Services Framework Agreement	
Transaction amount to be paid by JD Group and its associates to us	2021: 240,000 2022: 320,000 2023: 400,000
4. Property Leasing Framework Agreement	
Transaction amount to be paid by us to JD Group	2021: 3,300,000 2022: 2,300,000 2023: 3,000,000
5. Dada Delivery Services Framework Agreement	
Transaction amount to be paid by us to Dada Group	N/A

CONNECTED TRANSACTIONS

Continuing connected transactions	Proposed annual cap for the year ending December 31, <i>(in thousands of RMB)</i>
6. Payment Services Framework Agreement	
Transaction amount to be paid by us to JD Technology	2021: 120,000 2022: 140,000 2023: 160,000
7. Shared Services Framework Agreement	
Transaction amount to be paid by us to JD Group	2021: 2,900,000 2022: 3,600,000 2023: 4,300,000

Contractual Arrangements

8. Contractual Agreements

Non-Exempt Continuing Connected Transaction

Contractual Arrangements	N/A
--------------------------	-----

EXEMPT CONTINUING CONNECTED TRANSACTION

1. IP Licensing Framework Agreement

Principal terms

Our Company entered into an IP licensing framework agreement with JD.com (the “**IP Licensing Framework Agreement**”) on May 13, 2021, pursuant to which JD Group will grant to the Group exclusive and non-exclusive licenses for the use of certain intellectual property rights owned by JD.com, including patents, trademarks and software copyrights that are either registered or for which registration applications have been filed globally, that are owned by JD Group (the “**Licensed IP Rights**”) on a royalty-free basis. The Company will use the Licensed IP Rights within the scope specified in the IP Licensing Framework Agreement. For details of the Licensed IP Rights, please see the section headed “Appendix IV—Statutory and General Information—B. Further Information about our Business—2. Intellectual property rights” in this document.

Period of agreement and termination clause

The initial term of the IP Licensing Framework Agreement will commence on the Listing Date and end on ten years from the Listing Date on the condition that JD.com or its subsidiaries remain the largest shareholder of our Company i.e. JD.com may terminate the IP Licensing Framework Agreement if JD.com or its subsidiaries is no longer the largest shareholder of our Company. The IP Licensing Framework Agreement is subject to renewal through mutual consent by the parties.

As required by Rule 14A.52 of the Listing Rules, the period for the agreement for the continuing connected transactions must not exceed three years, except in cases where the nature of the transaction requires the agreement to be of a duration longer than three years. The Directors (including the independent non-executive Directors) are of the view that the IP Licensing Framework Agreement was entered into on normal commercial terms or better and the Licensed IP Rights are necessary for our business operations and a longer duration of the agreement will avoid any unnecessary business interruption and help ensure the long-term development and continuity of our business.

CONNECTED TRANSACTIONS

Reasons for the transaction

The Directors consider that the use of JD Group's Licensed IP Rights will enable the Company to leverage on the popularity and reputation of JD Group, thereby promoting its services. Moreover, the Company has been using some of the Licensed IP Rights of JD Group for several years and the Directors believe it is in the best interests of the Company and its Shareholders to continue to use the Licensed IP Rights after Listing. Further, JD Group is not able to transfer to our Group certain trademarks without transferring trademarks that belong to and are being used by JD Group due to their similarity (e.g. "JD" and "JD Logistics"). This is because the "JD Logistics" trademark involves the trademark "JD", which belongs to and has been registered by JD Group. Consequently, in order for the trademark "JD Logistics" to be transferred to our Group, the trademark "JD" would also have to be transferred to our Group, which would be commercially impracticable for JD Group to do.

Further, as advised by our PRC Legal Adviser, pursuant to Trademark Law of the People's Republic of China (中華人民共和國商標法) and Implementing Regulations of the Trademark Law of the People's Republic of China (中華人民共和國商標法實施條例), (i) where a trademark registrant intends to transfer a registered trademark, it shall transfer all the similar registered trademarks used for the same or similar commodities; and (ii) if the trademark registrant fails to transfer all of its similar registered trademarks used for the same or similar commodities, the Trademark Office under the State Administration for Market Regulation (the "**Trademark Office**"), which is in charge of trademark registrations in China, is entitled to instruct the transferor to rectify it within a prescribed time limit. Failure to do so, the application for transfer of the registered trademark will be deemed to be withdrawn, and the Trademark Office shall inform the transferor in writing. Therefore, due to the similarity of the registered trademarks used by our Group and JD Group (e.g. "JD Logistics" and "JD"), the application for transfer of the registered trademark "JD Logistics" will not be approved by the Trademark Office if JD Group does not transfer similar trademarks (e.g. "JD") used for the same or similar commodities to our Group.

Consequently, it is submitted the IP Licensing Framework Agreement remains the most appropriate and feasible means for ensuring that both JD Group and our Group can continue to use the Licensed IP Rights.

Historical amounts

There were no historical amounts for the IP Licensing Framework Agreement for each of the three years ended December 31, 2020.

Listing Rules implications

As the license to use the Licensed IP Rights is granted to us on a royalty-free basis, the transactions under the IP Licensing Framework Agreement constitute de minimis transactions and are fully exempt from the annual reporting, announcement, independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT AND PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have conducted the following transactions in the ordinary and usual course of our business, which will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting, announcement and independent Shareholders' approval (as the case may be)

CONNECTED TRANSACTIONS

requirements under Chapter 14A of the Listing Rules (the “**Non-exempt Continuing Connected Transactions**”). During the Track Record Period, although the pricing policies of some of the connected transactions set out below have not yet been established, the rationale of the pricing policies of all of the connected transactions below, and the pricing policies of the connected transactions which have been established, have been consistently adopted.

2. Supply Chain Solutions and Logistics Services Framework Agreement

Principal terms

Our Company entered into a supply chain solutions and logistics services framework agreement with JD.com on May 13, 2021 (the “**Supply Chain Solutions and Logistics Services Framework Agreement**”), pursuant to which our Group will provide integrated supply chain solutions and other logistics services to JD Group and its associates including but not limited to warehouse operation and storage services, domestic and international transportation and delivery services, after sales and maintenance services, cash on delivery services, and other related ancillary services in exchange for service fees.

The period of the Supply Chain Solutions and Logistics Services Framework Agreement will commence on the Listing Date and end on December 31, 2023, subject to renewal upon the mutual consent of both parties.

Reasons for the transaction

Given that JD Group enjoys a leading position in the PRC’s e-commerce industry with an extensive customer and user base, it is natural for, and in the best interest of our Group to provide JD Group with supply chain solutions and logistics services in exchange for service fees. From the perspective of JD Group, given our Group’s leading position in integrated supply chain solutions and logistics services industry in the PRC (with its extensive network of warehouses and delivery personnel), we are able to provide comprehensive related solutions and services to JD Group as well as the users and merchants on its platforms and ensure superior consumer experience. Therefore, it is mutually beneficial for our Group and JD Group to cooperate on the provision of supply chain solutions and logistics services.

Pricing policies

The fees we charge JD Group and its associates (i) will be in the range of applicable price we charge third party customers which are strategic clients of our Group; or (ii) will be determined in accordance with the prevailing market rates, taking into account the volume of business. To ensure that the fees we charge JD Group are on normal commercial terms and are fair and reasonable and in the interests of our Shareholders as a whole, our Group and JD Group along with its associates will, on an annual basis, engage an industry consultant or conduct researches on comparable companies to determine the applicable market rates for the services provided under the Supply Chain Solutions and Logistics Services Framework Agreement.

Historical amounts

In respect of the supply chain solutions and logistics services provided by us to JD Group and its associates, the historical amounts were approximately RMB26.5 billion, RMB30.7 billion and RMB39.3 billion for the three years ended December 31, 2020, respectively.

In February 2018, we entered into Series A Share Subscription Agreement for the Series A Preference Shares financing with certain Pre-IPO Investors. Based on the terms stipulated in the Series

CONNECTED TRANSACTIONS

A Share Subscription Agreement, which became effective on February 14, 2018 (the “**Agreement Effective Date**”), pricing policies of certain related party transactions between us and JD Group were established and became effective since January 1, 2018 (the “**Pricing Policies Effective Date**”), which include, supply chain solutions and logistics services, advertising and promotional services, property leasing services, shared services and others. The pricing policies of the Supply Chain Solutions and Logistics Services Framework Agreement are substantially the same as the corresponding pricing policies in the Series A Share Subscription Agreement. For the avoidance of doubt, the abovementioned Pricing Policies Effective Date is solely for the purpose of identifying the effective date of the pricing policies of the related party transactions.

Since the Pricing Policies Effective Date of Series A Preference Shares financing, the transaction amounts in relation to the provision of supply chain solutions and logistics services from our Group to JD Group are charged based on the agreed fee rates chargeable on the various logistics services provided to JD Group in the relevant period and year.

Annual caps

In respect of the Supply Chain Solutions and Logistics Services Framework Agreement, the transaction amounts to be paid by JD Group and its associates to us for the three years ending December 31, 2023 shall not exceed the proposed annual caps as set out in the table below:

	Proposed annual caps for the year ending December 31,		
	2021	2022	2023
	<i>(in thousands of RMB)</i>		
Transaction amount to be paid by JD Group and its associates to us	52,200,000	66,900,000	84,100,000

Basis of caps

The above proposed annual caps for the transaction amount to be paid by JD Group and its associates to us in respect of the provision of supply chain solutions and logistics services are determined with reference to the following basis:

- We primarily considered: (i) the historical transaction amounts and the growth trend for the three years ended December 31, 2020 under the existing supply chain solutions and logistics services arrangements between our Group and JD Group and its associates; (ii) the projected growth rate of the overall e-commerce market in China and, in turn, the estimated growth rate of JD Group and its associates’ business volume and consequently, their needs for supply chain solutions and logistics services; and (iii) revenues derived from JD Group and its associates in respect of the provision of supply chain solutions and logistics services as a percentage of our Group’s total revenue during the Track Record Period.
- The supply chain solutions and logistics services revenue from JD Group and its associates increased from RMB26.5 billion in 2018 to RMB30.7 billion in 2019, and further increased to RMB39.3 billion in 2020. We expect that the annual caps will continue to increase in the next three years ending December 31, 2023, as JD Group and its associates further grow their business volume, together with the overall e-commerce market in China, thus generating more demand for our supply chain solutions and logistics services.

CONNECTED TRANSACTIONS

- Revenues derived from JD Group and its associates in respect of the provision of supply chain solutions and logistics services, as a percentage of our Group's total revenue, were 70.0%, 61.6% and 53.5%, respectively, for the three years ended December 31, 2020. As a result of the increasing number of our external customers and their revenue contribution, this percentage has been decreasing throughout the Track Record Period. As we further expand our external customer base, we expect the decreasing trend for this percentage to continue in the foreseeable future.

Listing Rules implications

As the highest applicable percentage ratio of the transactions contemplated under the Supply Chain Solutions and Logistics Services Framework Agreement for each of the three years ending December 31, 2023 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

3. Advertising and Promotional Services Framework Agreement

Principal terms

Our Company entered into an advertising and promotional services framework agreement with JD.com on May 13, 2021 (the "**Advertising and Promotional Services Framework Agreement**"), pursuant to which our Group will provide JD Group and its associates and its customers certain advertising services utilizing the advertising resources operated and managed by our Group, including the display of advertisements on various vehicles and the packaging of the parcels, and other promotional services among our customers and suppliers in return for service fees which shall be calculated in accordance with the underlying standard services agreements and the standard terms and conditions as amended from time to time.

The period of the Advertising and Promotional Services Framework Agreement will commence on the Listing Date and end on December 31, 2023, subject to renewal upon the mutual consent of both parties.

Reasons for the transaction

Since there is demand from the customers of JD Group, namely, the merchants on the platforms of JD Group, to display advertisements and promote their products/services utilizing certain existing resources of our Group, it is mutually beneficial to both our Group and JD Group to make use of our existing resources to promote products and services of JD Group, its associates and its customers (including placing advertisements on our Group's vehicles, parcels and other advertising spaces). Our Group is not bound and will not be bound to provide advertising and promotional services to JD Group, its associates and its customers.

Pricing policies

The fees our Group charges JD Group and its associates will be determined in accordance with the prevailing market rates, taking into account the volume of business. To ensure that the fees we

CONNECTED TRANSACTIONS

charge JD Group are on normal commercial terms and are fair and reasonable and in the interests of our Shareholders as a whole, our Group and JD Group along with its associates will, on an annual basis, engage an industry consultant or conduct researches on comparable companies to determine the applicable market rates for the services provided under the Advertising and Promotional Services Framework Agreement.

Historical amounts

In respect of the advertising and promotional services provided by our Group to JD Group and its associates, the historical amounts were approximately RMB41.1 million, RMB122.4 million and RMB163.8 million for the three years ended December 31, 2020, respectively.

In February 2018, we entered into Series A Share Subscription Agreement for the Series A Preference Shares financing with certain Pre-IPO Investors. Based on the terms stipulated in the Series A Share Subscription Agreement, which became effective on February 14, 2018 (the “**Agreement Effective Date**”), pricing policies of certain related party transactions between us and JD Group were established and became effective since January 1, 2018 (the “**Pricing Policies Effective Date**”), which include, supply chain solutions and logistics services, advertising and promotional services, property leasing services, shared services and others. The pricing policies of the Advertising and Promotional Services Framework Agreement are substantially the same as the corresponding pricing policies in the Series A Share Subscription Agreement. For the avoidance of doubt, the abovementioned Pricing Policies Effective Date is solely for the purpose of identifying the effective date of the pricing policies of the related party transactions.

Since the Pricing Policies Effective Date of Series A Preference Shares financing, the transaction amounts in relation to the provision of advertising and promotional services from our Group to JD Group are charged based on the agreed fee rates chargeable on the various advertising and promotional services provided to JD Group in the relevant period and year.

Annual caps

In respect of the Advertising and Promotional Services Framework Agreement, the transaction amounts to be paid by JD Group and its associates to us for the three years ending December 31, 2023 shall not exceed the proposed annual caps as set out in the table below:

	Proposed annual caps for the year ending December 31,		
	2021	2022	2023
	<i>(in thousands of RMB)</i>		
Transaction amount to be paid by JD Group and its associates to us	240,000	320,000	400,000

Basis of caps

The above proposed annual caps for the transaction amount to be paid by JD Group and its associates to us in respect of the provision of advertising and promotional services are determined with reference to the following basis:

- We primarily considered: (i) the historical transaction amounts and the growth trend for the three years ended December 31, 2020 under the existing advertising and promotional services arrangements between our Group and JD Group and its associates; (ii) the expected increase in our Group’s advertising resources (e.g. more parcels hence more

CONNECTED TRANSACTIONS

advertising space on the packaging and the brochures that come with the parcels) as a result of the expected growth in our supply chain solutions and logistics services business volume; (iii) the expected increase in the business volume of JD Group, its associates and in its customer base considering the projected growth rate of the overall e-commerce market in China and, as a result, the expected increase in the demand for our advertising and promotional services; and (iv) revenues derived from JD Group and its associates in respect of the provision of advertising and promotional services, as a percentage of our Group's total revenue during the Track Record Period.

- The advertising and promotional services revenue from JD Group and its associates increased from RMB41.1 million in 2018 to RMB122.4 million in 2019, and further increased to RMB163.8 million in 2020. We expect that the annual caps will continue to increase in the next three years ending December 31, 2023, as the expected growth in our supply chain solutions and logistics services business volume will lead to more advertising resources, and the expected increase in the business volume of JD Group and its associates will create more demand for our advertising and promotional services.
- The customer base of JD Group has been increasing during the Track Record Period and is expected to continue to increase in the three years ending December 31, 2023, which will bring additional needs for our advertising and promotional services.
- Revenues derived from JD Group and its associates in respect of provision of the advertising and promotional services, as a percentage of our Group's total revenue, were 0.1%, 0.2% and 0.2%, respectively, for the three years ended December 31, 2020. We expect such percentages to remain relatively stable and continue to be immaterial in the foreseeable future.

Listing Rules implications

As the highest applicable percentage ratio of the transactions contemplated under the Advertising and Promotional Services Framework Agreement for each of the three years ending December 31, 2023 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 0.1%, but less than 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

4. Property Leasing Framework Agreement

Principal terms

Our Company entered into a property leasing framework agreement with JD.com on May 13, 2021 (the "**Property Leasing Framework Agreement**"), pursuant to which (i) we will lease properties owned by JD Group including warehouses, dormitories and cafeterias in logistics parks in return for rental fees; and (ii) JD Group will enter into short-term and long-term leases for warehouses on our behalf with third party property owners on a cost basis ("**Agency Lease Arrangements**"). JD Group will not charge our Group additional fees on these lease arrangements beyond its own cost. Our Group shall pay JD Group rental fees (including related ancillary fees) as charged by the third party property owners.

The period of the Property Leasing Framework Agreement will commence on the Listing Date and end on December 31, 2023, subject to renewal upon the mutual consent of both parties.

CONNECTED TRANSACTIONS

Reasons for the transaction

It is mutually beneficial to both our Group and JD Group for us to lease the warehouses owned and built by JD Group. Given warehouses are the critical foundation of our Group's supply chain solutions and logistics services, the high service quality of which forms a core part of the consumer experience for JD Group's e-commerce customers, it is in the best interest of JD Group to lease its warehouses to our Group.

The reason for having Agency Lease Arrangements is that our Group, through JD Group, can enjoy more favorable rental terms given the scale and brand recognition of JD Group.

Our Group is not bound and will not be bound to lease warehouses owned by JD Group (or through the Agency Lease Arrangements) only. Our Group currently leases a majority of our warehouses from third party property owners. We will continue to use our best effort to identify the most favorable warehouses and expect to lease warehouses from third party property owners if the terms and conditions of the lease and/or the location or infrastructure of the warehouses offered by third party property owners are more favorable to us.

Pricing policies

To ensure that the fees to be charged by JD Group are on normal commercial terms and are fair and reasonable and in the interests of our Shareholders as a whole, the rental fees to be charged in relation to the properties owned by JD Group will be determined based on the prevailing market rental rates of warehouses of similar functions, gross floor area and location, among others. In respect of the Agency Lease Agreements, JD Group will not charge our Group additional fees beyond what it pays to the relevant third party property owners and our Group shall pay JD Group rental fees (including related ancillary fees) as charged by such third party property owners, and the rental fees will be determined based on the prevailing market rental rates of warehouses of similar functions, gross floor area and location (among others) or determined based on arm's length negotiation between us (or JD Group on behalf of our Group) and third party property owners of the warehouses.

Historical amounts

In respect of the property leasing services provided by JD Group to us, the historical transaction amounts were approximately RMB3.5 billion, RMB1.9 billion and RMB852.6 million for the three years ended December 31, 2020, respectively. Historical amounts consist of leasing expenses which are not capitalized and the one-off recognition of right-of-use assets in relation to the capitalization of operating lease under IFRS 16. Before the adoption of IFRS 16, the transaction amount in 2018 recorded the rental expenses incurred on properties leased from JD Group. After the adoption of IFRS 16, the transaction amount in 2019 and 2020 recorded one-off recognition of right-of-use assets in relation to the capitalization of operating leases entered into with JD Group during the respective years, in addition to the rental expenses incurred on short-term leases which are not capitalized. Such capitalized amount was primarily driven by the (i) number of lease agreements signed and (ii) annual rent and tenor for each lease agreement, which led to fluctuations in the amount of property leasing services provided by JD Group, and does not represent the actual rent paid/accrued on the relevant properties leased from JD Group during the relevant periods. Since 2019, JD Group had transferred certain leasing properties to Core Funds. Since Core Funds are not connected persons under the Listing Rules, the one-off recognition of right-of-use assets in relation to any subsequent lease agreements entered into with Core Funds was not captured under the amount of property leasing services provided

CONNECTED TRANSACTIONS

by JD Group. In addition, during the Track Record Period, we increasingly entered into lease agreements directly with third party property owners, instead of through JD Group, which also contributed to the decreasing trend of historical transaction amounts.

In February 2018, we entered into Series A Share Subscription Agreement for the Series A Preference Shares financing with certain Pre-IPO Investors. Based on the terms stipulated in the Series A Share Subscription Agreement, which became effective on February 14, 2018 (the “**Agreement Effective Date**”), pricing policies of certain related party transactions between us and JD Group were established and became effective since January 1, 2018 (the “**Pricing Policies Effective Date**”), which include, supply chain solutions and logistics services, advertising and promotional services, property leasing services, shared services and others. The pricing policies of the Property Leasing Framework Agreement are substantially the same as the corresponding pricing policies in the Series A Share Subscription Agreement. For the avoidance of doubt, the abovementioned Pricing Policies Effective Date is solely for the purpose of identifying related party transactions’ pricing policies effective date.

Since the Pricing Policies Effective Date of Series A Preference Shares financing, the transaction amounts in relation to the provision of property leasing services from JD Group to our Group are charged based on the agreed fee rates chargeable on the property leasing services provided to our Group in the relevant period and year.

Annual caps

In respect of the Property Leasing Framework Agreement, the transaction amounts to be paid by us to JD Group for the three years ending December 31, 2023 shall not exceed the proposed annual caps as set out in the table below:

	Proposed annual caps for the year ending December 31,		
	2021	2022	2023
	<i>(in thousands of RMB)</i>		
Transaction amount to be paid by us to JD Group	3,300,000	2,300,000	3,000,000

Basis of caps

The above proposed annual caps for the transaction amount to be paid by us to JD Group in respect of the provision of property leasing services are determined with reference to the following basis:

- We primarily considered: (i) the historical transaction amounts and the existing leases for the three years ended December 31, 2020 under the property leasing services arrangements between our Group and JD Group; (ii) the expected signing of new property leases and renewal of existing leases to meet our business needs, and in particular, the number of new and renewal of existing leases for 2021, which is higher than that of 2020; and (iii) expected rental rate under and the expected tenor of the new leases. The annual caps consist of leasing expenses which are not capitalized and the one-off recognition of right-of-use assets in relation to the capitalization of operating lease under IFRS 16 (as explained above in more detail under the section headed “—4. Property Leasing Framework Agreement—Historical amounts”);
- Due to the one-off recognition of right-of-use assets, the annual caps and the future transaction amounts are materially higher than the actual lease payments we expect to

CONNECTED TRANSACTIONS

make to JD Group on an annual basis, given the long-term nature of our typical lease contracts and the method of one-off recognition of right-of-use assets required under IFRS 16. The transaction amounts are higher than historical figures as we have made the assumption that the relevant properties are held by JD Group instead of by Core Funds. While JD Group may continue to transfer its warehouses to Core Funds in order to realize development profits and recycle capital from mature properties to fund new developments, such transfers are outside of the control of our Company.

- Despite the increase in transaction amount, the Company is of the view that there is no material increase in reliance on JD Group after the Listing because (i) logistics properties continue to be available from third-party logistics-focused property developers and our Group will only lease properties from JD Group if it is in the best interest of the Company to do so, and (ii) since 2019, JD Group had transferred certain leasing properties to Core Funds. If JD Group continues to do so in the future, such transfers will reduce the proportion of our properties leased from connected parties since Core Funds are not connected persons under the Listing Rules (on the basis that the Core Funds are not associates of JD.com under the Chapter 14A of the Listing Rules; JD.com has committed 20% and 10% of the total capital of JD Logistics Properties Core Fund, L.P. and JD Logistics Properties Core Fund II, L.P., respectively).

Listing Rules implications

As the highest applicable percentage ratio of the transactions under the Property Leasing Framework Agreement for each of the three years ending December 31, 2023 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 0.1%, but less than 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

5. Dada Delivery Services Framework Agreement

Principal terms

Our Company entered into the Dada delivery services framework agreement with Dada Group on May 13, 2021 (the “**Dada Delivery Services Framework Agreement**”), pursuant to which Dada Group will provide on-demand delivery services to our Group utilizing its crowd-sourced delivery force to supplement our Group’s last-mile delivery force, especially during peak seasons.

The period of the Dada Delivery Services Framework Agreement will commence on the Listing Date and end on December 31, 2023, subject to renewal upon the mutual consent of both parties.

Reasons for the transaction

It is mutually beneficial to both Dada Group and our Group for our Group to use Dada Group’s on-demand delivery services to supplement our last-mile delivery force, given (i) from our perspective, it is more cost efficient to use Dada Group’s crowd-sourced riders during peak seasons (e.g. major online shopping events such as June 18 Anniversary Sale and China’s new online shopping festival on

CONNECTED TRANSACTIONS

November 11) than to maintain a larger delivery force on our own throughout the year and (ii) from Dada Group's perspective, transactions with our Group provide them with a meaningful amount of their last-mile delivery revenue.

Our Group is not bound and will not be bound to use on-demand last-mile delivery services offered by Dada Group. Our Group also engages other third party on-demand last-mile delivery service providers to supplement delivery force, and will continue to engage other third party on-demand last-mile delivery service providers if the terms and conditions for the services provided by third party on-demand last-mile delivery service providers are more favorable to us.

Pricing policies

The on-demand delivery services provided by Dada Group include regular last-mile delivery services, in which deliveries are typically made within 4-6 hours after the orders are placed, and premium delivery services, in which deliveries are typically made within 1-2 hours after the orders are placed. During the Track Record Period, fees paid to Dada Group were primarily related to regular last-mile delivery services.

The fees Dada Group charges our Group (i) will be in the range of applicable price Dada Group charges third party customers which are strategic clients of Dada Group; or (ii) will be determined in accordance with the prevailing market rates, taking into account the volume of business from our Group as well as the delivery requirements. To ensure that the fees to be charged by Dada Group are on normal commercial terms and are fair and reasonable and in the interests of our Shareholders as a whole, our Group will, on an annual basis, engage an industry consultant or conduct researches on comparable companies to determine the applicable market rates for the services provided under the Dada Delivery Services Framework Agreement.

During the Track Record Period, the service fees to Dada Group were paid on a gross basis, in which our Group paid Dada Group the entire transaction amount and Dada Group in turn paid the riders their share of the fee. On May 13, 2021, in relation to the regular last-mile delivery services, our Group, Dada Group and an independent third party who has the contractual relationship with the regular last-mile delivery service riders, entered into tripartite arrangement ("**Net Payment Arrangement**") where, instead of paying service fees to Dada Group on a gross basis, our Group will pay (i) Dada Group a platform service fee for, among other things, publishing, matching and processing regular last-mile delivery orders with regular last-mile delivery service riders, and monitoring and managing delivery processes including potential dispute resolution and (ii) the remaining transaction amount to the independent third party, and in turn will pay the riders their shares of the fee. The total transaction amount paid by our Group in relation to the regular last-mile delivery services provided by Dada Group is expected to be the same before and after the Net Payment Arrangement, but the connected transaction amount is expected to decrease substantially after the Net Payment Arrangement. The tripartite arrangement in relation to the regular last-mile delivery services was feasible because the riders fulfilling such orders were primarily dedicated to orders from our Group. Service fees in relations to premium delivery services, which constituted only a minor portion of the service fees paid to Dada Group during the Track Record Period, will continue to be paid on a gross basis.

CONNECTED TRANSACTIONS

Historical amounts

In respect of the delivery services provided by Dada Group to our Group, the historical amounts were approximately RMB0.9 billion, RMB1.5 billion and RMB2.1 billion for the regular last-mile delivery services, and RMB3.0 million, RMB41.5 million and RMB102.6 million for the premium delivery services during the three years ended December 31, 2020, respectively.

Annual caps

The fees Dada Group shall charge us for the regular last-mile delivery services and premium delivery services shall be determined by the following formulae, respectively:

*Fees paid on a gross basis: average fee per order * number of orders*

*Platform fee paid on a net basis: average platform fee per order * number of orders*

The average fee per order Dada Group shall charge us on the number of orders shall not exceed RMB10, and the average platform fee per order shall not exceed RMB0.60.

Basis for not setting monetary annual caps

It would be unsuitable to adopt monetary annual caps for the transactions contemplated in the Dada Delivery Services Framework Agreement for the following reasons:

- Our Group utilizes Dada Group's services during peak seasons (e.g. June 18 Anniversary Sale and China's new online shopping festival on November 11). Logistics volume during peak seasons is subject to factors such as promotion strategies of e-commerce platforms and merchants which are not within our Group's control and is thus difficult to forecast with accuracy. It would be impracticable to set a monetary cap which may limit our Group's ability to procure sufficient resources to support our operations during peak seasons, which could severely impact customer experience and damage our Group's brand recognition;
- Since a meaningful portion of the transaction amount with Dada Group occurs during a few major promotional events (e.g. June 18 Anniversary Sale and China's new online shopping festival on November 11), real-time monitoring is required in order to ensure strict compliance with any monetary annual cap. It is practically impossible for our Group to monitor transaction amounts with Dada Group on a real-time basis during peak seasons; and
- Dada Group is a listed company on NASDAQ and our Group contributes a meaningful portion of Dada Group's revenue. Setting a monetary cap on the transaction amount with Dada Group on a unilateral basis may impact our Group's business relationship with a key business partner and may as a result cause disruption to our business operations and impact the interests of our Group and our Shareholders.

Listing Rules implications

We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 14A.53(1) of the Listing Rules to express annual caps for the Dada Delivery Services Framework Agreement in terms of monetary value. As the highest applicable

CONNECTED TRANSACTIONS

percentage ratio of the transactions contemplated under the Dada Delivery Services Framework Agreement for each of the three years ending December 31, 2023 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 0.1%, but less than 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

6. Payment Services Framework Agreement

Principal terms

Our Company entered into a payment services framework agreement with JD Technology on May 13, 2021 (the “**Payment Services Framework Agreement**”), pursuant to which JD Technology agreed to provide payment and ancillary services to our Group. For example, for consumers who choose cash on delivery, the pick-up stations or our Group’s delivery personnel will have to collect payment for the parcel on behalf of JD Group or online merchants (i.e. customers of our Group) and the delivery fee upon the receipt of the products. The relevant amounts are then settled with our customers through JD Technology.

The initial term of the Payment Services Framework Agreement will commence on the Listing Date and will end on December 31, 2023, subject to renewal upon the mutual consent of both parties.

Reasons for the transaction

Given that our Group provides supply chain solutions and logistics services to JD Group and a large number of JD Group’s customers, such payment services from JD Technology will ensure a consistent and superior customer experience. JD Technology is only one of the payment service providers which cooperate with our Group. With respect to the payment by customers who choose cash on delivery, such payment can be settled through other third party payment channels, such as WeChat Pay, cash or credit card.

Pricing policies

To ensure that the fees to be charged by JD Technology are on normal commercial terms and are fair and reasonable and in the interests of our Shareholders as a whole, the fees to be charged by JD Technology will be calculated with reference to the prevailing marketing rates (e.g. a commission rate with reference to market rates charged by other payment service providers, and/or the market rate charged by JD Technology to its other third party service receivers), and taking into account the volume of the business to JD Technology.

Historical amounts

With respect to the payment services provided by JD Technology for our business, the historical amounts incurred were approximately RMB110.0 million, RMB96.4 million and RMB98.2 million for the three years ended December 31, 2020, respectively.

CONNECTED TRANSACTIONS

Annual caps

With respect to the Payment Services Framework Agreement, the transaction amounts to be paid by us to JD Technology for the three years ending December 31, 2023 shall not exceed the proposed annual caps as set out in the table below:

	Proposed annual caps for the year ending December 31,		
	2021	2022	2023
	<i>(in thousands of RMB)</i>		
Transaction amount to be paid by us to JD Technology	120,000	140,000	160,000

Basis of caps

The above proposed annual caps are determined with reference to the following factors:

- The Company primarily considered: (i) the historical transaction amounts and the trend for the three years ended December 31, 2020 under the existing payment services arrangements between our Group and JD Technology; (ii) the projected growth rate of the overall e-commerce market in China; and (iii) the historical transaction amounts as a percentage of the aggregate amount of our cost of revenue, selling and marketing expenses, research and development expenses and general and administrative expenses during the Track Record Period.
- The payment service fees paid by us to JD Technology were approximately RMB110.0 million, RMB96.4 million and RMB98.2 million for the three years ended December 31, 2020, respectively. We expect the annual caps to increase in the next three years ending December 31, 2023, considering that the overall e-commerce market in China will continue to grow and there could be more consumers that will choose cash on delivery, leading to more payments to be settled through JD Technology.
- For the three years ended December 31, 2020, the payment service fees paid by us to JD Technology accounted for 0.3%, 0.2% and 0.1%, respectively, of the Company's aggregate amount of cost of revenue, selling and marketing expenses, research and development expenses, and general and administrative expenses. Given that JD Technology is one of the most popular payment services providers among the end consumers of JD Group and its customers, we expect that we will continue to cooperate with JD Technology for the payment services it offers, and the proportion of the cost to be paid by us to JD Technology as to the aggregate amount of cost of revenue, selling and marketing expenses, research and development expenses, and general and administrative expenses to be incurred by our Group for the next three years will remain relatively stable and immaterial.

Listing Rules implications

As the highest applicable percentage ratio of the transactions under the Payment Cooperation Framework Agreement for each of the three years ending December 31, 2023 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 0.1%, but less than 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

CONNECTED TRANSACTIONS

7. Shared Services Framework Agreement

Principal terms

Our Company entered into a shared services framework agreement with JD.com on May 13, 2021 (the “**Shared Services Framework Agreement**”), pursuant to which JD Group will provide to our Group certain back-office and administrative support services, including but not limited to cloud services, provision of servers, information technology support service, certain human resources services, in addition to certain shared services, including office premises sharing and leasing, canteen facilities for staff, administrative purchases and various support services.

The initial term of the Shared Services Framework Agreement will commence on the Listing Date and will end on December 31, 2023, subject to renewal upon the mutual consent of both parties.

Reasons for the transaction

The services provided under Shared Services Framework Agreement can help enhance utilization and economies of scale of JD Group’s operational support resources, which in turn, reduces the administrative costs of our Group in procuring similar services from a wide range of other providers. The Shared Services Framework Agreement will allow our Group to better leverage on the mature infrastructure and resources already built by JD Group.

Pricing policies

JD Group will not charge our Group additional service fees on the arrangement of shared services beyond the cost it incurs. Our Group shall pay JD Group the actual costs incurred during the service process including, among others, staff costs, office premises sharing, IT system maintenance, and third party service costs. We will annually review the actual costs incurred by JD Group in providing relevant services with reference to prevailing market prices of such services to ensure they are on normal commercial terms and are fair and reasonable.

Historical amounts

With respect to the administrative support provided by JD Group to our business, the historical amounts incurred were approximately RMB8.2 billion, RMB1.9 billion and RMB2.3 billion for the three years ended December 31, 2020, respectively. The decrease in the amounts incurred for the year ended December 31, 2018 compared with the year ended December 31, 2019 was mainly due to the progress of our Group’s restructuring and carve-out process. In particular, prior to our Group’s restructuring and carve-out process, certain administrative, support and other personnel dedicated to our Company had been employed by JD Group. The cost of their services are in turn charged by JD Group to our Company as service fees. During the restructuring and carve-out process, the employment contracts of these personnel began to be transferred from JD Group to our Company, resulting in a significant reduction in the shared services amount during the Track Record Period.

In February 2018, we entered into Series A Share Subscription Agreement for the Series A Preference Shares financing with certain Pre-IPO Investors. Based on the terms stipulated in the Series A Share Subscription Agreement, which became effective on February 14, 2018 (the “**Agreement Effective Date**”), pricing policies of certain related party transactions between us and JD Group were established and became effective since January 1, 2018 (the “**Pricing Policies Effective Date**”), which include supply chain solutions and logistics services, advertising and promotional services, property

CONNECTED TRANSACTIONS

leasing services, shared services and others. The pricing policies of the Shared Services Framework Agreement are substantially the same as the corresponding pricing policies in the Series A Share Subscription Agreement. For the avoidance of doubt, the abovementioned Pricing Policies Effective Date is solely for the purpose of identifying the effective date of the pricing policies of the related party transactions.

Since the Pricing Policies Effective Date of Series A Preference Shares financing, the transaction amounts in relation to provision of shared services from JD Group to our Group are derived and calculated on the agreed basis set out in the Series A Share Subscription Agreement in each year respectively.

Annual caps

With respect to the Shared Services Framework Agreement, the transaction amounts to be paid by us to JD Group for the three years ending December 31, 2023 shall not exceed the proposed annual caps as set out in the table below:

	Proposed annual caps for the year ending December 31,		
	2021	2022	2023
	<i>(in thousands of RMB)</i>		
Transaction amount to be paid by us to JD Group	2,900,000	3,600,000	4,300,000

Basis of caps

The above proposed annual caps are determined with reference to the following factors:

- The Company primarily considered: (i) the historical transaction amounts and the trend for the three years ended December 31, 2020 under the existing shared services arrangements between our Group and JD Group; and (ii) the shared service fees as a percentage of the Company's aggregate amount of cost of revenue, selling and marketing expenses, research and development expenses, and general and administrative expenses during the Track Record Period.
- The shared service fees paid by us to JD Group were approximately RMB8.2 billion, RMB1.9 billion and RMB2.3 billion for the three years ended December 31, 2020, respectively. For the next three years ending December 31, 2023, we expect the annual caps to increase, as the expected growth of the business of our Group, due to the expansion of our external customer base and the rising demand for our services, will lead to the corresponding increase in our need for various administrative and support services provided by JD Group.
- For the three years ended December 31, 2020, the shared service fees paid by us to JD Group accounted for approximately 20.1%, 3.8% and 3.1%, respectively, of the Company's aggregate amount of cost of revenue, selling and marketing expenses, research and development expenses, and general and administrative expenses. For the three years ending December 31, 2023, we expect such percentages to remain relatively stable.

Listing Rules implications

As the highest applicable percentage ratio of the transactions under the Shared Services Framework Agreement for each of the three years ending December 31, 2023 calculated for the

CONNECTED TRANSACTIONS

purpose of Chapter 14A of the Listing Rules is expected to exceed 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules, and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

8. Contractual Arrangements

Background

As disclosed in the section headed “Contractual Arrangements” in this document, due to regulatory restrictions on foreign ownership and other legal restrictions in the PRC, we conduct a portion of our business through our Consolidated Affiliated Entities, namely the Onshore Holdcos and their respective subsidiaries, in the PRC. We do not hold any equity interests in our Onshore Holdcos. The registered shareholders of the Onshore Holdco are Richard Qiangdong Liu (劉強東), Yayun Li (李姪雲) and Pang Zhang (張雱), and the registered shareholders of Guangdong Jingxi Logistics Technology Co., Ltd. (廣東京喜物流科技有限公司) are Jian Cui (崔建) and Dingkai Yu (禹定凱). The Contractual Arrangements among the WFOEs, Onshore Holdcos and the shareholders of Onshore Holdcos enable us to (i) receive substantially all of the economic benefits from the Onshore Holdcos in consideration for the services provided by the WFOEs; (ii) exercise effective control over our Consolidated Affiliated Entities through our Onshore Holdcos; and (iii) hold an exclusive option to purchase all or part of the equity interests and assets of our Onshore Holdcos when and to the extent permitted by PRC laws.

See the section headed “Contractual Arrangements” in this document for detailed terms of the Contractual Arrangements.

Listing Rules Implications

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing as certain parties to the Contractual Arrangements, namely Richard Qiangdong Liu (劉強東) and Pang Zhang (張雱), are connected persons of the Group. Richard Qiangdong Liu (劉強東) holds more than 50% of the voting power entitled to be exercised in the general meetings of JD.com, one of our Controlling Shareholders. Pang Zhang (張雱) is our non-executive Director and an employee of JD Group.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group's legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by any of our Consolidated Affiliated Entities and any member of our Group (“**New Intergroup Agreements**” and each of them, a “**New Intergroup Agreement**”) technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are

CONNECTED TRANSACTIONS

subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

WAIVERS GRANTED BY THE STOCK EXCHANGE

(5) Dada Delivery Services Framework Agreement

In relation to the Dada Delivery Services Framework Agreement, we have also applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from the announcement requirements, the circular (including the opinion and recommendation from an independent financial advisor) requirements, the independent shareholders' approval requirements, and the annual monetary cap requirements for the Dada Delivery Services Framework Agreement pursuant to Rules 14A.53 and 14A.105 of the Listing Rules, subject to the following conditions:

- (a) we will disclose in our subsequent annual and interim reports (i) a clear description of the bases for calculating the commissions charged by Dada Group under the Dada Delivery Services Framework Agreement, and (ii) the actual transaction amounts under the Dada Delivery Services Framework Agreement;
- (b) our independent non-executive Directors will review the underlying transactions entered into pursuant to the Dada Delivery Services Framework Agreement on an annual basis and confirm in our annual reports the matters set out in Rule 14A.55 of the Listing Rules;
- (c) we will comply with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules if there is any material change to the terms of the Dada Delivery Services Framework Agreement;
- (d) we will engage an external auditor to report on, among other things, transactions contemplated in the Dada Delivery Services Framework Agreement pursuant to Rule 14A.56 of the Listing Rules. We will also ensure that the auditors are allowed sufficient access to our records for the purpose of reporting on the transactions contemplated in the Dada Delivery Services Framework Agreement;
- (e) we and our Board will ensure that the relevant transactions under the Dada Delivery Services Framework Agreement are undertaken in accordance with the terms of the Dada Delivery Services Framework Agreement and will use our best endeavors to comply with such terms and the Listing Rules requirements applicable to the Dada Delivery Services Framework Agreement to the extent not waived by the Stock Exchange;
- (f) we will disclose in this document (i) the background of entering into the Dada Delivery Services Framework Agreement, (ii) the salient terms of the Dada Delivery Services Framework Agreement, (iii) the grounds of application for waivers set out in the final waiver application(s) submitted to the Stock Exchange, and (iv) our Directors' and the Joint Sponsors' views on the fairness and reasonableness of the Dada Delivery Services Framework Agreement as a whole; and
- (g) we will implement internal procedures so as to ensure that the Dada Delivery Services Framework Agreement are undertaken in accordance with the terms provided therein and the underlying transaction agreements entered into pursuant to or governed by the Dada Delivery Services Framework Agreement.

CONNECTED TRANSACTIONS

(3) Advertising and Promotional Services Framework Agreement, (4) Property Leasing Framework Agreement and (6) Payment Services Framework Agreement

In relation to the (3) Advertising and Promotional Services Framework Agreement, (4) Property Leasing Framework Agreement and (6) Payment Services Framework Agreement, since the highest applicable percentage ratio is expected to be 0.1% or more but less than 5%, the transactions contemplated thereunder are exempt from the circular (including the opinion and recommendation from an independent financial advisor) and the independent shareholders' approval requirements, but are subject to the announcement requirements under Rule 14A.35 of the Listing Rules and the annual reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules in respect of these transactions, provided that the total values of these transactions for each of the three years ending December 31, 2023 will not exceed the relevant proposed annual caps above.

(2) Supply Chain Solutions and Logistics Services Framework Agreement and (7) Shared Services Framework Agreement

In respect of the continuing connected transactions as described above under the (2) Supply Chain Solutions and Logistics Services Framework Agreement and (7) Shared Services Framework Agreement, the highest applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules for the three years ending December 31, 2023 are expected to be more than 5% on an annual basis. Accordingly, the continuing connected transactions under these framework agreements are subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

As the above continuing connected transactions are expected to be carried out on a recurring basis, our Directors consider that strict compliance with the aforesaid announcement and independent Shareholders' approval requirements will be impractical, and such requirements will lead to unnecessary administrative costs and create an onerous burden on us. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, pursuant to Rule 14A.105 of the Listing Rules, waivers from strict compliance with the announcement and independent Shareholders' approval requirements under Rule 14A.35 and Rule 14A.36 of the Listing Rules in respect of the transactions under (2) Supply Chain Solutions and Logistics Services Framework Agreement and (7) Shared Services Framework Agreement, provided that the total amount of transactions for each of the three years ending December 31, 2023 will not exceed the relevant proposed annual caps as set out in this section. Any material changes to the terms of these continuing connected transactions will be approved by independent shareholders. The independent non-executive Directors and auditors of the Company will review annually whether the transactions under the above continuing connected transactions have been entered into pursuant to the principal terms and pricing policies under the relevant framework agreements as disclosed in this section pursuant to Rules 14A.55 to 14A.59 of the Listing Rules. The confirmation from our independent non-executive Directors and our auditors will be disclosed annually according to the requirements of the Listing Rules.

CONNECTED TRANSACTIONS

The Contractual Arrangements

In respect of the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange, subject, however, to the following conditions:

(a) ***No change without independent non-executive Directors' approval***

No change to the Contractual Arrangements (including with respect to any fees payable to the WFOEs thereunder) will be made without the approval of our independent non-executive Directors.

(b) ***No change without independent Shareholders' approval***

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the independent Shareholders' approval. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will, however, continue to be applicable.

(c) ***Economic benefits flexibility***

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through (i) our Group's option (if and when so allowed under the applicable PRC laws) to acquire, all or part of the entire equity interests in the Consolidated Affiliated Entities for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations, (ii) the business structure under which the profit generated by the Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to the WFOEs by the Consolidated Affiliated Entities under the relevant exclusive business cooperation agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of the Consolidated Affiliated Entities.

(d) ***Renewal and reproduction***

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on the one hand, and the Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or

CONNECTED TRANSACTIONS

substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however, be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) ***Ongoing reporting and approvals***

We will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- The Contractual Arrangements in place during each financial reporting period will be disclosed in our Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by our Onshore Holdcos to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and Onshore Holdcos during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Company and our Shareholders as a whole.
- Our Company's auditor will carry out review procedures annually on the transactions, pursuant to the Contractual Arrangements, and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements, and that no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", our Consolidated Affiliated Entities will be treated as our Company's subsidiaries, and at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company (excluding, for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including, for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- Our Consolidated Affiliated Entities will undertake that, for so long as the Shares are listed on the Stock Exchange, the Consolidated Affiliated Entities will provide our Group's management and our Company's auditor full access to its relevant records for the purpose of our Company's auditor's review of the connected transactions.
- In addition, we have also applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance

CONNECTED TRANSACTIONS

with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated in any New Intergroup Agreements (as defined above), (ii) the requirement of setting an annual cap for the fees payable by/to any member of our Group to/from our Consolidated Affiliated Entities in any New Intergroup Agreements, and (iii) the requirement to limit the term of any New Intergroup Agreement to three years or less, for so long as Shares are listed on the Stock Exchange. The waiver is subject to the condition that the Contractual Arrangements subsist and that the consolidated affiliated entities will continue to be treated as our Company's subsidiaries, but their directors, chief executives or substantial shareholders of the consolidated affiliated entities and its associates will be treated as connected persons of our Company (excluding, for this purpose, our consolidated affiliated entities), and transactions between these connected persons and our Group (including, for this purpose, our Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules. We will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION BY DIRECTORS

Our Directors (including independent non-executive Directors) are of the view that:

- (a) the Non-Exempt Continuing Connected Transactions set out in this document (including the transactions contemplated under the Dada Delivery Services Framework Agreement) have been entered into in the ordinary and usual course of our business, on normal commercial terms or better, on terms that are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole;
- (b) the proposed annual caps of the Non-Exempt Continuing Connected Transactions set out above are fair and reasonable and in the interests of the Company and the Shareholders as a whole;
- (c) the term of the IP Licensing Framework Agreement, which is longer than three years, is in the normal business practice of our Company and is in the interests of the Company and the Shareholders as a whole and it is a normal business practice for intellectual property license agreements to be of a similar or longer duration in order to minimize the possibility of disruption of the Group's business operation and the occurrence of unnecessary costs; and
- (d) the non-monetary annual cap of the Dada Delivery Services Framework Agreement set out above is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CONNECTED TRANSACTIONS

CONFIRMATION BY THE JOINT SPONSORS

Based on the documentation, information and data (including historical figures) provided by the Company, the representations and confirmations provided by the Company and the Directors to the Joint Sponsors, and participation in due diligence and discussions, the Joint Sponsors are of the view that:

- (a) the Non-exempt Continuing Connected Transactions for which a waiver has been sought have been entered into in the ordinary and usual course of the Company's business, on normal commercial terms or better, that are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole;
- (b) the proposed annual caps of the Non-exempt Continuing Connected Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole;
- (c) it is in the normal business practice of the Company and in the interests of the Company and the Shareholders as a whole to enter into the IP Licensing Framework Agreement with a term longer than three years; and
- (d) the non-monetary annual cap of the Dada Delivery Services Framework Agreement set out above is fair and reasonable and in the interests of the Company and the Shareholders as a whole.